ATLASSIAN

Annual Report 2021

FY21 HIGHLIGHTS

200,000+

Customers

$2B+

Revenue

$765M

Free cash flow

* Free cash flow is defined as net cash provided by operating activities less capital expenditures, which consist of purchases of property and equipment.

To our shareholders, customers, partners, and all Atlassians–

We entered fiscal 2021 staring down uncertainty and bracing against headwinds. We exited fiscal 2021 in a stronger position than ever. Over the past year, we took swift, bold action to continue our evolution into a cloud-first company and further our mission of unleashing the potential of every team. As is the Atlassian way, we set out an ambitious plan, and we executed on it. We played offense throughout this difficult year. We finished fiscal 2021 proud of our resilience and what we accomplished together as a team.

Those accomplishments include surpassing $2 billion in revenue, adding 60,000 net new customers bringing our total customer base to more than 200,000, welcoming over 1,500 new Atlassians to the team, and building five new products on top of our rapidly-advancing cloud platform. We also made tremendous progress moving customers to the cloud this year, increasing the number of cloud migrations by 2x year-over-year. We're reimagining the future of work and continue to innovate in our three core markets: agile development, IT service management, and work management for all. We operate with a long-term mindset and our execution bolsters our confidence for the journey ahead of us.

As we enter fiscal 2022, the broader economic and talent environments present some fascinating challenges and opportunities. As the world digitizes, companies are realizing that technology is the true competitive advantage. Every company will either become a digital company or perish. At the same time, cheap capital is fueling this once-in-a-lifetime technology investment boom. For Atlassian, these twin forces of digital transformation and the technology boom mean the opportunities in front of us have never been greater. Hence, even more than last year, we are going to continue to play offense in fiscal 2022. We plan to keep building on our cloud migration momentum, invest to further strengthen our offerings so we can keep winning in our three addressable markets, forge human connections with each other as we figure out new ways of working in this digital-first world, and to continue executing towards our long-term goals.

We want to thank Atlassians for their resilience and determination. It's been a year of professional and personal challenges like we've never seen before. But we got through it by sticking together and are coming out stronger for it.

Thank you for your support on our journey to unleash the potential of every team.

Scott Farquhar and Mike Cannon-Brookes
Co-Founders and Co-Chief Executive Officers

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☑ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended June 30, 2021

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☐ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 001-37651

Atlassian Corporation Plc

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's name into English)

England and Wales

(Jurisdiction of incorporation or organization)

Exchange House
Primrose Street
London EC2A 2EG
c/o Herbert Smith Freehills LLP

(Address of principal executive offices)

Stuart Fagin
Deputy General Counsel
Atlassian Corporation Plc
Exchange House
Primrose Street
London EC2A 2EG
c/o Herbert Smith Freehills LLP
415.701.1110
IR@atlassian.com

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Class A Ordinary Shares	TEAM	Nasdaq Global Select Market

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: Class B Ordinary Shares

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:
As of June 30, 2021, 137,307,769 Class A Ordinary Shares and 114,609,645 Class B Ordinary Shares.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ☐ No ☑

Note — Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files. Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

† The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☑

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing: U.S. GAAP ☐ International Financial Reporting Standards as issued by the International Accounting Standards Board ☑ Other ☐

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

ANNUAL REPORT

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INTRODUCTION

All references in this annual report to “Atlassian” or the “Company,” “we,” “our,” “us” or similar terms refer to Atlassian Corporation Plc and its subsidiaries.

Our consolidated financial statements are presented in U.S. dollars. All references in this annual report to “$,” “U.S. $,” “U.S. dollars” and “dollars” mean U.S. dollars, unless otherwise noted.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements within the meaning of the federal securities laws, which statements involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “target,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “potential” or “continue” or the negative of these words or other similar terms or expressions that articulate our expectations, strategy, plans or intentions. Forward-looking statements contained in this annual report include, but are not limited to, statements about:

- Our future financial performance, including our revenues, cost of revenues, gross profit or gross margin and operating expenses;
- The sufficiency of our cash and cash equivalents to meet our liquidity needs;
- Our ability to increase the number of customers using our software;
- Our ability to attract and retain customers to use our products and solutions;
- Our ability to develop new products and enhancements to our existing products;
- Our ability to successfully expand in our existing markets and into new markets;
- Our ability to effectively manage our growth and future expenses;
- Our ability to prevent security breaches and unauthorized access to customer data;
- Our ability to maintain, protect and enhance our intellectual property;
- Our ability to grow our cloud offerings, including the impact of customers transitioning from perpetual licenses to subscription licenses;
- Our future growth and profitability;
- Our ability to comply with modified or new laws and regulations applying to our business, including privacy and data security regulations;
- Our ability to attract and retain qualified employees and key personnel;
- Future acquisitions of, or investments in, complementary companies, products, services or technologies; and
- The impact of natural disasters, climate change, diseases and pandemics, such as the novel coronavirus (“COVID-19”) pandemic, and any associated economic downturn, and political and social unrest on our results of operations and financial performance.

We caution you that the foregoing list may not contain all of the forward-looking statements made in this annual report.

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this annual report primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations and prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors described in “Risk Factors” and elsewhere in this annual report. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this annual report. The results, events and circumstances reflected in the forward-looking statements may not be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

The forward-looking statements made in this annual report relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this annual report to reflect events or circumstances after the date of this annual report or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, or investments.

PART I

Item 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

Item 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

Item 3. KEY INFORMATION

A. Selected Financial Data

The following tables summarize our selected consolidated financial and other data. We prepare our consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”), which includes all standards issued by the International Accounting Standards Board (“IASB”) and related interpretations issued by the IFRS Interpretations Committee. We derived the consolidated statements of operations data for the fiscal years ended June 30, 2021, 2020 and 2019 and the consolidated summary of financial position data as of June 30, 2021 and 2020 from our audited consolidated financial statements included elsewhere in this annual report. The selected statements of operations data for the fiscal years ended June 30, 2018 and 2017 and the consolidated statements of financial position data as of June 30, 2019, 2018 and 2017 are derived from our audited consolidated financial statements that are not included in this annual report. The selected summary data for the years ended June 30, 2021 and 2020 reflect the adoption of IFRS 16, *Leases* (“IFRS 16”). The selected summary data for the years ended June 30, 2019, 2018 and 2017 do not reflect the adoption of IFRS 16. You should read the following selected consolidated financial data in conjunction with “Item 4. Information on the Company” and our consolidated financial statements and related notes included elsewhere in this annual report.

Consolidated Statements of Operations Data:

	Fiscal Year Ended June 30,				
	2021	2020	2019	2018	2017
	(U.S. $ and shares in thousands, except per share data)				
Revenues:					
Subscription	$ 1,324,064	$ 931,455	$ 633,950	$ 410,694	$ 249,823
Maintenance	522,971	469,350	394,526	326,511	264,453
Perpetual license	84,806	95,162	93,593	83,171	74,058
Other	157,291	118,206	88,058	60,602	38,350
Total revenues	2,089,132	1,614,173	1,210,127	880,978	626,684
Cost of revenues (1) (2)	336,021	268,807	210,285	172,690	119,161
Gross profit	1,753,111	1,345,366	999,842	708,288	507,523
Operating expenses:					
Research and development (1) (2)	963,326	763,188	579,134	415,776	310,169
Marketing and sales (1) (2)	372,909	299,683	268,356	187,315	134,404
General and administrative (1)	315,242	268,409	215,714	151,242	118,784
Total operating expenses	1,651,477	1,331,280	1,063,204	754,333	563,357
Operating income (loss)	101,634	14,086	(63,362)	(46,045)	(55,834)
Other non-operating expense, net	(620,759)	(338,486)	(535,453)	(15,157)	(1,342)
Finance income	7,174	27,801	33,500	9,877	4,851
Finance costs	(122,713)	(49,610)	(40,241)	(6,806)	(75)
Loss before income tax expense	(634,664)	(346,209)	(605,556)	(58,131)	(52,400)
Income tax benefit (expense)	(61,651)	(4,445)	(32,065)	(55,301)	14,951
Net income (loss)	$ (696,315)	$ (350,654)	$ (637,621)	$ (113,432)	$ (37,449)
Net income (loss) per share attributable to ordinary shareholders:					
Basic	$ (2.79)	$ (1.43)	$ (2.67)	$ (0.49)	$ (0.17)
Diluted	$ (2.79)	$ (1.43)	$ (2.67)	$ (0.49)	$ (0.17)
Weighted-average shares outstanding used to compute net income (loss) per share attributable to ordinary shareholders:					
Basic	249,679	244,844	238,611	231,184	222,224
Diluted	249,679	244,844	238,611	231,184	222,224

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

Cost of revenues	$ 24,739	$ 19,787	$ 17,450	$ 11,955	$ 6,856
Research and development	253,328	204,150	149,049	98,609	79,384
Marketing and sales	46,978	41,960	39,303	23,605	17,395
General and administrative	60,687	47,498	51,960	28,704	33,813

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

Cost of revenues	$ 22,394	$ 29,509	$ 27,997	$ 21,188	$ 14,587
Research and development	168	166	60	—	—
Marketing and sales	9,192	12,860	28,744	36,090	15,269

Consolidated Statements of Financial Position Data:

	As of June 30,				
	2021	2020	2019	2018	2017
	(U.S. $ in thousands)				
Cash and cash equivalents	$ 919,227	$ 1,479,969	$1,268,441	$1,410,339	$ 244,420
Short-term investments	313,001	676,072	445,046	323,134	305,499
Derivative assets	127,486	327,487	215,233	99,995	3,252
Right-of-use assets, net	205,300	217,683	—	—	—
Working capital (deficit)	(726,170)	(374,993)	(287,597)	1,377,145	296,984
Total assets	2,945,344	3,894,072	2,977,258	2,421,828	1,282,117
Deferred revenue	897,595	601,005	468,820	342,871	245,195
Derivative liabilities	772,796	1,284,598	855,079	207,970	—
Exchangeable senior notes, net	348,799	889,183	853,576	819,637	—
Lease obligations	256,549	264,568	—	—	—
Total liabilities	2,650,430	3,318,766	2,411,791	1,514,508	379,424
Share capital	25,164	24,744	24,199	23,531	22,726
Total equity	294,914	575,306	565,467	907,320	902,693

Non-IFRS Financial Results

Our reported results include certain non-IFRS financial measures, including non-IFRS gross profit, non-IFRS operating income, non-IFRS net income, non-IFRS net income per diluted share, and free cash flow. Management believes that the use of these non-IFRS financial measures provides consistency and comparability with our past financial performance, facilitates period-to-period comparisons of our results of operations, and also facilitates comparisons with peer companies, many of which use similar non-IFRS or non-GAAP financial measures to supplement their IFRS or GAAP results. Non-IFRS results are presented for supplemental informational purposes only to aid in understanding our results of operations. The non-IFRS results should not be considered a substitute for financial information presented in accordance with IFRS, and may be different from non-IFRS or non-GAAP measures used by other companies.

Our non-IFRS financial measures include:

- *Non-IFRS gross profit.* Excludes expenses related to share-based compensation and amortization of acquired intangible assets;
- *Non-IFRS operating income.* Excludes expenses related to share-based compensation and amortization of acquired intangible assets;
- *Non-IFRS net income and non-IFRS net income per diluted share.* Excludes expenses related to share-based compensation, amortization of acquired intangible assets, non-coupon impact related to our exchangeable senior notes (the "Notes") and capped calls, the related income tax effects on these items, and changes in our assessment regarding the realizability of our deferred tax assets; and
- *Free cash flow.* Free cash flow is defined as net cash provided by operating activities less capital expenditures, which consists of purchases of property and equipment, and beginning in fiscal year 2020, with the adoption of IFRS 16, payments of lease obligations are also deducted.

Our non-IFRS financial measures reflect adjustments based on the items below:

- Share-based compensation;
- Amortization of acquired intangible assets;
- Non-coupon impact related to the Notes and capped calls:
    - Amortization of the Notes discount and issuance costs;
    - Mark to fair value of the Notes exchange feature;
    - Mark to fair value of the related capped call transactions;
    - Net loss on settlements of the Notes and capped call transactions.
- The related income tax effects on these items and changes in our assessment regarding the realizability of our deferred tax assets; and

- Purchase of property and equipment and payments of lease obligations.

We exclude expenses related to share-based compensation, amortization of acquired intangible assets, non-coupon impact related to the Notes and capped calls, the related income tax effects on these items, and changes in our assessment regarding the realizability of our deferred tax assets from certain of our non-IFRS financial measures as we believe this helps investors understand our operational performance. In addition, share-based compensation expense can be difficult to predict and varies from period to period and company to company due to differing valuation methodologies, subjective assumptions, and the variety of equity instruments, as well as changes in stock price. Management believes that providing non-IFRS financial measures that exclude share-based compensation expense, amortization of acquired intangible assets, non-coupon impact related to the Notes and capped calls, the related income tax effects on these items, and changes in our assessment regarding the realizability of our deferred tax assets allow for more meaningful comparisons between our results of operations from period to period.

Management considers free cash flow to be a liquidity measure that provides useful information to management and investors about the amount of cash generated by our business that can be used for strategic opportunities, including investing in our business, making strategic acquisitions, and strengthening our statement of financial position.

Management uses non-IFRS gross profit, non-IFRS operating income, non-IFRS net income, non-IFRS net income per diluted share, and free cash flow:

- As measures of operating performance, because these financial measures do not include the impact of items not directly resulting from our core operations;
- For planning purposes, including the preparation of our annual operating budget;
- To allocate resources to enhance the financial performance of our business;
- To evaluate the effectiveness of our business strategies; and
- In communications with our board of directors and investors concerning our financial performance.

We understand that although non-IFRS gross profit, non-IFRS operating income, non-IFRS net income, non-IFRS net income per diluted share and free cash flow are frequently used by investors and securities analysts in their evaluation of companies, these measures have limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our results of operations as reported under IFRS.

The following table provides reconciliations of non-IFRS financial measures to the most directly comparable financial measures calculated and presented in accordance with IFRS for the fiscal years ended June 30, 2021, 2020, 2019, 2018 and 2017. The data for the years ended June 30, 2021 and 2020 reflect the adoption of IFRS 16 on July 1, 2019. The data for the years ended June 30, 2019, 2018 and 2017 do not reflect the adoption of IFRS 16.

	Fiscal Year Ended June 30,				
	2021	2020	2019	2018	2017
	(U.S. $ and shares in thousands, except per share data)				
Gross profit					
IFRS gross profit	$ 1,753,111	$ 1,345,366	$ 999,842	$ 708,288	$ 507,523
Plus: Share-based payment expense	24,739	19,787	17,450	11,955	6,856
Plus: Amortization of acquired intangible assets	22,394	29,509	27,997	21,188	14,587
Non-IFRS gross profit	$ 1,800,244	$ 1,394,662	$1,045,289	$ 741,431	$ 528,966
Operating income					
IFRS operating income (loss)	$ 101,634	$ 14,086	$ (63,362)	$ (46,045)	$ (55,834)
Plus: Share-based payment expense	385,732	313,395	257,762	162,873	137,448
Plus: Amortization of acquired intangible assets	31,754	42,535	56,801	57,278	29,856
Non-IFRS operating income	$ 519,120	$ 370,016	$ 251,201	$ 174,106	$ 111,470
Net income					
IFRS net loss	$ (696,315)	$ (350,654)	$(637,621)	$(113,432)	$ (37,449)
Plus: Share-based payment expense	385,732	313,395	257,762	162,873	137,448
Plus: Amortization of acquired intangible assets	31,754	42,535	56,801	57,278	29,856
Plus: Non-coupon impact related to exchangeable senior notes and capped calls	723,823	371,561	567,847	19,892	—
Less: Income tax effects and adjustments	(87,417)	(88,030)	(30,243)	(2,150)	(39,864)
Non-IFRS net income	$ 357,577	$ 288,807	$ 214,546	$ 124,461	$ 89,991
Net income per share					
IFRS net loss per share - diluted	$ (2.79)	$ (1.43)	$ (2.67)	$ (0.49)	$ (0.17)
Plus: Share-based payment expense	1.51	1.27	1.05	0.68	0.59
Plus: Amortization of acquired intangible assets	0.12	0.17	0.23	0.25	0.13
Plus: Non-coupon impact related to exchangeable senior notes and capped calls	2.90	1.49	2.37	0.08	—
Less: Income tax effects and adjustments	(0.34)	(0.35)	(0.12)	(0.01)	(0.17)
Non-IFRS net income per share - diluted	$ 1.40	$ 1.15	$ 0.86	$ 0.51	$ 0.38
Weighted-average diluted shares outstanding					
Weighted-average shares used in computing diluted IFRS net loss per share	249,679	244,844	238,611	231,184	222,224
Plus: Dilution from share options and RSUs (1)	5,041	6,811	9,609	12,801	13,833
Weighted-average shares used in computing diluted non-IFRS net income per share	254,720	251,655	248,220	243,985	236,057
Free cash flow					
IFRS net cash provided by operating activities	$ 841,330	$ 574,210	$ 466,342	$ 311,456	$ 199,381
Less: Capital expenditures	(31,520)	(35,709)	(44,192)	(30,209)	(15,129)
Less: Payments of lease obligations	(44,874)	(38,125)	—	—	—
Free cash flow (2)	$ 764,936	$ 500,376	$ 422,150	$ 281,247	$ 184,252

(1) The effects of these dilutive securities were not included in the IFRS calculation of diluted net loss per share for the fiscal year ended June 30, 2021, 2020, 2019, 2018 and 2017 because the effect would have been anti-dilutive.

(2) 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.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Risks Related to Our Business and Industry

A description of the risks and uncertainties associated with our business is set forth below. You should carefully consider such risks and uncertainties, together with the other information contained in this annual report, and in our other public filings. If any such risks and uncertainties actually occur, our business, financial condition or results of operations could differ materially from the plans, projections and other forward-looking statements included elsewhere in this annual report and in our other public filings. In addition, if any of the following risks and uncertainties, or if any other risks and uncertainties, actually occur, our business, financial condition, or results of operations could be harmed substantially.

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.*
- *As a foreign private issuer, we are permitted to report our financial results under IFRS, are exempt from certain rules under the U.S. securities laws and are permitted to file less information with the SEC than a U.S. company, and our Class A ordinary shares are not listed, and we do not intend to list our shares, on any market in the United Kingdom, our country of incorporation. This may limit the information available to holders of our Class A ordinary shares.*
- *As a foreign private issuer, we are permitted to follow certain home country corporate governance practices in lieu of certain requirements under the Nasdaq listing standards. This may afford less protection to holders of our Class A ordinary shares than U.S. regulations.*
- *The rights of our shareholders may differ from the rights typically offered to shareholders of a U.S. corporation.*

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 a 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 Ownership of Our Class A Ordinary Shares

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.

Our Class B ordinary shares have ten votes per share and our Class A ordinary shares have one vote per share. As of June 30, 2021, shareholders who hold our Class B ordinary shares collectively hold approximately 89% of the voting power of our outstanding share capital and in particular, our Co-Chief Executive Officers, Michael Cannon-Brookes and Scott Farquhar, collectively hold approximately 89% of the voting power of our outstanding share capital. The holders of our Class B ordinary shares will collectively continue to control a majority of the combined voting power of our share capital and therefore be able to control substantially all matters submitted to our shareholders for approval so long as our Class B ordinary shares represent at least 10% of all of our outstanding Class A ordinary shares and Class B ordinary shares in the aggregate. These holders of our Class B ordinary shares may also have interests that differ from holders of our Class A ordinary shares and may vote in a way which may be adverse to such interests. This concentrated control may have the effect of delaying, preventing or deterring a change in control of Atlassian, could deprive our shareholders of an opportunity to receive a premium for their shares as part of a sale of Atlassian and might ultimately affect the market price of our Class A ordinary shares.

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

The market price of our Class A ordinary shares is volatile and could continue to fluctuate significantly regardless of our operating performance resulting in substantial losses for our Class A ordinary shareholders.

The trading price of our Class A ordinary shares is volatile and could continue to fluctuate significantly regardless of our operating performance in response to numerous factors, many of which are beyond our control, including:

- General economic conditions;
- Actual or anticipated fluctuations in our results of operations;
- The financial projections we may provide to the public, any changes in these projections or our failure to meet these projections;
- Failure of securities analysts to initiate or maintain coverage of Atlassian, publication of inaccurate or unfavorable research about our business, changes in financial estimates or ratings changes by any securities analysts who follow Atlassian or our failure to meet these estimates or the expectations of investors;
- Announcements by us or our competitors of significant technical innovations, new products, acquisitions, pricing changes, strategic partnerships, joint ventures or capital commitments;
- Changes in operating performance and stock market valuations of other technology companies generally, or those in our industry in particular;
- Price and volume fluctuations in the overall stock market from time to time, including as a result of trends in the economy as a whole;

- Actual or anticipated developments in our business or our competitors' businesses or the competitive landscape generally;
- Developments or disputes concerning our intellectual property or our products, or third-party proprietary rights;
- Changes in accounting standards, policies, guidelines, interpretations or principles;
- New laws or regulations, new interpretations of existing laws, or the new application of existing regulations to our business;
- Changes in tax laws or regulations;
- Any major change in our board of directors or management;
- Additional Class A ordinary shares being sold into the market by us or our existing shareholders or the anticipation of such sales;
- Arbitrage or hedging strategy by purchasers of our Notes and certain financial institutions in connection with our capped call transactions;
- Cyber-security and privacy breaches;
- Lawsuits threatened or filed against us; and
- Other events or factors, including those resulting from geopolitical risks, natural disasters, climate change, diseases and pandemics, including COVID-19, war, incidents of terrorism, or responses to these events.

In addition, the stock markets, and in particular the market on which our Class A ordinary shares are listed, have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many technology companies. Stock prices of many technology companies have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. In the past, shareholders have instituted securities class action litigation following periods of market volatility. If we were to become involved in securities litigation, it could subject us to substantial costs, divert resources and the attention of management from operating our business, and harm our business, results of operations and financial condition.

Substantial future sales of our Class A ordinary shares could cause the market price of our Class A ordinary shares to decline.

The market price of our Class A ordinary shares could decline as a result of substantial sales of our Class A ordinary shares, particularly sales by our directors, executive officers and significant shareholders, or the perception in the market that holders of a large number of shares intend to sell their shares. As of June 30, 2021, we had 137,307,769 outstanding Class A ordinary shares and 114,609,645 outstanding Class B ordinary shares.

We have also registered Class A ordinary shares that we issue under our employee equity incentive plans. These shares may be sold freely in the public market upon issuance.

Certain holders of our Class A ordinary shares and our Class B ordinary shares, including our founders, have rights, subject to certain conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or our shareholders. Sales of our Class A ordinary shares pursuant to these registration rights may make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. These sales also could cause the market price of our Class A ordinary shares to fall and make it more difficult for our investors to sell our Class A ordinary shares at a price that they deem appropriate.

The requirements of being a public company may strain our resources, divert management's attention, and affect our ability to attract and retain executive officers and qualified board members.

We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the listing requirements of Nasdaq Global Select Market and other applicable securities rules and regulations. Compliance with these rules and regulations has increased our legal and financial compliance costs, making some activities more difficult, time-consuming, and costly, and has increased demand on our systems and resources. Such demands would likely continue to increase, particularly if we were to lose our status as a "foreign private issuer" as discussed below. The Exchange Act requires, among other things, that we file annual reports with respect to our business and results of operations. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. In order to maintain and, if required, improve our disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight is required. As a result of the complexity involved in complying with the rules and regulations applicable to public companies, our management's attention may be diverted from other business concerns, which could harm our business, results of operations and financial condition. In addition, the pressures of operating a public company may divert management's attention to delivering short-term results, instead of focusing on long-term strategy.

As a public company it is more expensive for us to maintain adequate director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified executive officers and members of our board of directors.

If we are unable to maintain effective internal control over financial reporting in the future, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our Class A ordinary shares could be negatively affected.

As a public company, we are required to maintain internal controls over financial reporting and to report any material weaknesses in such internal controls. We are required to furnish a report by management on the effectiveness of our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act. If we identify material weaknesses in our internal control over financial reporting, if we are unable to comply with the requirements of Section 404 in a timely manner or assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of Class A ordinary shares could be negatively affected, and we could become subject to investigations by the stock exchange on which our securities are listed, the SEC or other regulatory authorities, which could require additional financial and management resources.

We do not expect to declare dividends in the foreseeable future.

We currently anticipate that we will retain future earnings for the development, operation and expansion of our business, and do not anticipate declaring or paying any cash dividends for the foreseeable future. Any return to shareholders will therefore be limited to the increase, if any, of our share price, which may never occur.

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.

Risks Related to being a Foreign Private Issuer or an English Company

As a foreign private issuer, we are permitted to report our financial results under IFRS, are exempt from certain rules under the U.S. securities laws and are permitted to file less information with the SEC than a U.S. company, and our Class A ordinary shares are not listed, and we do not intend to list our shares, on any market in the United Kingdom, our country of incorporation. This may limit the information available to holders of our Class A ordinary shares.

We are a "foreign private issuer," as defined in the SEC's rules and regulations and, consequently, we are not subject to all of the disclosure requirements applicable to public companies organized within the United States. For example, we are exempt from certain rules under the Exchange Act that regulate disclosure obligations and procedural requirements related to the solicitation of proxies, consents or authorizations applicable to a security registered under the Exchange Act, including the U.S. proxy rules under Section 14 of the Exchange Act. In addition, our officers and directors are exempt from the reporting and "short-swing" profit recovery provisions of Section 16 of the Exchange Act and related rules with respect to their purchases and sales of our securities.

Moreover, while we have been, and expect to continue to, voluntarily submit quarterly interim consolidated financial data to the SEC under cover of the SEC's Form 6-K, we are not required to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. public companies and are not required to file quarterly reports on Form 10-Q or current reports on Form 8-K under the Exchange Act. If some investors find our Class A ordinary shares less attractive because of these exemptions, there may be a less active trading market for our Class A ordinary shares and our share price may be more volatile.

Furthermore, our shares are not listed and we do not currently intend to list our shares on any market in the United Kingdom, our country of incorporation. As a result, we are not subject to the reporting and other requirements of companies listed in the United Kingdom. Accordingly, there will be less publicly available information concerning Atlassian than there would be if we were a public company organized in the United States.

In addition, we report our financial statements under IFRS. There have been and there may in the future be certain significant differences between IFRS and GAAP, including differences related to revenue recognition, share-based compensation expense, income tax and earnings per share. As a result, our financial information and reported earnings for historical or future periods could be significantly different if they were prepared in accordance with GAAP. As a result, it may be difficult to meaningfully compare our financial statements under IFRS with those companies that prepare financial statements under GAAP.

As a foreign private issuer, we are permitted to follow certain home country corporate governance practices in lieu of certain requirements under the Nasdaq listing standards. This may afford less protection to holders of our Class A ordinary shares than U.S. regulations.

As a foreign private issuer whose shares are listed on the Nasdaq Global Select Market, we are permitted to follow English corporate law and the Companies Act 2006 (*"Companies Act"*) with regard to certain aspects of corporate governance in lieu of certain requirements under the Nasdaq listing standards.

A foreign private issuer must disclose in its annual reports filed with the SEC each requirement under the Nasdaq listing standards with which it does not comply, followed by a description of its applicable home country practice. Our home country practices differ in significant respects from the corporate governance requirements applicable to U.S. domestic issuers listed on the Nasdaq Global Select Market and may, therefore, afford less protection to holders of our Class A ordinary shares.

We may rely on exemptions available under the Nasdaq listing standards to a foreign private issuer and follow our home country practices in the future, and as a result, our shareholders may not be provided with the benefits of certain corporate governance requirements of the Nasdaq listing standards.

We may lose our foreign private issuer status in the future, which could result in significant additional cost and expense.

In order to maintain our current status as a foreign private issuer, either (i) a majority of voting power of our shares must be either directly or indirectly owned of record by non-residents of the United States or (ii) (a) a majority of our executive officers or directors must not be U.S. citizens or residents, (b) more than 50% of our assets cannot be located in the United States, and (c) our business must be administered principally outside the United States. If we lose this status, we would be required to comply with the Exchange Act reporting and other requirements applicable to U.S. domestic issuers, which are more detailed and extensive than the requirements for foreign private issuers. We would also be required under current SEC rules to prepare our financial statements in accordance with GAAP and modify certain of our corporate governance practices in accordance with various SEC rules and the Nasdaq listing standards. The regulatory and compliance costs to us under U.S. securities laws if we are required to comply with the reporting requirements applicable to a U.S. domestic issuer will likely be higher than the cost we would incur as a foreign private issuer. As a result, we expect that a loss of foreign private issuer status would increase our legal and financial compliance costs. We also expect that if we were required to comply with the rules and regulations applicable to U.S. domestic issuers, it could make it more difficult and expensive for us to obtain director and officer liability insurance. These rules and regulations could also make it more difficult for us to attract and retain qualified members of our board of directors.

Provisions contained in our articles of association and under the laws of England may frustrate or prevent an attempt to obtain control of us.

Provisions in our articles of association, as amended and restated, may have the effect of delaying or preventing a change of control or changes in our management. Our amended and restated articles of association include provisions that:

- Specify that general meetings of our shareholders can be called only by our board of directors, the chair of our board of directors, or one of our Co-Chief Executive Officers (or otherwise by shareholders in accordance with the Companies Act); and
- Provide that vacancies on our board of directors may be filled by a majority of directors then in office, or by shareholders upon a recommendation by the directors or following specified notification procedures.

Provisions of the laws of England may also have the effect of delaying or preventing a change of control or changes in our management. The Companies Act includes provisions that:

- Require that any action to be taken by our shareholders be effected at a duly called general meeting (including the annual general meeting) and not by written consent; and
- Require the approval of the holders of at least 75% of the voting power of our outstanding shares to amend the provisions of our articles of association.

These provisions may frustrate or prevent any attempts by our shareholders to replace or remove our current management by making it more difficult for shareholders to replace members of our board of directors, which is responsible for appointing the members of our management.

In addition, because we are a public limited company whose registered office is in the United Kingdom, we may become subject to the U.K. City Code on Takeovers and Mergers ("Takeover Code"), which is issued and administered by the U.K. Panel on Takeovers and Mergers ("Takeover Panel"). The Takeover Code applies, among other things, to an offer for a public company whose registered office is in the United Kingdom and whose securities are admitted to trading on a regulated market or multilateral trading facility in the United Kingdom (and for these purposes Nasdaq does not fall within the definition of regulated market or multilateral trading facility), or to an offer for a public company whose registered office is in the United Kingdom if Atlassian is considered by the Takeover Panel to have its place of central management and control in the United Kingdom. Although we believe that the Takeover Code does not currently apply to us, the Takeover Panel will be responsible for determining whether we have our place of central management and control in the United Kingdom by looking at various factors, including the structure of our board of directors and where they are resident.

If at the time of a takeover offer the Takeover Panel determines that we have our place of central management and control in the United Kingdom, or if at that time we have our shares admitted to trading on a regulated market or multilateral trading facility in the United Kingdom (or a regulated market in one or more member states of the European Economic Area), we would be subject to a number of rules and restrictions, including, but not limited to, the following: (i) our ability to enter into deal protection arrangements with a bidder would be extremely limited; (ii) we may not, without the approval of our shareholders, be able to perform certain actions that could have the effect of frustrating an offer, such as issuing shares or carrying out acquisitions or disposals; and (iii) we would be obliged to provide equality of information to all bona-fide competing bidders.

The rights of our shareholders may differ from the rights typically offered to shareholders of a U.S. corporation.

We are incorporated under English law. The rights of holders of our Class A ordinary shares are governed by English law, including the provisions of the Companies Act, and by our articles of association. These rights differ in certain respects from the rights of shareholders in typical U.S. corporations organized under Delaware law.

Shareholders in certain jurisdictions may not be able to exercise their pre-emptive rights if we increase our share capital.

Under the Companies Act, our shareholders generally have the right to subscribe and pay for a sufficient number of our shares to maintain their relative ownership percentages prior to the issuance of any new shares in exchange for cash consideration. Shareholders in certain jurisdictions may not be able to exercise their pre-emptive rights unless securities laws have been complied with in such jurisdictions with respect to such rights and the related shares, or an exemption from the requirements of the securities laws of these jurisdictions is available. We currently do not intend to register our Class A ordinary shares under the laws of any jurisdiction other than the United States, and no assurance can be given that an exemption from the securities laws requirements of other jurisdictions will be available to shareholders in these jurisdictions. To the extent that such shareholders are not able to exercise their pre-emptive rights, the pre-emptive rights would lapse, and the proportional interests of such shareholders would be reduced.

Further, the Companies Act provides that in certain circumstances the pre-emptive rights available to shareholders can be overridden, including where there is an issue of shares for non-cash consideration or the disapplication of the pre-emptive rights is approved by shareholders by way of a special resolution (requiring approval by shareholders representing at least 75% of the total voting rights of shareholders who (being entitled to do so) vote on the resolution). Our shareholders have approved the disapplication of these pre-emptive rights for a period of five years from our fiscal year 2017 annual general meeting of shareholders, and it is anticipated that a further disapplication will be sought at the fiscal year 2022 annual general meeting of shareholders for a further five year period.

U.S. holders of our shares could be subject to material adverse tax consequences if we are considered a "passive foreign investment company" for U.S. federal income tax purposes.

We do not believe that we are a passive foreign investment company, and we do not expect to become a passive foreign investment company. However, our status in any taxable year will depend on our assets, income and activities in each year, and because this is a factual determination made annually after the end of each taxable year, there can be no assurance that we will not be considered a passive foreign investment company for the current taxable year or any future taxable years. If we were a passive foreign investment company for any taxable year while a taxable U.S. holder held our shares, such U.S. holder would generally be taxed at ordinary income rates on any sale of our shares and on any dividends treated as "excess distributions." An interest charge also generally would apply based on any taxation deferred during such U.S. holder's holding period in the shares.

U.S. investors may have difficulty enforcing civil liabilities against us, our directors, or our executive officers.

Under English law, a director owes various statutory and fiduciary duties to us, and not, except in certain limited circumstances, to shareholders. This means that under English law generally we, rather than the shareholders, are the proper claimant in an action in respect of a wrong done to us by a director. Notwithstanding this general position, the Companies Act provides that a court may allow a shareholder to bring a derivative claim, which is an action in respect of and on behalf of us, in respect of a cause of action arising from a director's negligence, default, breach of duty or breach of trust. The ability to bring a derivative claim is, however, subject to compliance with a number of procedural requirements, which may in practice be difficult for shareholders to comply with.

We are a public limited company incorporated under the laws of England. Certain of our directors and executive officers reside outside the United States. In addition, a substantial portion of our assets and a substantial portion of the assets of such directors and executive officers, are located outside the United States. As a result, it may be difficult for an investor to serve legal process on us or our directors and executive officers or have any of them appear in a U.S. court.

It may not be possible to bring proceedings or enforce a judgment of a U.S. court in respect of civil liabilities predicated on the U.S. federal securities laws in England. English courts will not enforce, either directly or indirectly, a penal, revenue or other public law of a foreign state. In addition, awards of punitive damages in actions brought in the U.S. or elsewhere may be unenforceable in England. An award of damages is usually considered to be punitive if it does not seek to compensate the claimant for loss or damage suffered and is instead intended to punish the defendant. In addition to public policy aspects of enforcement, the enforceability of any judgment in England will depend on the particular facts of the case such as the nature of the judgment and whether the English court considered the U.S. court to have had jurisdiction. It will also depend on the laws and treaties in effect at that time. The United States and the United Kingdom do not currently have a treaty or convention providing for the reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Therefore, to enforce a judgment of a U.S. court, the party seeking to enforce the judgment must bring an action at common law in respect of the amount due under the judgment.

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.

Item 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

Corporate Information

Atlassian Corporation Plc was incorporated and registered in the United Kingdom in November 2013 as a public company limited by shares. Our registered office is located at Exchange House, Primrose Street, London EC2A 2EG, c/o Herbert Smith Freehills LLP. Our 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.

Atlassian Corporation Plc is a holding company and we conduct substantially all of our business through certain of our subsidiaries, including Atlassian Pty Ltd and Atlassian, Inc.

The principal laws and legislation under which we operate and under which the Class A ordinary shares and Class B ordinary shares are issued is the Companies Act and the regulations made thereunder.

In July 2020, we acquired Mindville AB (“Mindville”), an asset and configuration management company based in Sweden. With the acquisition of Mindville, Atlassian brought critical configuration management database capabilities to Jira Service Management to better meet the needs of its IT customers. The consideration was 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 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. 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 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 brought an analytics and data visualization solution to Atlassian's products, including Jira Software, Jira Align and Jira Service Management. The consideration was comprised of approximately $45.0 million in cash and $0.6 million in equity.

The SEC maintains an Internet site at www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. Our website address is atlassian.com. The information contained on our website is not part of this annual report.

B. 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.

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:

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 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.

Key Technologies and Capabilities

Our products and technology infrastructure are designed to provide simple-to-use and versatile products with industry-standard security and data protection that scales to organizations of all sizes, from small teams to large organizations with thousands of users. Maintaining the security and integrity of our infrastructure is critical to our business. As such, we leverage standard security and monitoring tools to ensure performance across our network.

The Atlassian Cloud Platform

Our products are built upon a platform of shared components and services that provide a common system for user management, add-ons, search, user interfaces and more. Our strategy is to build more common services and functionality shared across our platform. This approach allows us to develop and introduce new products faster, as we can leverage common foundational services that already exist. This also allows our products to more seamlessly integrate with one another, and provides customers better experiences when using multiple products.

One component of our platform is the Atlassian User Interface ("AUI"), a library of JavaScript, CSS, templates and other resources for quickly creating interfaces that conform to Atlassian design guidelines. AUI is integrated into our products, and is also available externally so third-party developers can build products that conform to our interface specifications.

Atlassian Connect

Open APIs and extensibility have been a hallmark of our products for many years. We offer a broad set of representational state transfer (REST)-based APIs to interact with many of our products, features and data. Atlassian Connect is a framework to build apps for our products. An app may be an integration with another existing service, a set of new features for an Atlassian application, or an entirely new product that runs within an application. Atlassian Connect add-ons operate remotely over HTTP and can be written with any programming language and web framework.

Atlassian Connect apps must conform to a set of approval guidelines administered by us and can be publicly offered by third parties and sold via the Atlassian Marketplace.

The Atlassian Marketplace and Ecosystem

The Atlassian Marketplace is a hosted online marketplace for free and purchasable apps to our products. The Atlassian Marketplace offers thousands of apps from a large and growing ecosystem of third-party vendors and developers.

We offer the Atlassian Marketplace to customers to simplify the discovery and purchase of add-on capabilities for our products and to third-party vendors and developers to more easily reach our customer base, and to simplify license management and renewals. In fiscal year 2021, the Atlassian Marketplace generated over $500 million in purchases.

In September 2020, we announced the launch of Atlassian Ventures, with $50 million in initial funding. Atlassian Ventures will make investments in the developer ecosystem, including cloud apps in the Atlassian Marketplace, integrations with our product suite, and deeper strategic partnerships that create shared customer value.

In May 2021, we announced the general availability of Forge, our next-generation cloud app development platform designed to future-proof how Atlassian cloud products are customized, extended, and integrated. Developers can rely on Forge's hosted infrastructure, storage, and function-as-a-service to build new cloud apps for themselves or for the Atlassian Marketplace.

Marketing

Our go-to-market approach is driven by the strength and innovation of our products and organic user demand. Our model focuses on a land-and-expand strategy, automated and low-touch customer service, superior product quality, and disruptive pricing. We make our products free to try and easy to set up, which facilitates rapid and widespread adoption of our software. Our products are built for teams, and thus have natural network effects that help them spread virally, through word-of-mouth, across teams and departments. This word-of-mouth marketing increases as more individual users and teams discover our products.

Our marketing efforts focus on growing our company brand, building broader awareness and increasing demand for each of our products. We invest in brand and product promotion, demand generation through direct marketing and advertising, and content development to help educate the market about the benefits of our products. We also leverage insights gathered from our users and customers to improve our targeting and ultimately the return-on-investment from our marketing activities. Data-driven marketing is an important part of our business model, which focuses on continuous product improvement and automation in customer engagement and service.

Sales

Our website is our primary forum for sales, and supports thousands of commercial transactions daily. We share a wide variety of information directly with prospective customers, including detailed product information and product pricing. Our sales model focuses on enabling customer self-service, data-driven targeting and automation. As a result, we do not rely primarily on a traditional, commissioned direct sales force. We focus on allowing purchasing to be completed online through an automated, easy-to-use web-based process that permits payment using a credit card or bank/wire transfer. We augment these continuously-improving processes with a customer service team to help customers where needed and a sales team that focuses on expanding the relationships with our largest customers.

We also have a global network of solution partners with unique expertise, services and products that complement the Atlassian portfolio, such as deployment and customization services, localized purchasing assistance around currency, and language and specific in-country compliance requirements. Sales programs consist of activities and teams focused on supporting our solution partners, tracking channel sales activity, supporting and servicing our largest customers by helping optimize their experience across our product portfolio, helping customers expand their use of our products across their organizations and helping product evaluators learn how they can use our tools most effectively.

Community and Ecosystem

We are deeply committed to our global community, with over 25,000 third-party developers on the Atlassian platform and a network of over 600 solution partners. We foster a sense of community with our users through our Atlassian Community Events ("ACE") program, where users can meet at customer and developer events, including Atlassian Team, and Atlassian Community, our online community which features user-generated questions and answers with in-depth discussion of our products. While these events are typically held in-person, as a result of the COVID-19 pandemic, we have adjusted the format of various events to be hosted virtually in accordance with local public health guidelines.

ACEs are community-led meetups held around the world that we sponsor and are run by a network of enthusiastic and committed customers who develop an agenda covering wide-ranging topics for users to discuss together.

Atlassian Team is our flagship user event where our users can engage and learn from thousands of other users and hundreds of product experts. We use the event to share future product themes, deeper how-tos and customer-lead best practices. The event also features product demos and training courses and is a large networking opportunity for customers to meet each other, our partner ecosystem, and our employees.

We also hold developer events which provide an opportunity for the developer community to enhance their skills and knowledge of our products, including the integration capabilities of our platform, and meet with product specialists.

Customer Support and Services

We focus on designing products that are easy to set up, adopt, and use without support. We provide maintenance and support for all of our licensed customers through our global, multi-channel technical support and services group. Customers are entitled to technical support through an active subscription to our cloud products, or through an active annual maintenance agreement for our on-premises products. This maintenance and support provides customers with new features and improvements, and 24x7 access to our phone and online support teams.

Our automated support services enable our customers to help themselves and include the following resources:

- **Technical Documentation -** Users can access documentation and instruction for all versions of our products.
- **Knowledge Base -** We offer troubleshooting and how-to tips for all of our products, with links to all our product-specific knowledge bases.
- **Atlassian University -** Atlassian University offers step-by-step interactive tutorials and videos that instruct users and admins on how to use our product.
- **Over-the-web Hands-on Training -** Webinars, led by our skilled training instructors, teach users how to use each product.

- **Atlassian Community -** Atlassian Community is our online community for users to ask questions and provide answers and contribute in-depth discussions on our products and features.
- **Purchasing FAQ -** We offer a simple guide to the online purchasing and account management service.

We also offer premier hands-on support from a team of dedicated senior support engineers and technical account managers who act as a single point of contact for our support, product and engineering teams.

Further customized support and professional services are provided through Atlassian solution partners. We have over 600 solution partners worldwide dedicated to handling specific needs of our customers, such as translating documentation, providing on-site demos or training, building add-ons, tuning deployments, assisting with complex enterprise solutions, and providing setup or agile-based coaching. Our solution partners specialize in environment integrations and customizations and work with some of our largest customers to conduct hands-on system integrations, deployments, and upgrades.

Competition

Our products serve teams of all shapes and sizes in every industry, from software and technical teams, to IT and service teams, to a broad array of business teams.

Our competitors range from large technology vendors to new and emerging businesses in each of the markets we serve:

- **Software Teams -** Our competitors include large technology vendors, including Microsoft (including GitHub) and IBM, and smaller companies like Gitlab that offer project management, collaboration and developer tools.
- **IT Teams -** Our competitors range from cloud vendors, including ServiceNow, salesforce.com, PagerDuty, Zendesk and Freshworks, to legacy vendors such as BMC Software (Remedy) that offer service desk solutions.
- **Business Teams -** Our competitors range from large technology vendors, including Microsoft and Google, that offer a suite of products, to smaller companies like Asana, Monday.com and Smartsheet, which offer point solutions for team collaboration.

In most cases, due to the flexibility and breadth of our products, we co-exist alongside many of our competitors' products within our own customer base, such as Microsoft, Gitlab and Asana.

The principal competitive factors in our markets include product capabilities, flexibility, total cost of ownership, ease of access and use, performance and scalability, integration, customer satisfaction and global reach. Our product strategy, distribution model and company culture allow us to compete favorably on all these factors. Through our focus on research and development we are able to rapidly innovate, offer a breadth of products that are easy to use yet powerful, are integrated and delivered through multiple deployment options from cloud, to highly scalable data center solutions. Our high-velocity, low-friction online distribution model allows us to efficiently reach customers globally, and we complement this with our network solution partners and sales teams that focus on expansion within our largest customers. Our culture enables us to focus on customer success through superior products, transparent pricing and world-class customer support.

Employees

Our employees are our greatest asset and we strive to foster a collaborative, productive and fun work environment. As of June 30, 2021, 2020 and 2019 we had 6,433, 4,907, and 3,616 employees, respectively.

C. Organizational Structure

Atlassian Corporation Plc is a holding company and we conduct substantially all of our business through certain of our subsidiaries. As of June 30, 2021, our subsidiaries, all of which are wholly-owned, are as follows:

Name	Country of Incorporation
Atlassian (UK) Limited	United Kingdom, United States of America
Atlassian (UK) Holdings Limited	United Kingdom, United States of America
Atlassian (Australia) Limited	United Kingdom, United States of America
Atlassian (UK) Operations Limited	United Kingdom
Atlassian, Inc.	United States of America
Atlassian Network Services, Inc.	United States of America
Dogwood Labs, Inc.	United States of America
Trello, Inc.	United States of America
AgileCraft LLC	United States of America
OpsGenie, Inc.	United States of America
Opsgenie Yazılım Anonim Şirketi	Turkey
iFountain, LLC	United States of America
Halp, Inc.	United States of America
Atlassian Australia 1 Pty Ltd	Australia
Atlassian Australia 2 Pty Ltd	Australia
Atlassian Corporation Pty. Ltd.	Australia
Atlassian Pty Ltd	Australia
Good Software Co. Pty Ltd	Australia
Code Barrel Pty Ltd	Australia
Lead Green Pty Ltd	Australia
Lead Green Trust	Australia
Vertical First Pty Ltd	Australia
Vertical First Trust	Australia
Atlassian Capital Pty. Ltd.	Australia
MITT Australia Pty Ltd	Australia
MITT Trust	Australia
Atlassian Holdings B.V.	Netherlands
Atlassian K.K.	Japan
Atlassian Germany GmbH	Germany
Atlassian Philippines, Inc.	Philippines
Atlassian France SAS	France
Atlassian B.V.	Netherlands
Atlassian Canada Inc.	Canada
Atlassian India LLP	India
Mindville AB	Sweden
Riada Germany GmbH	Germany
Mindville Technology Canada LTD	Canada
Atlassian New Zealand	New Zealand
Atlassian Poland sp z o.o.	Poland
Chart.io, Inc.	United States of America
ThinkTilt Pty Ltd	Australia

D. Property, Plant and Equipment

As of June 30, 2021, our principal offices consist of approximately 260,000 and 277,000 square feet of leased office facilities in Sydney, Australia and the San Francisco Bay Area, California, United States, respectively. We also lease other office facilities around the world, including Austin, Texas; New York, New York; and Boston, Massachusetts, in the United States; the Netherlands; Japan; the Philippines; India; Poland; Sweden; and Turkey.

In February 2020, we entered into lease agreements for approximately 158,000 square feet of office space in a building under construction in Austin, Texas, United States. We expect to begin occupying 82,000 square feet and 76,000 square feet of this space in fiscal years 2022 and 2023, respectively.

We believe that suitable additional or alternative space will be available as needed to accommodate our growth if we require additional space.

Item 4A. Unresolved Staff Comments

Not applicable.

Item 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Our mission is to unleash the potential of every team.

Our products help teams organize, discuss and complete their work — delivering superior outcomes for their organizations.

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.

To reach this expansive market, we primarily distribute and sell our products online without traditional sales infrastructure where our customers can get started in minutes without the need for assistance. We focus on enabling a self-service, low-friction model that makes it easy for customers to try, adopt and use our products. By making our products simple, powerful, affordable and easy to adopt, we generate demand from word-of-mouth and viral expansion within organizations.

Our culture of innovation, transparency and dedication to customer service drives our success in implementing and refining this unique approach. We believe this approach creates a self-reinforcing effect that fosters innovation, quality, customer happiness, 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.

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.

In July 2020, we acquired Mindville, an asset and configuration management company based in Sweden. With the acquisition of Mindville, Atlassian brought critical configuration management database capabilities to Jira Service Management to better meet the needs of its IT customers. The consideration was 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 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. 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 brought an analytics and data visualization solution to Atlassian's products, including Jira Software, Jira Align and Jira Service Management. The consideration was comprised of approximately $45.0 million in cash and $0.6 million in equity.

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.

For more information about net cash provided by operating activities, please see “Liquidity and Capital Resources.”

A. 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	Fiscal Year Ended June 30, 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	Fiscal Year Ended June 30, 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.

B. Liquidity and Capital Resources

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. Since our inception, we have primarily financed our operations through cash flows generated by operations.

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)

Cash provided by operating activities has historically been affected by the amount of net loss adjusted for non-cash expense items such as depreciation and amortization, depreciation of right-of-use assets, non-coupon impact related to the Notes and capped calls and expense associated with share-based awards, the timing of employee-related costs such as bonus payments, collections from our customers, which is our largest source of operating cash flows, income tax payment and changes in other working capital accounts.

Accounts impacting working capital consist of trade receivables, prepaid expenses and other current assets, trade and other payables, current provisions, and current deferred revenue. Our working capital may be impacted by various factors in future periods, such as billings to customers for subscriptions, licenses and maintenance services and the subsequent collection of those billings or the amount and timing of certain expenditures.

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 feature of the Notes and related capped calls and the partial settlements of the Notes and capped calls 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 exchange feature of the Notes and related capped calls 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.

Net cash provided in investing activities during the fiscal year ended June 30, 2021 was $256.6 million. This was primarily related to cash received from maturing investments which totaled $455.0 million and proceeds from sales of investments of $48.8 million, offset by purchases of investments totaling $119.4 million, cash paid for business combinations, net of cash acquired, totaling $91.6 million and capital expenditures totaling $31.5 million.

Net cash used in investing activities during the fiscal year ended June 30, 2020 was $318.9 million. This was primarily related to purchases of investments totaling $985.9 million, cash paid for business combinations, net of cash acquired, totaling $53.2 million and capital expenditures totaling $35.7 million, offset by cash received from maturing investments which totaled $513.3 million and proceeds from sales of investments of $245.5 million.

Net cash used in financing activities for the fiscal year ended June 30, 2021 was $1,654.8 million and was primarily related to settlement of the Notes for an aggregate consideration of $1,803.2 million in cash, payments of lease obligations of $44.9 million, coupon interest payments on the Notes of $6.5 million, payments of issuance costs for the Credit Facility of $4.4 million, offset by net proceeds from settling the corresponding portion of our existing capped calls for $203.1 million and proceeds from exercises of employee share options of $1.2 million.

Net cash used by financing activities for the fiscal year ended June 30, 2020 was $42.6 million and was primarily related to payments of lease obligations of $38.1 million, coupon interest payments on the Notes of $6.3 million, offset by proceeds from exercises of employee share options of $1.8 million.

Liquidity and Material Cash Requirements

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 repaid 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.

We believe that our existing cash and cash equivalents, together with cash generated from operations, and borrowing capacity from the Credit Facility will be sufficient to meet our anticipated cash needs for at least the next 12 months. Our future cash 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 settlements of the Notes for cash payments, the introduction of new software and services offerings, enhancements to our existing software and services offerings and the continued market acceptance of our products.

Critical Accounting Polices

We prepare our consolidated financial statements in accordance with IFRS, which includes all standards issued by the IASB and related interpretations issued by the IFRS Interpretations Committee. The preparation of the consolidated financial statements requires us to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, contingent liabilities, revenues, and expenses. We base our judgments and estimates on historical experience and on other various factors we believe to be reasonable under the circumstances, and we evaluate these estimates on an ongoing basis. 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.

While our significant accounting policies are more fully described in Note 2, *"Summary of Significant Accounting Policies"* to the notes to our consolidated financial statements, the following accounting policies involve a greater degree of judgment and complexity. Accordingly, these are the accounting policies we believe are the most critical to aid in fully understanding and evaluating our financial condition and results of operations.

Revenue recognition

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 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,"* to the notes to our consolidated financial statements.

Subscription revenues

Subscription revenues consist primarily of fees earned from subscription-based arrangements for providing customers the right to use our software in a cloud-based-infrastructure that we provide. We also sell on-premises term license agreements for our Data Center products, which 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 denter 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.

Business combinations

We include the results of operations of the businesses that we acquire beginning from the acquisition date. We allocate the purchase price of our acquisitions to 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 curve, 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, we 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. We continue to collect information and reevaluate these provisional estimates and assumptions as deemed reasonable by management. We record 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.

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 our fiscal year and when circumstances indicate that the carrying value may be impaired. We perform our annual goodwill impairment test at the level of our 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 subject to amortization 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, we assess 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, we estimate 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.

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.

Taxation

Current tax

Current income tax assets and/or liabilities comprise amounts expected to be recovered or paid to Her Majesty's Revenue & Customs ("HMRC"), the Australian Taxation Office, the United States Internal Revenue Service ("IRS") 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

We use 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 we are 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 our 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 we intend to settle our 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 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.

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. We do not expect them to have a material impact on our accounting policies.

C. Research and Development, Patents and Licenses, etc.

Research and Development

Our research and development organization is primarily responsible for design, development, testing and delivery of our products and platform. It is also responsible for our customer services platforms, including billing and support, our Marketplace platform, and marketing and sales systems that power our automated distribution model.

As a company, we prioritize research and development above all other operating investments. Over the last two fiscal years, we invested $1,269.0 million in research and development activities, excluding share-based compensation, translating to 34.3% of the revenue generated over the same period. During this period, we released new versions, features, and cloud platform capabilities to drive existing customer success and expansion as well as attract new customers to our products.

As of June 30, 2021, over 50% of our employees were involved in research and development activities. Our research and development organization is primarily distributed across seven locations: Sydney, Australia, the San Francisco Bay Area, California, New York, New York, Austin, Texas, Bengaluru, India, Gdansk, Poland, and Ankara, Turkey.

Our research and development organization consists of flexible and dynamic teams that follow agile development methodologies to enable rapid product releases across our various platforms: cloud, server and data center. In addition to investing in our internal development teams, we invest heavily in our developer ecosystem to enable external software developers to build features and solutions on top of our platform. Given our relentless focus on the customer, we work closely with our customers to develop our products, and have designed a development process that incorporates the feedback that matters most from our users. From maintaining an active online community to measuring user satisfaction for our products, we are able to address our users' greatest needs.

Intellectual Property

We protect our intellectual property through a combination of trademarks, domain names, copyrights, trade secrets and patents, as well as contractual provisions and restrictions governing access to our proprietary technology.

We registered ''Atlassian'' as a trademark in the United States, Australia, the EU, Russia, China, Japan, Switzerland, Norway, Singapore, Israel, Korea, and Canada. We have also registered or filed for trademark registration of product-related trade names and logos in the United States, Australia, the EU, Brazil, Russia, India, and China, and certain other jurisdictions, and will pursue additional trademark registrations to the extent we believe it would be beneficial and cost effective.

As of June 30, 2021, we had 219 issued patents and have over 261 applications pending in the United States. We also have a number of patent applications pending before the European Patent Office. These patents and patent applications seek to protect proprietary inventions relevant to our business. We intend to pursue additional patent protection to the extent we believe it would be beneficial and cost effective.

We are the registered holder of a variety of domain names that include ''Atlassian'' and similar variations.

In addition to the protection provided by our registered intellectual property rights, we protect our intellectual property rights by imposing contractual obligations on third parties who develop or access our technology. We enter into confidentiality agreements with our employees, consultants, contractors and business partners. Our employees, consultants and contractors are also subject to invention assignment agreements, pursuant to which we obtain rights to technology that they develop for us. We further protect our rights in our proprietary technology and intellectual property through restrictive license and service use provisions in both the general and product-specific terms of use on our website and in other business contracts.

D. Trend Information

We operate with a long-term mindset to drive durable growth measured over decades.

We introduced free cloud editions across our core products - Jira Software, Confluence and Jira Service Management - to make it easier for teams to try and use our products. We also introduced Atlassian Cloud Enterprise, to provide enhanced capabilities to fit the needs of customers of any size. These editions are the direct result of our multi-year investment in our cloud platform.

Migrating our larger customers to the cloud is one of our most important priorities over the next several years. Consistent with our strategy, our server business is expected to contract. As a result, we expect perpetual license revenue to continue to decline. Maintenance revenue is expected to decline as server customers migrate to our cloud and data center offerings. Subscription revenue is expected to increase and continue to be our primary driver of revenue growth.

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 will continue investing to pursue the large market opportunities ahead of us, despite macroeconomic headwinds and slower revenue growth. We expect to invest in additional personnel as we scale, with the majority in research and development. Effective April 2021, we removed the one-year cliff for our ongoing RSU grants to existing employees, which will vest evenly over four years on a quarterly basis. We expect our share-based payment expenses to increase in the fiscal year ending June 30, 2022 as we continue to invest in our team and additional personnel. We plan to continue to invest in our platform, cloud services, migration tools, new product initiatives, and enhancements across the cloud portfolio. We expect our operating income and operating cash flow to decrease in the fiscal year ending June 30, 2022.

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the current fiscal year that are reasonably likely to have a material effect on our revenues, income, profitability, liquidity or capital reserves, or that caused the disclosed financial information to be not necessarily indicative of future results of operations or financial conditions.

E. Critical Accounting Estimates

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.

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.

F. Contractual Obligations and Commitments

Our principal contractual obligations primarily consist of obligations under our Notes, leases for office space, contractual commitments for hosting services and capital purchase obligations for the construction or purchase of property and equipment.

At June 30, 2021, contractual obligations were as follows:

	Payments Due by Period				
	Total	Less than 1 year	1 to 3 years	3 to 5 years	After 5 years
	(U.S. $ in thousands)				
Exchangeable senior notes (1)	$1,109,593	$1,109,593	$ —	$ —	$ —
Lease obligations (2)	282,423	48,297	77,768	65,227	91,131
Obligations for leases that have not yet commenced	88,855	$ 1,438	12,432	14,224	60,761
Purchase obligations	114,060	57,393	56,667	—	—
Capital purchase obligations	11,076	11,076	—	—	—
Total	$1,606,007	$1,227,797	$ 146,867	$ 79,451	$ 151,892

(1) As of June 30, 2021, the closing price exchange condition of the Notes was met and the Notes and exchange derivative liability are classified as current on our consolidated statements of financial position and may be due in less than one year. The amount related to the Notes represent the if-exchanged value using stock price as of June 30, 2021. Refer to Note 16, "*Debt*" to the notes to our consolidated financial statements for more details on the Notes.

(2) Lease obligations represent undiscounted lease payments excluding certain low-value and short-term leases. For further information, refer to Note 12, "*Leases,*" to the notes to our consolidated financial statements.

G. Safe Harbor

See "Special Note Regarding Forward-Looking Statements."

Item 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

The following table sets forth information for our directors and executive officers, including their ages as of June 30, 2021. Unless otherwise stated, the address for our non-employee directors and executive officers, other than Messrs. Cannon-Brookes and Farquhar, is 350 Bush Street, Floor 13, San Francisco, California 94104. The address for Messrs. Cannon-Brookes and Farquhar is Level 6, 341 George Street, Sydney, NSW, 2000, Australia.

Name	Age	Position
Executive Officers and Employee Directors:		
Michael Cannon-Brookes	41	Co-Founder, Co-Chief Executive Officer and Director
Scott Farquhar	41	Co-Founder, Co-Chief Executive Officer and Director
James Beer	60	Chief Financial Officer
Erika Fisher	36	Chief Administrative Officer and General Counsel
Sri Viswanath	46	Chief Technology Officer
Cameron Deatsch	40	Chief Revenue Officer
Non-Employee Directors:		
Shona L. Brown (1)	55	Director and Chair
Heather Mirjahangir Fernandez (2)(3)	45	Director
Sasan Goodarzi (1)	53	Director
Jay Parikh (1)	48	Director
Enrique Salem (2)(3)	55	Director
Steven Sordello (2)	52	Director
Richard P. Wong (3)	52	Director

(1) Member of the Compensation and Leadership Development Committee.

(2) Member of the Audit Committee.

(3) Member of the Nominating and Corporate Governance Committee.

Each executive officer serves at the discretion of our board of directors and holds office until their successor is duly elected and qualified or until their earlier resignation or removal. There are no family relationships among any of our directors or executive officers and no arrangement or understanding with major shareholders, customers, suppliers or others, pursuant to which any directors or executive officers were selected as a director or member of senior management.

Executive Officers and Employee Directors

Michael Cannon-Brookes co-founded Atlassian and has served as our Co-Chief Executive Officer and as a member of our board of directors since October 2002. Mr. Cannon-Brookes has also served as an adjunct professor of computer science & engineering at the University of New South Wales, Australia since April 2014. Mr. Cannon-Brookes holds a Bachelor of Commerce in information systems from the University of New South Wales, Australia.

Scott Farquhar co-founded Atlassian and has served as our Co-Chief Executive Officer and as a member of our board of directors since October 2002 and as chair of our board of directors from December 2016 to April 2018. Mr. Farquhar holds a Bachelor of Science in business information technology from the University of New South Wales, Australia.

James Beer has served as our Chief Financial Officer since February 2018. Before joining Atlassian, Mr. Beer served as Executive Vice President and Chief Financial Officer of McKesson Corporation, a Fortune 10 healthcare services and information technology company. Between 2006 and 2013, Mr. Beer was Executive Vice President and Chief Financial Officer of Symantec Corporation, a cybersecurity company, where he managed the worldwide finance organization. Previous to his work at Symantec, Mr. Beer was Chief Financial Officer of AMR Corp. and American Airlines, AMR's principal subsidiary. Mr. Beer holds a Bachelor of Science degree in Aeronautical Engineering from Imperial College, London University, and a Master of Business Administration from Harvard Business School. Mr. Beer currently serves on the board of directors for Alaska Air Group, parent company of Alaska Airlines, and DocuSign, Inc., an e-signature solutions company.

Erika Fisher has served as our Chief Administrative Officer since September 2020 and as our General Counsel since July 2019. Ms. Fisher joined Atlassian in April 2016 and has served in several leadership roles during that time, including commercial and product counsel, as well as Head of Privacy. She also sits on the board of the Business Software Alliance. Prior to joining Atlassian, Ms. Fisher spent several years in private practice at Weil, Gotshal & Manges LLP and Goodwin Procter LLP. Her practice focused on advising early stage, high growth companies in licensing and technology transactions. Ms. Fisher holds a Juris Doctorate from the University of Pennsylvania where she was awarded the Silverman-Rodin merit scholarship, a Certificate in Business and Public Policy from the Wharton School, and a bachelor's degree in art history and political science from the University of Miami, where she was awarded the Foote Fellows merit scholarship.

Sri Viswanath has served as our Chief Technology Officer since January 2016. From April 2013 to December 2015, Mr. Viswanath served as Chief Technology Officer and Senior Vice President of Product and Engineering at Groupon, Inc., a global local commerce company. From September 2012 to April 2013, Mr. Viswanath was the Vice President of Research and Development for mobile computing at VMware, a provider of cloud and virtualization software and services. From September 2009 to November 2011, Mr. Viswanath served as Senior Vice President of Engineering at Ning, Inc., an online SaaS platform company, which was acquired in November 2011 by Glam Media, a media company, where he became Senior Vice President of Engineering and General Manager of publisher products from November 2011 to August 2012. From 1999 to July 2008, Mr. Viswanath led the development of a number of open-source and business-to-business products at Sun Microsystems. Mr. Viswanath is currently a director of Splunk Inc., a company that produces software for searching, monitoring, and analyzing machine-generated big data. Mr. Viswanath holds a Master of Science in computer science from Clemson University and a Master of Science in management from Stanford University.

Cameron Deatsch has served as our Chief Revenue Officer since March 2020. From October 2012 to March 2020, Mr. Deatsch served multiple roles at Atlassian, including Senior Director of Advocacy, Head of Server Business, Head of Corporate Development, Head of Server and Enterprise Marketing and Head of Growth and Online Sales. From June 2008 to August 2010, Mr. Deatsch served as a Product Marketing Manager at Jive Software and became their Senior Director of Marketing from June 2010 to October 2012. Mr. Deatsch holds a Master of Business Administration from the University of Montana and a Bachelor of Science in Electrical Engineering from University of California, Davis.

Non-Employee Directors

Shona L. Brown has served on our board of directors since November 2015 and as chair of our board of directors since April 2018. Dr. Brown is currently an independent advisor. She served as a senior advisor to Google Inc., an Internet search and technology company, from January 2013 until November 2015. From April 2011 to December 2012, Dr. Brown served as Senior Vice President of Google.org, Google's charitable organization. From 2003 to 2011, Dr. Brown served as Vice President and later as Senior Vice President, Business Operation of Google Inc. From 1995 to 2003, Dr. Brown was a consultant at McKinsey & Company, where she served as a partner from 2000 to 2003. Dr. Brown is currently a director of PepsiCo, Inc., a food and beverage company, and DoorDash, Inc., a logistics company, as well as several non-profit organizations. Dr. Brown holds a Bachelor of Computer Systems Engineering from Carleton University, a Master of Arts in philosophy and economics from Oxford University, and a Ph.D. in industrial engineering and industrial management from Stanford University.

Heather Mirjahangir Fernandez has served on our board of directors since November 2015. Ms. Mirjahangir Fernandez is the Chief Executive Officer and co-founder of Solv., an early stage private company in the digital health space. From January 2014 to August 2015, Ms. Mirjahangir Fernandez served as Senior Vice President and General Manager of Business Services at Trulia, Inc., an online residential real estate site, which was acquired by Zillow, Inc. in 2015. From August 2006 to January 2014, Ms. Mirjahangir Fernandez served in various other senior management positions in sales and marketing at Trulia, Inc. Prior to Trulia, Inc., Ms. Mirjahangir Fernandez was an advisor at Morgan Stanley and Director of the Impact Group at Blanc & Otus. Ms. Mirjahangir Fernandez holds a Bachelor of Arts in political science from University of California, Berkeley and a Master of Business Administration from Stanford University Graduate School of Business.

Sasan Goodarzi has served on our board of directors since April 2018. Mr. Goodarzi has served as Chief Executive Officer (CEO) of Intuit, Inc., a financial software company, since January 2019. During his 14 years with Intuit, Mr. Goodarzi has successfully led each of Intuit's largest businesses. From May 2016 to January 2019, Mr. Goodarzi was Executive Vice President and General Manager of Intuit, Inc. Small Business Group. From 2004 to 2010, Mr. Goodarzi was Senior Vice President and General Manager for Intuit's ProTax division and Intuit Financial Services. Prior to Intuit, Mr. Goodarzi worked for Invensys, a global provider of industrial automation, transportation and controls technology, serving as Global President of the Products group. He also held a number of senior leadership roles in the automation control division at Honeywell and served as the Chief Executive Officer and co-founder of a technology startup, Lazer Cables Inc. Mr. Goodarzi earned his Bachelor of Science degree in electrical engineering at the University of Central Florida and a Master of Business Administration from the Kellogg School of Management at Northwestern University.

Jay Parikh has served on our board of directors since July 2013. Mr. Parikh has served as the co-Chief Executive Officer of Lacework, Inc., a cloud security company, since August 2021. Mr. Parikh previously served as Vice President of Global Engineering and Infrastructure at Facebook, Inc., a social media and social networking service company, from November 2009 till February 2021. From October 2007 to October 2009, Mr. Parikh served as Senior Vice President, Engineering & Operations at Ning, Inc., a social networking company. From April 1999 to October 2007, Mr. Parikh served as Vice President of Engineering at Akamai Technologies, Inc., a cloud services provider. Mr. Parikh holds a Bachelor of Science in mechanical engineering from Virginia Tech.

Enrique Salem has served on our board of directors since July 2013. Mr. Salem has served as a Managing Director of Bain Capital Ventures since July 2014. From April 2009 to July 2012, Mr. Salem served as President, Chief Executive Officer and a director of Symantec Corporation, a cybersecurity company. From June 2004 to April 2009, Mr. Salem served in various other senior management positions at Symantec Corporation. From April 2002 to June 2004, Mr. Salem served as the President and Chief Executive Officer of Brightmail, Inc., an email filtering company, which was acquired by Symantec Corporation in 2004. Mr. Salem is currently a director of FireEye, Inc., a publicly-traded network security company, ForeScout Technologies, Inc., an Internet of things (IoT) security company, DocuSign, Inc., an e-signature solutions company, and several private companies. Mr. Salem holds a Bachelor of Arts degree in computer science from Dartmouth College.

Steven Sordello has served on our board of directors since November 2015. Since July 2007, Mr. Sordello has served as the Senior Vice President and Chief Financial Officer Emeritus of LinkedIn Corporation, an online business-oriented social networking service, which was acquired by Microsoft in 2016. From August 2006 to July 2007, Mr. Sordello served as Chief Financial Officer of TiVo, Inc., a manufacturer of digital video recorders. From May 1999 to October 2005, Mr. Sordello served in several roles, including as Chief Financial Officer, at Ask Jeeves, Inc., an Internet search engine company, which was acquired by IAC in 2005. Prior to that, Mr. Sordello served in various finance roles at Adobe Systems Incorporated, a software company, and Syntex Corporation, a pharmaceuticals company, which was acquired by Roche Pharmaceuticals in 1994. Mr. Sordello also serves as a Director at Compass, a real estate technology company. Mr. Sordello is currently a member of the board of trustees of Santa Clara University. Mr. Sordello holds a Master of Business Administration and a Bachelor of Science in business from Santa Clara University.

Richard P. Wong has served on our board of directors since July 2010. Mr. Wong has served as a General Partner to Accel Partners, a venture capital firm, since December 2006. From January 2001 to November 2006, Mr. Wong held a number of executive roles at Openwave Systems Inc., a mobile software company, including Senior Vice President of Products and Chief Marketing Officer. Mr. Wong is currently a director of several private companies. Mr. Wong holds a Master of Management from the MIT Sloan School of Management and a Bachelor of Science in materials science and engineering from the Massachusetts Institute of Technology.

B. Compensation

Executive Officers' Compensation

For the fiscal year ended June 30, 2021, we paid an aggregate of $2,977,009 in cash compensation and benefits to our executive officers, including our Co-Chief Executive Officers who also served as employee directors. We paid our executive officers a base salary and annual cash bonus and made contributions to their retirement funds; however, Messrs. Cannon-Brookes and Farquhar each opted not to participate in our bonus for fiscal year 2021.

Directors' Compensation

Employee Directors

For the fiscal year ended June 30, 2021, we did not pay our employee directors any compensation for their services as directors. The table below sets forth the compensation paid to our employee directors for their services as executive officers for the fiscal year ended June 30, 2021:

Fiscal Year Ended June 30, 2021 Employee Directors' Compensation (U.S. $) (1)

Name	Salary/Fees(2)	Benefits	Annual Bonus(3)	Long-Term Incentive	Retirement Benefits(4)	Total
Michael Cannon-Brookes	$ 55,722	$ 408	$ —	$ —	$ 5,332	$ 61,462
Scott Farquhar	$ 55,433	$ 446	$ —	$ —	$ 5,308	$ 61,187

(1) For the fiscal year ended June 30, 2021, the cash compensation for our employee directors were set, and paid, in Australian dollars. Currency received by our employee directors in Australian dollars have been converted into U.S. dollars using a monthly average exchange rate for fiscal year 2021 of USD $1.00 to AUD $1.3467.

(2) Messrs. Cannon-Brookes and Farquhar each opted for their salaries to be reduced to AUD $74,653.20, the annualized statutory minimum wage in Australia, effective July 1, 2019. In accordance with Company policy, Mr. Cannon-Brookes received a patent bonus in connection with his role in a successfully filed patent application.

(3) Messrs. Cannon-Brookes and Farquhar each opted not to participate in our bonus plan during the fiscal year ended June 30, 2021.

(4) These amounts represent our contributions to each employee director's retirement fund, as required by applicable jurisdictional law.

Non-Employee Directors

On December 4, 2019 our shareholders approved a new policy (the "Director Compensation Policy"), effective as of December 4, 2019, pursuant to which our non-employee directors are eligible to receive the following cash retainers and equity awards (U.S. $):

Annual Retainer for Board of Directors Membership	
Annual service on the board of directors	$ 55,000
Additional retainer for annual service as chair of the board of directors	$ 50,000

Additional Annual Retainer for Committee Chairs	
Annual service as chair of the Audit Committee	$ 20,000
Annual service as chair of the Compensation and Leadership Development Committee	$ 15,000
Annual service as chair of the Nominating and Corporate Governance Committee	$ 10,000

On the date of each annual general meeting ("AGM"), each non-employee director who continues as a non-employee director following the AGM is granted RSUs on the date of such AGM having a value of $250,000 (the "Annual Grant"). Effective July 1, 2021, the value of new Annual Grants to each non-employee director will be increased to $265,000. A new non-employee director who joins other than at an AGM (on the first eligible grant date following their appointment to our board of directors) is granted a pro-rata proportion of an Annual Grant based on the time between their appointment and the next AGM. The Annual Grant vests in full on the earlier of: (i) the one-year anniversary of the grant date; and (ii) the next AGM, subject to continued service as a director through the applicable vesting date, unless the Compensation and Leadership Development Committee determines that circumstances warrant continuation of vesting.

All awards granted to our non-employee directors are subject to 100% accelerated vesting upon the sale of the company.

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

Each of our non-employee directors is required, within four years following their first election to our board of directors (or, if later, from the effective date of our Director Compensation Policy), to own Class A ordinary shares having an aggregate value of at least $250,000.

For the fiscal year ended June 30, 2021, we paid our non-employee directors in accordance with our Director Compensation Policy. The table below sets forth the compensation paid to our non-employee directors for the fiscal year ended June 30, 2021:

Fiscal Year Ended June 30, 2021 Non-Employee Directors' Compensation (U.S. $)

Name	Salary/Fees	Benefits	Annual Bonus	Long-Term Incentives(5)	Retirement Benefits	Total
Shona Brown (1)	$ 105,000	—	—	$ 250,166 (6)	—	$ 355,166
Heather Mirjahangir Fernandez	$ 55,000	—	—	$ 250,166 (6)	—	$ 305,166
Sasan Goodarzi (2)	$ 70,000	—	—	$ 250,166 (6)	—	$ 320,166
Jay Parikh	$ 55,000	—	—	$ 250,166 (6)	—	$ 305,166
Enrique Salem	$ 55,000	—	—	$ 250,166 (6)	—	$ 305,166
Steven Sordello (3)	$ 75,000	—	—	$ 250,166 (6)	—	$ 325,166
Richard P. Wong (4)	$ 65,000	—	—	$ 250,166 (6)	—	$ 315,166

(1) Dr. Brown was the chair of the board of directors.

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

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

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

(5) The equity awards are not subject to performance measures, so the value of the equity awards have been included in full, notwithstanding that the equity awards are subject to outstanding service-based vesting conditions.

(6) Each continuing non-employee member of our board of directors received an Annual Grant.

Director Agreements

We entered into director agreements with each of Messrs. Parikh and Salem, each dated July 30, 2013. The director agreements for Messrs. Parikh and Salem each provided the non-employee director with an option to purchase 200,000 shares of restricted stock (automatically converted into the right to receive Class A ordinary shares upon our IPO), in each case at an exercise price of U.S. $2.92. The options vest in 48 equal monthly installments from their respective grant dates (each on July 30, 2013). Messrs. Parikh and Salem each early exercised his option and received shares subject to the company's right of repurchase if the applicable director terminates his service for any reason prior to the applicable vesting dates. All early-exercised shares for each of Messrs. Parikh and Salem have vested and are no longer subject to the company's right of repurchase.

We also entered into director agreements with Dr. Brown, Ms. Mirjahangir Fernandez and Mr. Sordello in November 2015, and with Mr. Goodarzi in April 2018, and each were eligible to receive cash retainers and equity awards in accordance with the terms of our Director Compensation Policy.

We have not entered into a director agreement with Mr. Wong. In addition, we have not entered into a director agreement or employment agreement with either Mr. Cannon-Brookes or Mr. Farquhar.

In addition, pursuant our Director Compensation Policy, Messrs. Wong, Parikh and Salem each were eligible to receive cash retainers and an Annual Grant in accordance with the terms of our Director Compensation Policy.

We do not have service contracts with any of our non-employee directors that provide for benefits upon a termination of service.

Executive Severance Plan

In September 2020, we adopted an amended and restated executive severance plan (the "New Executive Severance Plan"), which replaced our prior executive severance plan. Under the terms of the New Executive Severance Plan, certain of our executive officers, excluding Messrs. Cannon-Brookes and Farquhar, may participate. The New Executive Severance Plan provides for a severance payment equal to six months or nine months of base salary upon a termination by us without "cause" (as defined in the New Executive Severance Plan) or a resignation by the executive officer for "good reason" (as defined in the New Executive Severance Plan) or, following a "change in control" (as defined in the New Executive Severance Plan), a severance payment equal to twelve months of base salary, plus 100% of the covered executive's annual target bonus in effect immediately prior to the "date of termination" (as defined in the New Executive Severance Plan). In addition, upon such a termination within 12 months following a "change in control" in which outstanding equity awards of the company will be assumed, continued or substituted by the successor entity, an executive officer will generally receive 100% (or such lower percentage as may be determined by our board of directors or the Compensation and Leadership Development Committee) accelerated vesting of all unvested and outstanding equity awards held by such executive officer at such time; provided, that any equity awards subject to performance conditions will be deemed satisfied at the target levels specified in the applicable award agreements. Notwithstanding the foregoing, if the outstanding equity awards of the company will not be assumed, continued or substituted by the successor entity in connection with the change in control, then each executive officer will receive 100% accelerated vesting of all unvested and outstanding equity awards held by such executive officer at such time; provided, that any equity awards subject to performance conditions will be deemed satisfied at the target levels specified in the applicable award agreements.

Executive Bonus Plan

We paid cash incentive bonuses to our executive officers for the fiscal year ended June 30, 2021 pursuant to our annual executive bonus plan (the "FY21 Bonus Plan"). Messrs. Cannon-Brookes and Farquhar each opted not to participate in the FY21 Bonus Plan.

The FY21 Bonus Plan provided our executive officers with an opportunity to earn an annual bonus payment with a target equal to 50% to 60% of their base salary, based on company performance (measured by revenue). In fiscal year 2021, payout to our executive officers pursuant to the FY21 Bonus Plan was equal to 103% of each executive officer's bonus target amount.

Retirement Benefits

For the fiscal year ended June 30, 2021, we contributed approximately AUD $14,330 into retirement funds on behalf of our executive officers in Australia (as required by applicable jurisdictional law), and approximately USD $50,281 into a tax qualified retirement plan (the "401(k) Plan") on behalf of our executive officers in the United States.

401(k) Plan

We maintain a 401(k) Plan that provides all regular U.S. employees, including U.S. executive officers, with an opportunity to save for retirement on a tax-advantaged basis. Under our 401(k) Plan, participants may elect to defer a portion of their eligible compensation on a pre-tax and Roth after-tax, and voluntary after-tax basis and have it contributed to the 401(k) Plan subject to applicable annual Code limits. The 401(k) Plan allows for matching contributions to be made by us. Currently, we make a safe harbor match based on the participant's pre-tax and Roth after-tax contributions up to a maximum of 4% of the participant's base salary, bonus and commissions paid during the applicable contribution period. Employee elective deferrals and safe harbor matching contributions are 100% vested at all times.

Health and Welfare Benefits

Our executive officers are eligible to participate in all of our employee benefit plans, including our medical, dental, life and disability insurance plans, to the same extent as other employees generally in the jurisdiction each executive officer resides. In addition, we generally do not provide our executive officers or directors with material perquisites or other personal benefits.

Outstanding Equity Awards, Grants and Options

We periodically grant options and RSUs to our employees, directors and consultants to enable them to share in our successes and to reinforce a corporate culture that aligns their interests with those of our shareholders.

During the fiscal year ended June 30, 2021, we granted 132,257 RSUs in the aggregate under our 2015 Share Incentive Plan (the "2015 Plan") to our non-employee directors and executive officers. Our non-employee directors were granted equity awards during such fiscal year in accordance with the Director Compensation Policy.

As of June 30, 2021, our executive officers held 289,992 RSUs. As of June 30, 2021, our directors held 8,750 RSUs.

Equity Compensation Plans

Prior to our IPO in December 2015, we granted equity awards under three main equity plans, our UK Employee Share Option Plan (the "Share Option Plan"), our 2013 U.S. Share Option Plan (the "2013 Plan") and our 2014 Restricted Share Unit Plan (the "2014 Plan"). Following our IPO in December 2015, we no longer grant equity awards under these equity plans. All equity awards have since been granted under our 2015 Plan.

2015 Share Incentive Plan

Our 2015 Plan was adopted by our board of directors in October 2015 and approved by our shareholders in November 2015 and became effective immediately prior to our IPO in December 2015. The 2015 Plan replaced the Share Option Plan, the 2013 Plan and the 2014 Plan. The 2015 Plan allows the Compensation and Leadership Development Committee to make equity-based incentive awards to our officers, employees, directors and consultants; provided, that awards to non-employee directors and consultants will be made under a sub-plan to the 2015 Plan.

We initially reserved 20,700,000 Class A ordinary shares for the issuance of awards under the 2015 Plan. The 2015 Plan provides that the number of shares reserved and available for issuance under the plan will automatically increase each July 1, beginning on July 1, 2016, by 5% of the outstanding Class A ordinary shares on the immediately preceding June 30th or such lesser number of Class A ordinary shares as determined by the Compensation and Leadership Development Committee in its discretion. This number is subject to adjustment in the event of a share split, share dividend or other change in our capitalization. As of June 30, 2021, 5,541,748 RSUs, 5,785 restricted Class A ordinary shares, and 66,643 options to purchase Class A ordinary shares at a weighted-average exercise price of approximately $0.72 remained outstanding under the 2015 Plan.

The shares we issue under the 2015 Plan will be newly created shares or shares that we reacquire. The Class A ordinary shares underlying any awards that are forfeited, cancelled, held back upon exercise or settlement of an award to satisfy the exercise price or tax withholding, reacquired by us prior to vesting, satisfied without the issuance of shares, expire or are otherwise terminated (other than by exercise) under the 2015 Plan or our other equity plans will be added back to the Class A ordinary shares available for issuance under the 2015 Plan.

Options and share appreciation rights with respect to no more than 5,000,000 shares may be granted to any one individual in any one calendar year and the maximum "performance-based award" payable to any one "covered employee" during a performance cycle under the 2015 Plan is 5,000,000 shares or $5,000,000 in the case of cash-based performance awards. The maximum number of shares that may be issued as incentive share options may not exceed 20,700,000 cumulatively increased on July 1, 2016 and on each July 1st thereafter by the lesser of the annual increase for such year or 10,350,000 shares. The value of all awards issued under the 2015 Plan and all other cash compensation paid by us to any non-employee director in any calendar year cannot exceed $1,500,000.

The 2015 Plan is administered by our Compensation and Leadership Development Committee. Our Compensation and Leadership Development Committee has full power to select, from among the individuals eligible for awards, the individuals to whom awards will be granted, to make any combination of awards to participants, and to determine the specific terms and conditions of each award, subject to the provisions of the 2015 Plan. Persons eligible to participate in the 2015 Plan will be those full- or part-time officers, employees, non-employee directors and consultants as selected from time to time by our Compensation and Leadership Development Committee in its discretion. Our Compensation and Leadership Development Committee may also delegate to our Chief Executive Officers, the chair of our Compensation and Leadership Development Committee, or a committee including either of such individuals, the power to grant awards to individuals (other than individuals subject to Section 16 of the Exchange Act or Section 162(m) of the Code.

The 2015 Plan permits us to grant options that are intended to qualify as incentive share options under Section 422 of the Code and options that do not so qualify. The per share exercise price of each option will be determined by our Compensation and Leadership Development Committee but may not be less than 100% of the fair market value of a Class A ordinary share on the date of grant. An incentive share option that is granted to an employee who owns more than 10% of the combined voting power of all classes of our shares, or a 10% owner, must have a per share exercise price of not less than 110% of the fair market value of a Class A ordinary share on the date of grant. The term of each option will be fixed by our Compensation and Leadership Development Committee and may not exceed ten years from the date of grant (five years in the case of an incentive share option held by a 10% owner). Our Compensation and Leadership Development Committee will determine at what time or times each option may be exercised. To the extent required for incentive share option treatment under Section 422 of the Code, the aggregate fair market value (determined as of the time of grant) of the shares that first become exercisable by an option holder during any calendar year must not exceed $100,000. To the extent that any option exceeds this limit, it will constitute a non-qualified share option.

Our Compensation and Leadership Development Committee may award share appreciation rights subject to such conditions and restrictions as it may determine. Share appreciation rights entitle the recipient to Class A ordinary shares, or cash, equal to the value of the appreciation in our share price over the exercise price. The per share exercise price may not be less than 100% of fair market value of a share on the date of grant. The term of a share appreciation right may not exceed ten years.

Our Compensation and Leadership Development Committee may award restricted Class A ordinary shares and RSUs to participants subject to such conditions and restrictions as it may determine. These conditions and restrictions may include the achievement of certain performance goals and/or continued employment with us through a specified vesting period. Our Compensation and Leadership Development Committee may also grant Class A ordinary shares that are free from any restrictions under the 2015 Plan. Unrestricted Class A ordinary shares may be granted to participants in recognition of past services or for other valid consideration and may be issued in lieu of cash compensation due to such participant.

Our Compensation and Leadership Development Committee may grant performance share awards to participants that entitle the recipient to receive awards of Class A ordinary shares upon the achievement of certain performance goals and such other conditions as our Compensation and Leadership Development Committee shall determine. Our Compensation and Leadership Development Committee may grant dividend equivalent rights to participants that entitle the recipient to receive credits for dividends that would be paid if the recipient had held a specified number of Class A ordinary shares.

Our Compensation and Leadership Development Committee may grant cash bonuses under the 2015 Plan to participants, subject to the achievement of certain performance goals.

Our Compensation and Leadership Development Committee may grant awards of restricted shares, RSUs, performance shares or cash-based awards under the 2015 Plan that are intended to qualify as "performance-based compensation" under Section 162(m) of the Code. These awards will only vest or become payable upon the attainment of performance goals that are established by our Compensation and Leadership Development Committee and related to one or more performance criteria. The performance criteria that could be used with respect to any such awards include: total shareholder return, earnings before interest, taxes, depreciation and amortization, net income (loss) (either before or after interest, taxes, depreciation and/or amortization), changes in the market price of our shares, economic value-added, funds from operations or similar measure, sales or revenue or bookings, acquisitions or strategic transactions, operating income (loss), cash flow (including, but not limited to, operating cash flow and free cash flow), return on capital, assets, equity, or investment, return on sales, gross or net profit levels, productivity, expense, margins, operating efficiency, customer satisfaction, working capital, earnings (loss) per share of our shares, sales or market shares, number of customers and number of average users, any of which may be measured in absolute terms, as compared to any incremental increase or as compared to results of a peer group.

The 2015 Plan provides that upon the effectiveness of a “sale event,” as defined in the 2015 Plan, an acquirer or successor entity may assume, continue or substitute for the outstanding awards under the 2015 Plan. To the extent that awards granted under the 2015 Plan are not assumed or continued or substituted by the successor entity, all unvested and/or unexercisable awards with time-based vesting, conditions or restrictions granted under the 2015 Plan shall fully accelerate, and all awards with conditions and restrictions relating to the attainment of performance goals may become vested and nonforfeitable in the plan administrator's discretion or to the extent specified in the applicable award agreement, in each case prior to the effectiveness of the sale event and then shall terminate. In the event of such termination, individuals holding options and share appreciation rights will be permitted to exercise such options and share appreciation rights (to the extent exercisable) prior to the sale event. In addition, in connection with the termination of the 2015 Plan upon a sale event, we may make or provide for a cash payment to participants holding vested and exercisable options and share appreciation rights equal to the difference between the per share cash consideration payable to shareholders in the sale event and the exercise price of the options or share appreciation rights.

Our board of directors may amend or discontinue the 2015 Plan and our Compensation and Leadership Development Committee may amend or cancel outstanding awards for purposes of satisfying changes in law or any other lawful purpose, but no such action may adversely affect rights under an award without the holder's consent. Certain amendments to the 2015 Plan require the approval of our shareholders.

No awards may be granted under the 2015 Plan after the date that is ten years from the date of shareholder approval of the 2015 Plan.

2013 U.S. Share Option Plan

The 2013 Plan was adopted in November 2013. Following our IPO in December 2015, we no longer grant any equity awards under this plan and any shares remaining available for issuance were cancelled. The 2013 Plan will continue to govern outstanding awards granted thereunder. As of June 30, 2021, options to purchase 729 Class A ordinary shares remained outstanding under the 2013 Plan at a weighted-average exercise price of approximately $3.18 per share.

The 2013 Plan allowed for the grant of options to our employees, directors and consultants.

The 2013 Plan is administered by our Compensation and Leadership Development Committee. The administrator has full power to select, from among the individuals eligible for options, the individuals to whom options will be granted, to implement an option exchange program, to determine the specific terms and conditions of each option and to construe and interpret the terms of the 2013 Plan and any award agreements thereunder.

The 2013 Plan permitted the granting of both options to purchase restricted shares intended to qualify as incentive share options under Section 422 of the Code and options that do not so qualify. Incentive share options were only granted to employees and were required to meet certain other requirements. The per share option exercise price of each option was determined by our Compensation and Leadership Development Committee but were not be less than 100% of the fair market value of a restricted share on the date of grant. The term of each option did not exceed seven years from the date of grant (five years in the case of an incentive share option held by a 10% owner). The administrator determines at what time or times each option may be exercised.

The 2013 Plan provides that upon the effectiveness of a “corporate transaction,” as defined in the 2013 Plan, each outstanding option will either be (i) assumed or an equivalent award will be substituted by the successor corporation or a parent or subsidiary of such successor corporation or (ii) terminated, in exchange for payment of cash, securities and/or other property for vested and exercisable options.

Our board of directors may amend or discontinue the 2013 Plan at any time; however, such amendment must not adversely affect the rights of option holders without their consent. Certain amendments to the 2013 Plan require the approval of our shareholders.

2015 Employee Share Purchase Plan

The 2015 Employee Share Purchase Plan (“ESPP”) was adopted by our board of directors in October 2015 and approved by our shareholders in November 2015. We may, but have not yet elected to, implement the ESPP.

The ESPP initially reserves and authorizes up to a total of 5,700,000 Class A ordinary shares to participating employees. The ESPP provides that the number of shares reserved and available for issuance will automatically increase each July 1st, beginning on July 1, 2016, by the lesser of (i) 2,850,000 Class A ordinary shares, (ii) 1% of the outstanding number Class A ordinary shares on the immediately preceding June 30th, or (iii) such lesser number of Class A ordinary shares as determined by the plan administrator. The share reserve is subject to adjustment in the event of a share split, share dividend or other change in our capitalization.

The ESPP is administered by our Compensation and Leadership Development Committee. The administrator has the authority to make all determinations for administration of the ESPP.

All employees employed by us or by any of our designated affiliates whose customary employment is for more than 20 hours a week (unless this exclusion is not permitted by applicable law) are eligible to participate in the ESPP. Any employee who owns 5% or more of the total combined voting power or value of all classes of our shares is not eligible to purchase Class A ordinary shares under the ESPP.

Offerings to our employees to purchase Class A ordinary shares under the ESPP may be made at such times as determined by the administrator. Offerings will continue for such period, referred to as offering periods, as the administrator may determine, but may not be longer than 27 months. Each eligible employee may elect to participate in any offering by submitting an enrollment form before the applicable offering date.

Each employee who is a participant in the ESPP may purchase Class A ordinary shares by authorizing payroll deductions of up to 10% of their eligible compensation during an offering period. Unless the participating employee has previously withdrawn from the offering, their accumulated payroll deductions will be used to purchase Class A ordinary shares on the last business day of the applicable offering period equal to the lower of (i) the accumulated payroll deductions divided by either a per share price equal to 85% of the fair market value of a share of our Class A ordinary shares on the first business day or the last business day of the offering period, whichever is lower, (ii) 2,500 Class A ordinary shares, or (iii) such other lesser maximum number of Class A ordinary shares as shall have been established by the administrator in advance of the offering. Under applicable tax rules, an employee may purchase no more than $25,000 worth of Class A ordinary shares, valued at the start of the purchase period, under the ESPP in any calendar year.

The accumulated payroll deductions of any employee who is not a participant on the last day of an offering period will be refunded. An employee's rights under the ESPP terminate upon voluntary withdrawal from the plan or when the employee ceases employment with us for any reason.

The ESPP may be terminated or amended by our Compensation and Leadership Development Committee or board of directors at any time. An amendment that increases the number of our Class A ordinary shares that are authorized under the ESPP and certain other amendments require the approval of our shareholders. The plan administrator may adopt subplans under the ESPP for employees of our non-U.S. subsidiaries and may permit such employees to participate in the ESPP on different terms, to the extent permitted by applicable law.

C. Board of Directors Practices

Composition of our Board of Directors

Our board of directors currently consists of nine members, all of whom were elected pursuant to the board composition provisions of our articles of association. Under our amended and restated articles of association, the appointment of directors is determined by a majority of our board of directors and there are no contractual rights for any shareholder to appoint a director to the board of directors.

Director Independence

Our board of directors has undertaken a review of the independence of each director. Based on information provided by each director concerning their background, employment and affiliations, our board of directors has determined that Dr. Brown, Messrs. Goodarzi, Parikh, Salem, Sordello and Wong, and Ms. Mirjahangir Fernandez do not have relationships that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is "independent" as that term is defined under the Nasdaq listing standards. In making these determinations, our board of directors considered the current and prior relationships that each non-employee director has with our company and all other facts and circumstances our board of directors deemed relevant in determining their independence, including the beneficial ownership of our shares by each non-employee director and the transactions described in "Related Party Transactions."

Committees of the Board of Directors

Our board of directors has established an Audit Committee, a Compensation and Leadership Development Committee and a Nominating and Corporate Governance Committee. The composition and responsibilities of each of the committees of our board of directors are described below. Members serve on these committees until their resignation or until otherwise determined by our board of directors. Our board of directors may establish other committees as it deems necessary or appropriate from time to time.

Audit Committee

Messrs. Salem and Sordello and Ms. Mirjahangir Fernandez, each of whom is a non-employee director, comprise our Audit Committee. Mr. Sordello is the chair of our Audit Committee. Our board of directors has determined that each of the members of our Audit Committee satisfies the requirements for independence and financial literacy under the listing standards of Nasdaq and SEC rules and regulations. Our board of directors has determined that Mr. Sordello qualifies as an “audit committee financial expert” as defined in the SEC rules and satisfies the financial sophistication requirements of the Nasdaq listing standards. Our Audit Committee is responsible for, among other things:

- selecting and hiring our independent registered public accounting firm;
- evaluating the performance and independence of our independent registered public accounting firm and the performance of the company’s internal audit function;
- approving the audit and pre-approving any non-audit services to be performed by our independent registered public accounting firm;
- reviewing our financial statements and related disclosures and reviewing our critical accounting policies and practices;
- reviewing the adequacy and effectiveness of our internal control policies and procedures and our disclosure controls and procedures;
- overseeing and reviewing our guidelines and policies that govern the process by which our exposure to risk is assessed and managed by management
- overseeing procedures for the treatment of complaints on accounting, internal accounting controls, or audit matters;
- reviewing and discussing with management and the independent registered public accounting firm the results of our annual audit and the financial statements included in our publicly filed reports; and
- reviewing and approving any proposed related person transactions.

Our Audit Committee operates under a written charter that satisfies the applicable rules and regulations of the SEC and the Nasdaq listing standards.

Compensation and Leadership Development Committee

Dr. Brown and Messrs. Goodarzi and Parikh, each of whom is a non-employee director, comprise our Compensation and Leadership Development Committee. Mr. Goodarzi is the chair of our Compensation and Leadership Development Committee. Although the rules of Nasdaq do not require the Compensation and Leadership Development Committee to be comprised entirely of independent directors for as long as we remain a foreign private issuer, our board of directors has determined that each member of our Compensation and Leadership Development Committee satisfies the requirements for independence under the Nasdaq listing standards and the applicable rules and regulations of the SEC. Each member of our Compensation and Leadership Development Committee is also a non-employee director, as defined pursuant to Rule 16b-3 promulgated under the Exchange Act. Our Compensation and Leadership Development Committee is responsible for, among other things:

- reviewing and evaluating our Co-Chief Executive Officers' and other executive officers' compensation, incentive compensation plans, including the specific goals and amounts, equity compensation, employment agreements, severance arrangements and change in control agreements, and any other benefits, compensation or arrangements;

- administering our equity and cash compensation plans, and other material benefit programs; and

- overseeing our overall compensation philosophy, compensation plans, and benefits programs.

Our Compensation and Leadership Development Committee operates under a written charter that satisfies the applicable rules and regulations of the SEC and the Nasdaq listing standards.

Nominating and Corporate Governance Committee

Ms. Mirjahangir Fernandez and Messrs. Salem and Wong, each of whom is a non-employee director, comprise our Nominating and Corporate Governance Committee. Mr. Wong is the chair of our Nominating and Corporate Governance Committee. Our board of directors has determined that each member of our Nominating and Corporate Governance Committee satisfies the requirements for independence under the Nasdaq listing standards. Our Nominating and Corporate Governance Committee is responsible for, among other things:

- evaluating and making recommendations regarding the composition, qualification, organization and governance of our board of directors and its committees;
- evaluating and making recommendations regarding the creation of additional committees or the change in mandate or dissolution of committees; and
- reviewing and making recommendations with regard to our corporate governance guidelines.

Our Nominating and Corporate Governance Committee operates under a written charter that satisfies the Nasdaq listing standards.

D. Employees

We have made significant investments in our business to support future growth, including a substantial increase in our global employee base. As of June 30, 2021, 2020 and 2019, we had 6,433, 4,907, and 3,616 employees, respectively.

E. Share Ownership

For information regarding the share ownership of our directors and executive officers, please refer to “Item 6.B. Compensation” and “Item 7.A. Major Shareholders and Related Party Transactions.”

Item 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

The following table sets forth information with respect to the beneficial ownership of our shares as of June 30, 2021 by:

- each executive officer;
- our directors;
- our directors and executive officers as a group; and

- each person or entity known by us to own beneficially more than 5% of any class of our outstanding shares (by number or by voting power).

We have determined beneficial ownership in accordance with the rules and regulations of the SEC, and the information is not necessarily indicative of beneficial ownership for any other purpose. Except as indicated by the footnotes below, we believe, based on information furnished to us, that the persons and entities named in the table below have sole voting and sole investment power with respect to all shares that they beneficially own, subject to applicable community property laws.

Applicable percentage ownership is based on 137,307,769 Class A ordinary shares and 114,609,645 Class B ordinary shares outstanding as of June 30, 2021. In computing the number of shares beneficially owned by a person and the percentage ownership of such person, we deemed to be outstanding all shares subject to options held by the person that are currently exercisable or exercisable within 60 days of June 30, 2021 or issuable upon the vesting of RSUs held by the person within 60 days of June 30, 2021.

However, except as described above, we did not deem such shares outstanding for the purpose of computing the percentage ownership of any other person.

	Shares Beneficially Owned				
	Class A		Class B		% of Total Voting Power (1)
Name of Beneficial Owner	**Shares**	**%**	**Shares**	**%**	
5% Shareholders:					
Entities affiliated with T. Rowe Price Associates, Inc. (2)	13,379,591	5.31 %	—	—	*
Directors and Executive Officers:					
Michael Cannon-Brookes (3)	—	—	56,954,822	49.69 %	44.38 %
Scott Farquhar (4)	—	—	56,954,822	49.69 %	44.38 %
Cameron Deatsch (5)	11,616	*	—	—	*
James Beer (6)	40,852	*	—	—	*
Sri Viswanath (7)	335,967	*	—	—	*
Erika Fisher (8)	10,433	*	—	—	*
Shona Brown (9)	30,870	*	—	—	*
Heather Mirjahangir Fernandez (10)	13,500	*	—	—	*
Jay Parikh (11)	19,650	*	—	—	*
Enrique Salem (12)	130,457	*	—	—	*
Steven Sordello (13)	44,884	*	—	—	*
Sasan Goodarzi (14)	10,228	*	—	—	*
Richard P. Wong (15)	145,860	*	—	—	*
All directors and executive officers as a group (13 persons) (16)	794,317	0.58 %	113,909,644	99.39 %	88.81 %

*Represents beneficial ownership of less than 1%

(1) Percentage of total voting power represents voting power with respect to all shares of our Class A ordinary shares and Class B ordinary shares as a single class. Holders of Class A ordinary shares are entitled to one vote per share and holders of Class B ordinary shares are entitled to ten votes per share.

(2) Based on information reported by T. Rowe Price Associates, Inc. ("T. Rowe Price") on Schedule 13G filed with the SEC on April 12, 2020. Of the shares of Class A ordinary shares beneficially owned, T. Rowe Price reported that it has sole dispositive power with respect to 13,379,591 shares, and sole voting power with respect to 4,646,537 shares. Entities affiliated with T. Rowe Price listed their address as 100 E. Pratt Street, Baltimore, Maryland 21202.

(3) 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.

(4) 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.

(5) Consists of 11,616 RSUs that vest within 60 days of June 30, 2021.

(6) Consists of (i) 15,711 Class A ordinary shares held of record by Mr. Beer as trustee of the James A & Lael L Beer Trust and (ii) 25,141 RSUs that vest within 60 days of June 30, 2021.

(7) Consists of (i) 320,298 Class A ordinary shares held of record by Mr. Viswanath and (ii) 15,669 RSUs that vest within 60 days of June 30, 2021.

(8) Consists of (i) 4,873 Class A ordinary shares held of record by Ms. Fisher and (ii) 5,560 RSUs that vest within 60 days of June 30, 2021.

(9) Consists of 30,870 Class A ordinary shares held of record by Dr. Brown.

(10) Consists of 13,500 Class A ordinary shares held of record by Ms. Mirjahangir Fernandez.

(11) Consists of 19,650 Class A ordinary shares held of record by Mr. Parikh.

(12) Consists of 130,457 Class A ordinary shares held of record by Mr. Salem.

(13) Consists of 44,884 Class A ordinary shares held of record by Mr. Sordello.

(14) Consists of (i) 9,976 Class A ordinary shares held of record by Mr. Goodarzi and (ii) 252 RSUs that vest within 60 days of June 30, 2021.

(15) Consists of 145,860 Class A ordinary shares held of record by Mr. Wong.

(16) Consists of (i) 736,079 Class A ordinary shares, (ii) 113,909,644 Class B ordinary shares, and (iii) 58,238 RSUs that vest within 60 days of June 30, 2021.

Two of our major shareholders, Michael Cannon-Brookes and Scott Farquhar, hold the majority of our outstanding Class B ordinary shares. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

As of June 30, 2021, approximately 0.1% of our outstanding shares were Class B shares held in the United States by one record holder. As of June 30, 2021, approximately 54.40% of our outstanding shares were Class A shares held in the United States by one record holder (Cede and Company).

As of June 30, 2021, entities affiliated with Baillie Gifford & Co. no longer hold greater than 5% of our outstanding ordinary shares.

B. Related Party Transactions

Other than as described below, during the fiscal year ended June 30, 2021, there has not been any transaction to which we were or are a party in which we, any of our directors, executive officers, associates, or holders of more than 5% of any class of our voting securities, or any affiliates or member of the immediate family of any of the foregoing persons, had or will have a direct or indirect material interest.

RSUs

During the fiscal year ended June 30, 2021, we granted RSUs to our non-employee directors and certain of our executive officers.

Indemnification Agreements

We have entered into indemnification agreements with our directors and executive officers to indemnify them to the maximum extent allowed under applicable law. These agreements indemnify these individuals against certain costs, charges, losses, liabilities, damages and expenses incurred by such director in the execution or discharge of his duties. These agreements do not indemnify our directors against any liability attaching to such individuals in connection with any negligence, default, breach of duty or breach of trust in relation to the company of which he or she is a director, which would be rendered void under the Companies Act.

We have obtained insurance policies under which, subject to the limitations of the policies, coverage is provided to our directors and executive officers against loss arising from claims made by reason of breach of fiduciary duty or other wrongful acts as a director or executive officer, including claims relating to public securities matters, and to us with respect to payments that may be made by us to these directors and executive officers pursuant to our indemnification obligations or otherwise as a matter of law.

Certain of our non-employee directors may, through their relationships with their employers, be insured and/or indemnified against certain liabilities incurred in their capacity as members of our board of directors.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, executive officers or persons controlling us pursuant to the foregoing provisions, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

Registration Agreement

In July 2010, our predecessor entity, Atlassian Corporation Pty Ltd., entered into a Registration Agreement with certain holders of our outstanding share capital, including Messrs. Cannon-Brookes and Farquhar. As of June 30, 2021, certain holders of our Class A ordinary shares and our Class B ordinary shares, including Messrs. Cannon-Brookes and Farquhar, are entitled to rights with respect to the registration of their shares under the Securities Act.

Atlassian Foundation

The Atlassian Foundation was established in 2008 with the vision of helping to make the world better. 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 contribute approximately 1% of our annual profits and all revenues associated with our starter licenses for on-premises products to the Atlassian Foundation. 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.

LinkedIn

In fiscal year 2021, we purchased approximately $6.9 million of services from LinkedIn Corporation (“LinkedIn”), for recruiting purposes, in the ordinary course of business. Steve Sordello, one of our board members, is Chief Financial Officer of LinkedIn. The transactions between Atlassian and LinkedIn were not negotiated by Mr. Sordello. Mr. Sordello does not have a material interest in the relationship described above.

Splunk

In fiscal year 2021, we purchased $9.0 million of services from Splunk Inc. (“Splunk”) for systems monitoring purposes, and Splunk purchased approximately $1.3 million of products from us, both in the ordinary course of business. Sri Viswanath, our Chief Technology Officer, is a director of Splunk. The contract with Splunk was not negotiated by Mr. Viswanath and was executed before he joined the board. Mr. Viswanath does not have a material interest in the relationship described above.

DoorDash

In fiscal year 2021, DoorDash, Inc. (“DoorDash”) purchased approximately $1.5 million of products from us, in the ordinary course of business. Shona Brown, one of our board members, is a director of DoorDash. The transactions between Atlassian and DoorDash were not negotiated by Dr. Brown and were in the ordinary course of business. Dr. Brown does not have a material interest in the relationship described above.

Intuit

In fiscal year 2021, Intuit purchased approximately $0.7 million of products from us, in the ordinary course of business. Sasan Goodarzi, one of our board members, is Chief Executive Officer and a director of Intuit. The transactions between Atlassian and Intuit were not negotiated by Mr. Goodarzi and were in the ordinary course of business. Mr. Goodarzi does not have a material interest in the relationship described above.

Certain Relationships

From time to time, we engage in certain transactions with other companies affiliated with our directors, executive officers, and significant shareholders or their immediate family members. We believe that all such arrangements have been entered into in the ordinary course of business and do not represent a material interest to such directors, executive officers or significant shareholders.

Policies and Procedures for Related Party Transactions

The Audit Committee has the primary responsibility for reviewing and approving or disapproving related party transactions, which are transactions between us and related persons in which we or a related person has or will have a direct or indirect material interest. For purposes of this policy, a related person will be defined as a director, executive officer, nominee for director, or greater than 5% beneficial owner of our ordinary shares, in each case since the beginning of the most recently completed year, and their immediate family members. Our Audit Committee charter provides that the Audit Committee shall review and approve or disapprove any related party transactions.

C. Interests of Experts and Counsel

Not applicable.

Item 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

See “Item 18. Financial Statements.”

Legal Proceedings

We are not a party to any material legal proceedings as of the date of this report. From time to time we may be subject to legal proceedings and claims arising in the ordinary course of business. We investigate these claims as they arise and accrue estimates for resolution of legal and other contingencies when losses are probable and estimable. Although the results of litigation and claims cannot be predicted with certainty, we believe there was not at least a reasonable possibility that we had incurred a material loss with respect to such loss contingencies as of June 30, 2021.

Dividend Policy

While we have in the past paid limited dividends, we do not have any present or future plan to pay dividends on our shares. Any future determination as to the declaration and payment of dividends, if any, will be at the discretion of our board of directors, subject to applicable laws, and will depend on then existing conditions, including our financial condition, results of operations, contractual restrictions, capital requirements, general business conditions, business prospects and other factors our board of directors may deem relevant.

B. Significant Changes

We have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

Item 9. THE OFFER AND LISTING

A. Offer and Listing Details

The principal market in which our Class A ordinary shares are traded is on the Nasdaq Global Select Market under the symbol “TEAM.”

B. Plan of Distribution

Not applicable.

C. Markets

Our Class A ordinary shares are quoted on the Nasdaq Global Select Market under the symbol “TEAM.”

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

Item 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

The information required by this section, including a summary of certain key provisions of our articles of association, is set forth in Exhibit 4.4 (Description of Share Capital) filed as an exhibit to our annual report filed with the SEC on August 23, 2019, and is incorporated herein by reference.

C. Material Contracts

We have not entered into any material contracts other than in the ordinary course of business and other than as may be described in “Item 4. Information on the Company,” “Item 5. Operating and Financial Review and Prospects” or elsewhere in this annual report.

D. Exchange Controls

Other than applicable taxation, anti-money laundering and counter-terrorist financing law and regulations and certain economic sanctions which may be in force from time to time, there are currently no English laws or regulations, or any provision of our articles of association, which would prevent the import or export of capital or remittance of dividends, interest and other payments to holders of our securities who are not residents of the United Kingdom on a general basis.

E. Taxation

Material United Kingdom Tax Considerations

The comments set out below are based on current United Kingdom tax law as applied in England and HMRC practice (which may not be binding on HMRC) as of the date of this annual report, both of which are subject to change, possibly with retrospective effect. They are intended as a general guide and apply only to our shareholders resident and, in the case of an individual, domiciled for tax purposes in the United Kingdom and to whom "split year" treatment does not apply (except insofar as express reference is made to the treatment of non-United Kingdom residents), who hold Class A ordinary shares as an investment and who are the absolute beneficial owners thereof. The discussion does not address all possible tax consequences relating to an investment in the Class A ordinary shares. Certain categories of shareholders, including those carrying on certain financial activities, those subject to specific tax regimes or benefiting from certain reliefs or exemptions, those connected with us, those that own (or are deemed to own) 5% or more of our shares and/or voting power (either alone or together with connected persons) and those for whom the Class A ordinary shares are employment-related securities may be subject to special rules and this summary does not apply to such shareholders and any general statements made in this disclosure do not take them into account. This summary does not address any inheritance tax considerations.

This summary is for general information only and is not intended to be, nor should it be considered to be, legal or tax advice to any particular investor. It does not address all of the tax considerations that may be relevant to specific investors in light of their particular circumstances or to investors subject to special treatment under United Kingdom tax law. In particular:

Taxation of Dividends

We will not be required to withhold amounts on account of United Kingdom tax at source when paying a dividend.

Individuals

United Kingdom resident and domiciled holders do not have to pay tax on the first £2,000 of dividend income received in the 2021/2022 tax year (the "dividend allowance"). However tax will be levied on any dividends received over the dividend allowance at 7.5% on dividend income within the basic rate band, 32.5% on dividend income within the higher rate band and 38.1% on dividend income within the additional rate band.

Corporate Shareholders

Although shareholders who are within the charge to corporation tax would strictly be subject to corporation tax on dividends paid by us (subject to special rules for such shareholders that are "small" companies), generally such dividends will fall within an exempt class and will not be subject to corporation tax (provided certain conditions are met and anti-avoidance rules are satisfied). However, each shareholder's position will depend on its own individual circumstances and shareholders within the charge to corporation tax should consult their own professional advisers.

Non-Residents

A shareholder resident outside the United Kingdom may also be subject to foreign taxation on dividend income under local law. Shareholders who are not resident for tax purposes in the United Kingdom should obtain their own tax advice concerning tax liabilities on dividends received from us.

Taxation of Capital Gains on Disposals of Class A ordinary shares

United Kingdom Shareholders

Shareholders who are resident in the United Kingdom, and individual shareholders who are temporarily non-resident and subsequently resume residence in the United Kingdom within a certain time, may depending on their circumstances and the availability of exemptions or reliefs (including, for example, the annual exempt amount for individuals), be liable to United Kingdom taxation on chargeable gains in respect of gains arising from a sale or other disposal (or deemed disposal) of the Class A ordinary shares.

Non-United Kingdom Shareholders

An individual holder who is not a United Kingdom resident shareholder will not be liable to United Kingdom capital gains tax on chargeable gains realized on the disposal of their Class A ordinary shares unless such shareholder carries on (whether solely or in partnership) a trade, profession or vocation in the United Kingdom through a branch or agency in the United Kingdom to which the shares are attributable. In these circumstances, such shareholder may, depending on their individual circumstances, be chargeable to United Kingdom capital gains tax on chargeable gains arising from a disposal of their shares.

A corporate holder of shares who is not a United Kingdom resident shareholder will not be liable for United Kingdom corporation tax on chargeable gains realized on the disposal of its shares unless it carries on a trade in the United Kingdom through a permanent establishment to which the shares are attributable. In these circumstances, a disposal of shares by such shareholder may give rise to a chargeable gain or an allowable loss for the purposes of United Kingdom corporation tax.

Stamp Duty and Stamp Duty Reserve Tax

The statements in this section titled "Stamp Duty and Stamp Duty Reserve Tax ("SDRT")" are intended as a general guide to the current United Kingdom stamp duty and SDRT position. The discussion below relates to shareholders wherever resident, but investors should note that certain categories of person are not liable to stamp duty or SDRT and others may be liable at a higher rate or may, although not primarily liable for tax, be required to notify and account for SDRT under the Stamp Duty Reserve Tax Regulations 1986.

General

Except in relation to depositary receipt systems and clearance services (to which the special rules outlined below apply):

(i) No stamp duty or SDRT will arise on the issue of Class A ordinary shares in registered form by us.

(ii) An agreement to transfer Class A ordinary shares will normally give rise to a charge to SDRT at the rate of 0.5% of the amount or value of the consideration payable for the transfer. SDRT is, in general, payable by the purchaser.

(iii) Instruments transferring Class A ordinary shares will generally be subject to stamp duty at the rate of 0.5% of the consideration given for the transfer (rounded up to the next £5). The purchaser normally pays the stamp duty.

(iv) If a duly stamped transfer completing an agreement to transfer is produced within six years of the date on which the agreement is made (or, if the agreement is conditional, the date on which the agreement becomes unconditional), any SDRT already paid is generally repayable, normally with interest, and any SDRT charge yet to be paid is cancelled.

Depositary Receipt Systems and Clearance Services

United Kingdom domestic law provides that where our Class A ordinary shares are issued or transferred to a depositary receipt system or clearance service (or their nominees or agents) SDRT (in the case of an issue of shares) and stamp duty or SDRT (in the case of a transfer of shares) may be payable, broadly at the higher rate of 1.5% of the amount or value of the consideration given (or, in certain circumstances, the value of the shares) (rounded up to the nearest £5 in the case of stamp duty). Generally, transfers within such depositary receipt system or clearance service are thereafter not subject to stamp duty or SDRT, provided that (in the case of a clearance service) no election under section 97A of the Finance Act 1986 has been made (as to which, see further below).

However, following the European Court of Justice decision in C-569/07 *HSBC Holdings Plc, Vidacos Nominees Limited v. The Commissioners of Her Majesty's Revenue & Customs* and the First-tier Tax Tribunal decision in *HSBC Holdings Plc and The Bank of New York Mellon Corporation v. The Commissioners of Her Majesty's Revenue & Customs* (the "BNY Case"), HMRC has confirmed that a charge to 1.5% SDRT is no longer payable when new shares are issued to a clearance service (such as, in our understanding, DTC) or depositary receipt system. We consider that this position still holds notwithstanding the United Kingdom's exit from the EU on January 31, 2020. The HM Treasury Autumn Budget 2017 Report contained a statement that "*The government will not reintroduce the Stamp Duty and Stamp Duty Reserve Tax 1.5% charge on the issue of shares (and transfers integral to capital raising) into overseas clearance services and depositary receipt systems following the UK's exit from the EU*". As far as we are aware there has been no subsequent government statement revising this position. HMRC's Stamp Taxes on Shares Manual STSM055050 confirms that the 1.5% charge on issues of shares will remain disapplied under the terms of the European Union (Withdrawal) Act 2018 following the end of the "implementation period" on December 31, 2020 because the direct effect of EU Directive 2008/7/EC was confirmed by the First-tier Tax Tribunal in the BNY Case before the exit of the United Kingdom from the European Union on January 31, 2020.

HMRC remains of the view that where Class A ordinary shares are transferred (a) to, or to a nominee or an agent for, a person whose business is or includes the provision of clearance services or (b) to, or to a nominee or an agent for, a person whose business is or includes issuing depositary receipts, stamp duty or SDRT will generally be payable at the higher rate of 1.5% of the amount or value of the consideration given or, in certain circumstances, the value of the Class A ordinary shares.

There is an exception from the 1.5% charge on the transfer to, or to a nominee or agent for, a clearance service where the clearance service has made and maintained an election under section 97A(1) of the Finance Act 1986 which has been approved by HMRC and which applies to the Class A ordinary shares. In these circumstances, SDRT at the rate of 0.5% of the amount or value of the consideration payable for the transfer will arise on any transfer of Class A ordinary shares into such an account and on subsequent agreements to transfer such Class A ordinary shares within such account. It is our understanding that DTC has not made an election under section 97A(1) of the Finance Act of 1986, and that therefore transfers or agreements to transfer shares held in book entry (i.e., electronic) form within the facilities of DTC should not be subject to United Kingdom stamp duty or SDRT.

Any liability for stamp duty or SDRT in respect of a transfer into a clearance service or depositary receipt system, or in respect of a transfer within such a service, which does arise will strictly be accountable by the clearance service or depositary receipt system operator or their nominee, as the case may be, but will, in practice, be payable by the participants in the clearance service or depositary receipt system.

Certain Material U.S. Federal Income Tax Considerations for U.S. Holders

The following is a summary of certain material U.S. federal income tax considerations relating to the ownership and disposition of Class A ordinary shares by a U.S. holder (as defined below). This summary addresses only the U.S. federal income tax considerations for U.S. holders that hold Class A ordinary shares as capital assets (generally, property held for investment) for U.S. federal income tax purposes. This summary does not address all U.S. federal income tax matters that may be relevant to a particular U.S. holder. This summary does not address tax considerations applicable to a holder of Class A ordinary shares that may be subject to special tax rules including, without limitation, the following:

- banks, financial institutions or insurance companies;
- brokers, dealers or traders in securities, currencies, commodities, or notional principal contracts;
- tax-exempt entities or organizations, including an "individual retirement account" or "Roth IRA" as defined in Section 408 or 408A of the Code (as defined below), respectively;
- real estate investment trusts, regulated investment companies or grantor trusts;
- persons that hold the Class A ordinary shares as part of a "hedging," "integrated," "wash sale" or "conversion" transaction or as a position in a "straddle" for U.S. federal income tax purposes;

- partnerships (including entities classified as partnerships for U.S. federal income tax purposes) or other pass-through entities, or persons that will hold the Class A ordinary shares through such an entity;

- certain former citizens or long term residents of the United States;

- holders that own directly, indirectly, or through attribution 10% or more of the voting power or value of the Class A ordinary shares;

- persons who received the Class A ordinary shares as compensation;

- persons subject to Section 451(b) of the Code;

- holders that own directly, indirectly or through attribution Class B ordinary shares; and

- holders that have a “functional currency” for U.S. federal income tax purposes other than the U.S. dollar.

Further, this summary does not address the U.S. federal estate, gift, or alternative minimum tax considerations, or any U.S. state, local, or non-U.S. tax considerations of the ownership and disposition of the Class A ordinary shares.

This description is based on the Code, existing, proposed and temporary U.S. Treasury Regulations promulgated thereunder and administrative and judicial interpretations thereof, all as of the date hereof. All the foregoing is subject to change, which change could apply retroactively, and to differing interpretations, all of which could affect the tax considerations described below. There can be no assurances that the IRS will not take a contrary or different position concerning the tax consequences of the ownership and disposition of the Class A ordinary shares or that such a position would not be sustained by a court. We have not obtained, nor do we intend to obtain, a ruling with respect to the U.S. federal income tax considerations relating to the purchase, ownership, or disposition of the Class A ordinary shares. Holders should consult their tax advisers concerning the U.S. federal, state, local and non-U.S. tax consequences of owning and disposing of the Class A ordinary shares in their particular circumstances.

For the purposes of this summary, a “U.S. holder” is a beneficial owner of Class A ordinary shares that is (or is treated as), for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;

- a corporation, or other entity that is treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States, any state thereof, or the District of Columbia;

- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or

- a trust, if a court within the United States is able to exercise primary supervision over its administration and one or more “United States persons” (within the meaning of Section 7701(a)(3) of the Code) have the authority to control all of the substantial decisions of such trust or has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a United States person for U.S. federal income tax purposes.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds Class A ordinary shares, the U.S. federal income tax consequences relating to an investment in the Class A ordinary shares will depend in part upon the status of the partner and the activities of the partnership. Such a partner or partnership should consult its tax advisor regarding the U.S. federal income tax considerations of owning and disposing of the Class A ordinary shares in its particular circumstances.

As indicated below, this discussion is subject to U.S. federal income tax rules relating to a “passive foreign investment company” (“PFIC”).

Distributions

Although we do not currently plan to pay dividends, and subject to the discussion in "*—Passive Foreign Investment Company Considerations,"* below, the gross amount of any distribution (before reduction for any amounts withheld in respect of foreign withholding tax) actually or constructively received by a U.S. holder with respect to Class A ordinary shares will generally be taxable to the U.S. holder as a dividend to the extent of the U.S. holder's pro rata share of our current and accumulated earnings and profits as determined under U.S. federal income tax principles. Distributions in excess of earnings and profits will generally be non-taxable to the U.S. holder to the extent of, and will be applied against and reduce, the U.S. holder's adjusted tax basis in the Class A ordinary shares. Distributions in excess of earnings and profits and such adjusted tax basis will generally be taxable to the U.S. holder as either long-term or short-term capital gain depending upon whether the U.S. holder has held the Class A ordinary shares for more than one year as of the time such distribution is received. However, since we do not calculate our earnings and profits under U.S. federal income tax principles, it is expected that any distribution will be reported as a dividend, even if that distribution would otherwise be treated as a non-taxable return of capital or as capital gain under the rules described above.

Non-corporate U.S. holders may qualify for the preferential rates of taxation with respect to dividends on Class A ordinary shares applicable to long-term capital gains (i.e., gains from the sale of capital assets held for more than one year) applicable to qualified dividend income (as discussed below) if we are a "qualified foreign corporation" and certain other requirements (discussed below) are met. A non-United States corporation (other than a corporation that is classified as a PFIC for the taxable year in which the dividend is paid or the preceding taxable year) generally will be considered to be a qualified foreign corporation (a) if it is eligible for the benefits of a comprehensive tax treaty with the United States which the Secretary of Treasury of the United States determines is satisfactory for purposes of this provision and which includes an exchange of information provision, or (b) with respect to any dividend it pays on Class A ordinary shares which are readily tradable on an established securities market in the United States. The Class A ordinary shares are listed on the Nasdaq Global Select Market, which is an established securities market in the United States. However, there can be no assurance that the Class A ordinary shares will be considered readily tradable on an established securities market in the United States in later years. Subject to the discussion in "-Passive Foreign Investment Company Considerations," below, such dividends will generally be "qualified dividend income" in the hands of individual U.S. holders, provided that a holding period requirement (more than 60 days of ownership, without protection from the risk of loss, during the 121-day period beginning 60 days before the ex-dividend date) and certain other requirements are met. The dividends will not be eligible for the dividends-received deduction generally allowed to corporate U.S. holders.

Subject to applicable limitations and requirements, a U.S. holder generally may claim the amount of any Australian withholding tax as either a deduction from gross income in its computation of its taxable income for U.S. federal income tax purposes or as a credit against its U.S. federal income tax liability. The availability of foreign tax credits is subject to numerous requirements (including a minimum holding period requirement) and complex limitations that must be determined and applied on an individual basis. Generally, the credit cannot exceed the proportionate share of a U.S. holder's U.S. federal income tax liability that such U.S. holder's taxable income from foreign sources bears to such U.S. holder's worldwide taxable income. In applying this limitation, a U.S. holder's various items of income and deduction must be classified, under complex rules, as either "foreign source" or "U.S. source." This limitation is calculated separately with respect to specific categories of income. The amount of a distribution with respect to the Class A ordinary shares that is treated as a "dividend" may be lower for U.S. federal income tax purposes than it is for Australian income tax purposes, potentially effectively resulting in a reduced foreign tax credit for the U.S. holder. In addition, the creditability of foreign taxes could be affected by actions taken by intermediaries in the chain of ownership between the holders of the Class A ordinary shares and us if, as a result of such actions, the holders of the Class A ordinary shares are not properly treated as beneficial owners of the underlying ordinary shares. Each U.S. holder should consult its tax advisors regarding the foreign tax credit rules.

In general, the amount of a distribution paid to a U.S. holder in a foreign currency will be the dollar value of the foreign currency calculated by reference to the spot exchange rate on the day the U.S. holder receives the distribution, regardless of whether the foreign currency is converted into U.S. dollars at that time. Any foreign currency gain or loss a U.S. holder realizes on a subsequent conversion of foreign currency into U.S. dollars will be U.S. source ordinary income or loss. If dividends received in a foreign currency are converted into U.S. dollars on the day they are received, a U.S. holder should not be required to recognize foreign currency gain or loss in respect of the dividend.

Sale, Exchange or Other Taxable Disposition of the Class A Ordinary Shares

A U.S. holder will generally recognize gain or loss for U.S. federal income tax purposes upon the sale, exchange or other taxable disposition of Class A ordinary shares in an amount equal to the difference between the U.S. dollar value of the amount realized from such sale or exchange and the U.S. holder's tax basis for those Class A ordinary shares. Subject to the discussion in "*—Passive Foreign Investment Company Considerations"* below, this gain or loss will generally be a capital gain or loss. The adjusted tax basis in the Class A ordinary shares generally will be equal to the cost of such Class A ordinary shares. Capital gain from the sale, exchange or other taxable disposition of Class A ordinary shares of a non-corporate U.S. holder is generally eligible for a preferential rate of taxation applicable to capital gains, if the non-corporate U.S. holder's holding period determined at the time of such sale, exchange or other taxable disposition for such Class A ordinary shares exceeds one year (*i.e.*, such gain is long-term taxable gain). The deductibility of capital losses for U.S. federal income tax purposes is subject to limitations under the Code. Any such gain or loss that a U.S. holder recognizes generally will be treated as U.S. source income or loss for foreign tax credit limitation purposes.

For a cash basis taxpayer, units of foreign currency paid or received are translated into U.S. dollars at the spot rate on the settlement date of the purchase or sale. In that case, no foreign currency exchange gain or loss will result from currency fluctuations between the trade date and the settlement date of such a purchase or sale. An accrual basis taxpayer, however, may elect the same treatment required of cash basis taxpayers with respect to purchases and sales of the Class A ordinary shares that are traded on an established securities market, provided the election is applied consistently from year to year. Such election may not be changed without the consent of the IRS. For an accrual basis taxpayer who does not make such election, units of foreign currency paid or received are translated into U.S. dollars at the spot rate on the trade date of the purchase or sale. Such an accrual basis taxpayer may recognize exchange gain or loss based on currency fluctuations between the trade date and the settlement date. Any foreign currency gain or loss a U.S. holder realizes will be U.S. source ordinary income or loss.

Net Investment Income Tax

Certain U.S. holders that are individuals, estates or trusts may be subject to a 3.8% tax on all or a portion of their "net investment income," which may include all or a portion of their dividend income and net gains from the disposition of Class A ordinary shares. Each U.S. holder that is an individual, estate or trust is urged to consult its tax advisors regarding the applicability of the net investment income tax to its income and gains in respect of its investment in the Class A ordinary shares.

Passive Foreign Investment Company Considerations

If we are classified as a PFIC in any taxable year, a U.S. holder would be subject to special rules generally intended to reduce or eliminate any benefits from the deferral of U.S. federal income tax that a U.S. holder could derive from investing in a non-U.S. company that does not distribute all of its earnings on a current basis.

A corporation organized outside the United States generally will be classified as a PFIC for U.S. federal income tax purposes in any taxable year in which, after applying certain look-through rules with respect to the income and assets of its subsidiaries, either: (i) at least 75% of its gross income is "passive income" or (ii) at least 50% of the average quarterly value of its total gross assets (which, assuming we are not a controlled foreign corporation for the year being tested, would be measured by the fair market value of our assets) is attributable to assets that produce "passive income" or are held for the production of "passive income."

Passive income for this purpose generally includes dividends, interest, royalties, rents, gains from commodities and securities transactions, the excess of gains over losses from the disposition of assets which produce passive income, and includes amounts derived by reason of the temporary investment of cash, including any funds raised in prior or future offerings. If a non-U.S. corporation owns directly or indirectly at least 25% by value of the stock of another corporation, the non-U.S. corporation is treated for purposes of the PFIC tests as owning its proportionate share of the assets of the other corporation and as receiving directly its proportionate share of the other corporation's income. The determination of whether we are a PFIC is a fact-intensive determination made on an annual basis and the applicable law is subject to varying interpretation. If we are classified as a PFIC in any taxable year during which a U.S. holder owns the Class A ordinary shares, such U.S. holder will be subject to special tax rules discussed below and could suffer adverse tax consequences.

We do not believe that we were a PFIC for our taxable year ending on June 30, 2021. However, our status in any taxable year will depend on our assets, income and activities in each year, and because this is a factual determination made annually after the end of each taxable year, there can be no assurance that we will not be considered a PFIC for the current taxable year or any future taxable years. If we were a PFIC for any taxable year while a taxable U.S. holder held our Class A ordinary shares, such U.S. holder would generally be taxed at ordinary income rates on any gain recognized from the sale or exchange of our Class A ordinary shares and on any dividends treated as “excess distributions” and interest charges generally applicable to underpayments of tax should apply to any taxes payable.

If we are determined to be a PFIC, U.S. holders may be able to make certain elections that could alleviate some of the adverse consequences of PFIC status and would result in an alternative treatment of the Class A ordinary shares. Such elections include a “mark to market” election, a “deemed sale” election, and a “qualified electing fund” election. We may or may not be able to provide the information required to make any such elections, and U.S. holders should therefore not assume that any particular election will be available to them.

If we are determined to be a PFIC, the general tax treatment for U.S. holders described in this section would apply to indirect distributions and gains deemed to be realized by U.S. holders in respect of any of our subsidiaries that also may be determined to be PFICs.

Although the determination of whether we are a PFIC is made annually, if we are a PFIC for any taxable year in which a U.S. holder owns our Class A ordinary shares, such U.S. holder will generally be subject to the special tax rules described above for that year and for each subsequent year in which such U.S. holder owns our Class A ordinary shares (even if we do not qualify as a PFIC in such subsequent years).

If a U.S. holder owns Class A ordinary shares during any taxable year in which we are a PFIC, the U.S. holder generally will be required to file an IRS Form 8621 (Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund) with respect to the company, generally with the U.S. holder's federal income tax return for that year. If our company were a PFIC for a given taxable year, then you should consult your tax advisor concerning your annual filing requirements.

The U.S. federal income tax rules relating to PFICs are complex. Prospective U.S. investors are urged to consult their tax advisers with respect to the ownership and disposition of the Class A ordinary shares, the consequences to them of an investment in a PFIC, any elections available with respect to the Class A ordinary shares and the IRS information reporting obligations with respect to the ownership and disposition of the Class A ordinary shares.

Backup Withholding and Information Reporting

U.S. holders generally will be subject to information reporting requirements with respect to dividends on Class A ordinary shares and on the proceeds from the sale, exchange or disposition of Class A ordinary shares that are paid within the United States or through U.S.-related financial intermediaries, unless the U.S. holder is an “exempt recipient.” In addition, U.S. holders may be subject to backup withholding on such payments, unless the U.S. holder provides a taxpayer identification number and a duly executed IRS Form W-9 or otherwise establishes an exemption. Backup withholding is not an additional tax, and the amount of any backup withholding will be allowed as a credit against a U.S. holder's U.S. federal income tax liability and may entitle such holder to a refund, provided that the required information is timely furnished to the IRS.

Foreign Asset Reporting

Certain U.S. holders who are individuals (and certain specified entities) may be required to report information relating to an interest in the Class A ordinary shares, subject to certain exceptions (including an exception for shares held in accounts maintained by U.S. financial institutions) by filing IRS Form 8938 (Statement of Specified Foreign Financial Assets) with their federal income tax return. U.S. holders are urged to consult their tax advisors regarding their information reporting obligations, if any, with respect to their ownership and disposition of the Class A ordinary shares.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We are subject to the informational requirements of the Exchange Act. In accordance with these requirements, we file reports and furnish other information as a foreign private issuer with the SEC. These materials, including this report and the exhibits thereto, may be inspected and copied at the SEC's Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. The SEC also maintains a Web site at www.sec.gov that contains reports and other information regarding registrants that file electronically with the SEC. This report as well as some of the other information submitted by us to the SEC may be accessed through this Web site. In addition, information about us is available at our web site at www.atlassian.com.

I. Subsidiary Information

Not applicable.

Item 11. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Currency Risk

We operate globally and are 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, India rupee, Euro, 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. Our financial risk management policy is reviewed annually by our Audit Committee and requires us to monitor our 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 cash flow hedging program in place and enter into derivative transactions to manage certain foreign currency exchange risks that arise in our ordinary business operations. We recognize all derivative instruments as either assets or liabilities on our consolidated statements of financial position and measure them at fair value. 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.

We enter into master netting agreements 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.

Foreign currency exchange rate exposure

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

Foreign currency sensitivity

A sensitivity analysis performed on our hedging portfolio as of June 30, 2021 and 2020 indicated that a hypothetical 10% strengthening of the U.S. dollar against the Australian dollar applicable to our business would decrease the fair value of our foreign currency contracts by $39.4 million and $27.0 million, respectively, and a hypothetical 10% weakening of the U.S. dollar against the Australian dollar would increase the fair value of our foreign currency contracts by $39.4 million and $27.0 million, respectively.

Interest Rate Risk

We are exposed to interest rate risk arising from our variable interest rate Credit Facility. Our financial risk management policy is reviewed annually by our Audit Committee and requires us 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.

A sensitivity analysis performed on interest rate swaps as of June 30, 2021 indicated that a hypothetical 100 basis point increase in interest rates would increase the market value of our interest rate swap by $24.8 million and a hypothetical 100 basis point decrease in interest rates would decrease the market value of our interest rate swap by $20.6 million. This estimate is based on a sensitivity model that measures market value changes when changes in interest rates occur.

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, we had cash and cash equivalents totaling $919.2 million and short-term investments totaling $313.0 million.

A sensitivity analysis performed on our portfolio as of June 30, 2021 and 2020 indicated that a hypothetical 100 basis point increase in interest rates would decrease the market value of our investments by $1.9 million and $5.4 million, respectively, and a hypothetical 100 basis point decrease in interest rates would increase the market value of our investments by $0.3 million and $1.6 million, respectively. This estimate is based on a sensitivity model that measures market value changes when changes in interest rates occur.

Equity Price Risk

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

A sensitivity analysis performed on the exchange feature of the Notes and related capped calls as of June 30, 2021 and 2020 indicated that a hypothetical 10% increase in our share price would increase the fair value of the exchange feature of the Notes and related capped calls by $107.9 million and $192.6 million, respectively, and a hypothetical 10% decrease in our share price would decrease the fair value of the exchange feature of the Notes and related capped calls by $106.2 million and $184.8 million, respectively.

We are also exposed to equity price risk in connection with our equity investments. Our marketable equity investments are susceptible to market price risk from uncertainties about future values of the investment securities. As of June 30, 2021 and 2020, our marketable equity investments are fair valued at $110.4 million and $100.2 million, respectively. A hypothetical 10% increase in the respective share prices of our equity investments as of June 30, 2021 and 2020 would increase the fair value of our marketable equity investments by $11.0 million and $10.0 million, respectively, and a hypothetical 10% decrease in the respective share prices of our equity investments would decrease the fair value of our marketable equity investments by $11.0 million and $10.0 million, respectively.

See Note 5, "*Financial Assets and Liabilities*," to the notes to our consolidated financial statements for more details on our quantitative and qualitative disclosure about market risk.

Item 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

Item 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

Item 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

Item 15. CONTROLS AND PROCEDURES

Disclosure controls and procedures

Our Co-Chief Executive Officers and Chief Financial Officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) as of June 30, 2021, have concluded that, as of such date, our disclosure controls and procedures were effective and ensured that the information required to be disclosed by us in reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Co-Chief Executive Officers and our Chief Financial Officer, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms.

Management's report on internal control over financial reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) of the Exchange Act. Our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Our internal control over financial reporting includes policies and procedures that provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with IFRS. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of June 30, 2021. Our independent registered public accounting firm, Ernst & Young LLP, has issued an audit report with respect to our internal control over financial reporting, which appears in Part III, Item 18 of this annual report.

Changes in internal control over financial reporting

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the year ended June 30, 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Limitations on effectiveness of controls and procedures

In designing and evaluating the disclosure controls and procedures and internal control over financial reporting, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures and internal control over financial reporting must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Item 16. [RESERVED]

Item 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that Mr. Sordello is independent and qualifies as an "audit committee financial expert" as set forth in Rule 10A-3 under the Exchange Act and satisfies the financial sophistication requirements of the Nasdaq listing standards.

Item 16B. CODE OF ETHICS

Our board of directors has adopted a code of business conduct and ethics that applies to all of our employees, officers and directors, including our Co-Chief Executive Officers, Chief Financial Officer and other executive and senior financial officers. The full text of our code of business conduct and ethics is posted on the investor relations page of our website at https://investors.atlassian.com. We intend to disclose any amendments to our code of business conduct and ethics, or waivers of its requirements, as it applies to our executive officers and directors, on our website or in filings under the Exchange Act.

Item 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Aggregate audit fees, audit-related fees, tax fees and the aggregate of all other fees billed to us by Ernst & Young LLP for the fiscal years ended June 30, 2021 and 2020 were as follows:

	2021	2020
	(U.S. $ in thousands)	
Audit fees (1)	$ 3,223	$ 2,745
Audit-related fees (2)	879	876
Tax fees (3)	292	243
Other fees (4)	11	11
Total	$ 4,405	$ 3,875

(1) Audit Fees consist of fees incurred for professional services rendered for the integrated audit of our annual consolidated financial statements, review of the quarterly consolidated financial statements and foreign statutory audits and services that are normally provided by Ernst & Young LLP in connection with statutory and regulatory filings or engagements. Audit fees also include accounting consultations, research related to the integrated audit.

(2) Audit-Related Fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's consolidated financial statements and are not reported under "Audit Fees." This primarily consists of fees for service organization control audits.

(3) Tax fees relate to assistance with tax compliance, tax planning and various tax advisory services.

(4) Other fees are any additional amounts for products and services provided by the principal accountants.

Our Audit Committee has adopted a pre-approval policy for the engagement of our independent accountant to perform certain audit and non-audit services. Pursuant to this policy, which is designed to assure that such engagements do not impair the independence of our auditors, the Audit Committee pre-approves annually all audit services, audit-related services, tax services and other services as described above, that may be performed by our independent accountants. All of the audit and non-audit services provided by our principal accountants have been pre-approved by our Audit Committee.

Item 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

Item 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Not applicable.

Item 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

Item 16G. CORPORATE GOVERNANCE

We are a "foreign private issuer" under the securities laws of the United States and the rules of Nasdaq. Under the securities laws of the United States, foreign private issuers are subject to different disclosure requirements than U.S. domiciled registrants. We intend to take all actions necessary for us to maintain compliance as a foreign private issuer under the applicable corporate governance requirements of the Sarbanes-Oxley Act, the rules adopted by the SEC and Nasdaq's listing standards. Under Nasdaq's rules, a foreign private issuer is subject to less stringent corporate governance requirements. Subject to certain exceptions, the rules of Nasdaq permit a foreign private issuer to follow its home country practice in lieu of the listing requirements of Nasdaq. We intend to follow home country practices in lieu of the listing requirements of Nasdaq with regard to voting by a show of hands and quorum requirements. Otherwise, we intend to follow the requirements of Nasdaq to the extent possible under English law.

In addition, because we are a foreign private issuer, our directors and executive officers are not subject to short-swing profit liability and insider trading reporting obligations under Section 16 of the Exchange Act. They will, however, be subject to the obligations to report changes in share ownership under Section 13 of the Exchange Act and related SEC rules to the extent appropriate.

Item 16H. MINE SAFETY DISCLOSURE

Not applicable.

PART III

Item 17. FINANCIAL STATEMENTS

See "Item 18. Financial Statements."

Item 18. FINANCIAL STATEMENTS

The following financial statements are filed as part of this annual report, together with the report of the independent registered public accounting firm:

- Reports of Independent Registered Public Accounting Firm
- Consolidated Statements of Operations for the fiscal years ended June 30, 2021, 2020 and 2019
- Consolidated Statements of Comprehensive Loss for the fiscal years ended June 30, 2021, 2020 and 2019

- Consolidated Statements of Financial Position as of June 30, 2021 and 2020
- Consolidated Statements of Changes in Equity for the fiscal years ended June 30, 2021, 2020 and 2019
- Consolidated Statements of Cash Flows for the fiscal years ended June 30, 2021, 2020 and 2019
- Notes to the Consolidated Financial Statements

Item 19. EXHIBITS

Exhibit Number		Description
3.1	(1)	Amended and Restated Articles of Association of the company.
4.1	(2)	Form of certificate evidencing Class A ordinary shares.
4.2	(3)	Registration Agreement, dated July 2, 2010, by and among the company and certain of its shareholders.
4.3	(5)	Indenture dated April 27, 2018 between the company and U.S. Bank National Association.
4.4	(8)	Description of share capital.
10.1	(5)	Capped call confirmation.
10.1	(6)	Lease, dated October 25, 2017, by and between Atlassian Inc. and MV Campus Owner, LLC.
10.1	(7)	Lease, dated November 22, 2017, by and between Atlassian Inc. and 350 Bush Street Owner, LLC.
10.1	(3) #	Form of Deed of Indemnity entered into between the company and its directors.
10.2	(3) #	Form of Indemnification Agreement entered into between the company and its officers.
10.3	(3) #	2013 U.S. Share Option Plan and forms of agreements thereunder.
10.4	(3) #	2015 Share Incentive Plan and forms of agreements thereunder.
10.5	(3) #	2015 Employee Share Purchase Plan.
10.6	(3) #	Ordinary Shares Option Agreement.
10.7	(3) #	Deed of Amendment to Class B Ordinary Shares Option Agreement.
10.8	(3) #	Class B Ordinary Shares Exercise Agreement.
10.9	(3) #	Executive Cash Incentive Bonus Plan.
10.10	(4) #	Amended and Restated Executive Severance Plan and form of Executive Severance Agreement entered into between the Registrant and its executive officers.
10.11	(3) #	Form of Director Agreement.
10.12	(3)	Lease, dated March 25, 2015, by and between Atlassian Pty Ltd and Council of the City of Sydney.
10.13	(9)	Non-Employee Director Compensation Policy.
10.14	(3)	Lease, dated December 22, 2011, by and between Atlassian Pty Ltd and 341 George St Pty Ltd.
10.15	(3)	Lease, dated July 9, 2015, by and between Atlassian Pty Ltd and 341 George St Pty Ltd.
10.16	(3)	Lease, dated June 26, 2011, by and between Atlassian, Inc. and Redbird Investment Group, LLC.
10.17	(4)	Credit Agreement dated as of October 28, 2020, by and among the Company, Atlassian, Inc., Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, and the other lenders and parties thereto.
10.18		Lease, dated June 25, 2021, by and between Atlassian Pty Ltd and 341 George St Pty Ltd.
10.19		Lease, dated July 1, 2021, by and between Atlassian Pty Ltd and ISPT Pty Ltd.
12.1		Certificate of Co-Chief Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to §302 of the Sarbanes-Oxley Act of 2002.
12.2		Certificate of Co-Chief Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to §302 of the Sarbanes-Oxley Act of 2002.
12.3		Certificate of Chief Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to §302 of the Sarbanes-Oxley Act of 2002.

Exhibit Number	Description
13.1	Certificate of Co-Chief Executive Officer pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002.
13.2	Certificate of Co-Chief Executive Officer pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002.
13.3	Certificate of Chief Financial Officer pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002.
21.1	Subsidiaries of the Registrant.
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.

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(1) Incorporated by reference to the company's report on Form 6-K filed on December 8, 2016.

(2) Incorporated by reference to the company's Registration Statement on Form F-1/A (File No. 333-207879) filed on November 18, 2015.

(3) Incorporated by reference to the company's Registration Statement on Form F-1 (File No. 333-207879) filed on November 9, 2015.

(4) Incorporated by reference to the company's report on Form 6-K filed on October 29, 2020.

(5) Incorporated by reference to the company's report on Form 6-K filed on April 30, 2018.

(6) Incorporated by reference to the company's report on Form 6-K filed on October 30, 2017.

(7) Incorporated by reference to the company's report on Form 6-K filed on November 27, 2017.

(8) Incorporated by reference to the company's report on Form 20-F filed on August 23, 2019.

(9) Incorporated by reference to the company's report on Form 20-F filed on August 14, 2020.

# Indicates management contract or compensatory plan, contract or agreement.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

ATLASSIAN CORPORATION PLC

Date: August 13, 2021

By: /s/ Michael Cannon-Brookes

Name: Michael Cannon-Brookes

Title: *Co-Chief Executive Officer*

By: /s/ Scott Farquhar

Name: Scott Farquhar

Title: *Co-Chief Executive Officer*

ATLASSIAN CORPORATION PLC

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Atlassian Corporation Plc

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Atlassian Corporation Plc (the Company) as of June 30, 2021 and 2020, the related consolidated statements of operations, comprehensive loss, changes in equity and cash flows for each of the three years in the period ended June 30, 2021, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at June 30, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2021, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of June 30, 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated August 13, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosures to which it relates.

Revenue recognition

Description of the Matter	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 analyze the accounting treatment for the Company's various software product and service offerings in accordance with IFRS 15. This involved assessing the impact of terms and conditions of new or amended contracts with customers or new product or service offerings, the determination of the relative standalone selling prices for each distinct performance obligation and the timing of recognition of revenue.
How We Addressed the Matter in Our Audit	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, among others, 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 amount and period. Finally, we assessed the appropriateness of the related disclosures in the consolidated financial statements.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2012.

San Francisco, California

August 13, 2021

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Atlassian Corporation Plc

Opinion on Internal Control Over Financial Reporting

We have audited Atlassian Corporation Plc's internal control over financial reporting as of June 30, 2021, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Atlassian Corporation Plc (the Company) maintained, in all material respects, effective internal control over financial reporting as of June 30, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's 2021 consolidated financial statements, and our report dated August 13, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's report on internal control over financial reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

San Francisco, California

August 13, 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

(1) Amounts include share-based payment expense, 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

(2) Amounts include amortization of acquired intangible assets, 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

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)

		June 30,	
	Notes	2021	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	14	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.

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.

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 13, 2021.

2. Summary of Significant Accounting Policies

Basis of preparation

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

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

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	Country of Incorporation
Atlassian (UK) Limited	United Kingdom, United States of America
Atlassian (UK) Holdings Limited	United Kingdom, United States of America
Atlassian (Australia) Limited	United Kingdom, United States of America
Atlassian (UK) Operations Limited	United Kingdom
Atlassian, Inc.	United States of America
Atlassian Network Services, Inc.	United States of America
Dogwood Labs, Inc.	United States of America
Trello, Inc.	United States of America
AgileCraft LLC	United States of America
OpsGenie, Inc.	United States of America
Opsgenie Yazılım Anonim Şirketi	Turkey
iFountain, LLC	United States of America
Halp, Inc.	United States of America
Atlassian Australia 1 Pty Ltd	Australia
Atlassian Australia 2 Pty Ltd	Australia
Atlassian Corporation Pty. Ltd.	Australia
Atlassian Pty Ltd	Australia
Good Software Co. Pty Ltd	Australia
Code Barrel Pty Ltd	Australia
Lead Green Pty Ltd	Australia
Lead Green Trust	Australia
Vertical First Pty Ltd	Australia
Vertical First Trust	Australia
Atlassian Capital Pty. Ltd.	Australia
MITT Australia Pty Ltd	Australia
MITT Trust	Australia
Atlassian Holdings B.V.	Netherlands
Atlassian K.K.	Japan
Atlassian Germany GmbH	Germany
Atlassian Philippines, Inc.	Philippines
Atlassian France SAS	France
Atlassian B.V.	Netherlands
Atlassian Canada Inc.	Canada
Atlassian India LLP	India
Mindville AB	Sweden
Riada Germany GmbH	Germany
Mindville Technology Canada LTD	Canada
Atlassian New Zealand	New Zealand
Atlassian Poland sp z o.o.	Poland
Chart.io, Inc.	United States of America
ThinkTilt Pty Ltd	Australia

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 a 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 swaps	24,845	—
Interest Rate -100bps, decrease in market value of interest rate swaps	(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	As of June 30, 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

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- California	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	Fiscal Year Ended June 30, 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	Fiscal Year Ended June 30, 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 (U.S. $ in thousands)		Useful Life (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 the 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	Useful Life
	(U.S. $ in thousands)	(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 (U.S. $ in thousands)	Useful Life (years)
Developed technology	$ 34,600	5
Customer relationships	16,900	7
Backlog	1,400	3
Total intangible assets subject to amortization	$ 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	As of June 30, 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	As of June 30, 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	As of June 30, 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:

	Shares Available for Grant	Share Options		RSUs Outstanding
		Outstanding	Weighted Average Exercise Price	
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. 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.

BOARD OF DIRECTORS

Shona Brown Chair of the Board
Michael Cannon-Brookes
Scott Farquhar
Sasan Goodarzi
Heather Mirjahangir Fernandez
Jay Parikh
Enrique Salem
Steven Sordello
Richard P. Wong

EXECUTIVE TEAM

Michael Cannon-Brookes Co-Founder, Co-Chief Executive Officer

Scott Farquhar Co-Founder, Co-Chief Executive Officer

James Beer Chief Financial Officer

Cameron Deatsch Chief Revenue Officer

Erika Fisher Chief Administrative Officer, General Counsel

Sri Viswanath Chief Technology Officer

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Stock Exchange NASDAQ Global Select under the ticker symbol "TEAM"