



Financial impacts of conversion from IFRS to U.S. GAAP

OCTOBER 3, 2022

LEGAL DISCLOSURE

This presentation includes certain non-IFRS and non-GAAP financial measures. These non-IFRS and non-GAAP financial measures are in addition to, and not a substitute for or superior to, measures of financial performance prepared in accordance with IFRS and U.S. GAAP. There are a number of limitations related to the use of these non-IFRS and non-GAAP financial measures versus their nearest respective IFRS and U.S. GAAP equivalents. For example, other companies may calculate non-IFRS and non-GAAP financial measures differently or may use other measures to evaluate their performance, any of which could reduce the usefulness of our non-IFRS and non-GAAP financial measures as tools for comparison.

Further information on these and other factors that could affect our financial results is included in filings we make with the Securities and Exchange Commission from time to time, including the section titled “Risk Factors” in our most recent Forms 20-F and 6-K (reporting our quarterly results). These documents are available on the SEC Filings section of the Investor Relations section of our website at: <https://investors.atlassian.com>.

OVERVIEW

Effective September 30, 2022, Atlassian Corporation (Atlassian) completed the company's redomiciliation from the United Kingdom to the United States.

As a result of the redomiciliation, Atlassian is transitioning its accounting standards from International Financial Reporting Standards ("IFRS") to U.S. GAAP ("GAAP") for U.S. reporting purposes.

The following presentation summarizes the primary impacts of the conversion from IFRS to GAAP and presents a summary of the financial results for fiscal 2021, fiscal 2022, and quarterly results for fiscal 2022 under both IFRS and GAAP.

The GAAP financial information in this presentation has not been audited and is subject to change.

Atlassian Corporation has become the new Delaware incorporated holding company of Atlassian Corporation Plc and its subsidiaries.

SUMMARY OF PRIMARY IMPACTS TO CONVERT FROM IFRS TO GAAP

	IFRS	GAAP	Statement of operations impacts of conversion from IFRS to GAAP
Stock-based compensation (“SBC”)	Expense is recognized under the accelerated method for stock-based awards resulting in greater expense being recognized in the earlier years of the award.	Expense is recognized under the straight line method for stock-based awards resulting in expense recognized ratably across the vesting period of the award.	Decrease of SBC expense recognized in FY21 (\$45M) and FY22 (\$182M).
Leases	<p>Expenses related to facility leases are recognized in cost of revenues, operating expenses and interest expense on the statement of operations.</p> <p>The expense recognition method results in a higher portion of the total lease expense recognized earlier in the lease term.</p>	<p>Expenses related to facility leases, including any implied interest related to leases, are recognized in cost of revenues and operating expenses on the statement of operations.</p> <p>The expense recognition method results in total lease expense recognized on a straight-line basis over the lease term.</p>	<p>Net decrease in operating income in FY21 (\$5M) and FY22 (\$5M) due to:</p> <ul style="list-style-type: none">increase in cost of revenues and operating expenses from the reclassification of interest from non-operating expenses (approx. \$7M)decrease in total lease expense due to expense recognition method differences (approx. \$2M)
Strategic Investments	Changes in fair value of equity investments are recognized in other comprehensive income (loss), a component of equity, on the statement of financial position.	Changes in fair value of equity investments are recognized in other non-operating expense on the statement of operations.	Decrease in other expense, net in FY21 (\$50M gain on strategic investments) and increase in other expense, net in FY22 (\$71M loss on strategic investments).
Exchangeable Notes	Interest expense is recognized based on an effective interest rate formulated on estimated cash flows.	Interest expense is recognized based on an effective interest rate formulated on contractual cash flows.	Decrease in interest expense in FY21 (\$23M) and increase in interest expense in FY22 (\$23M).

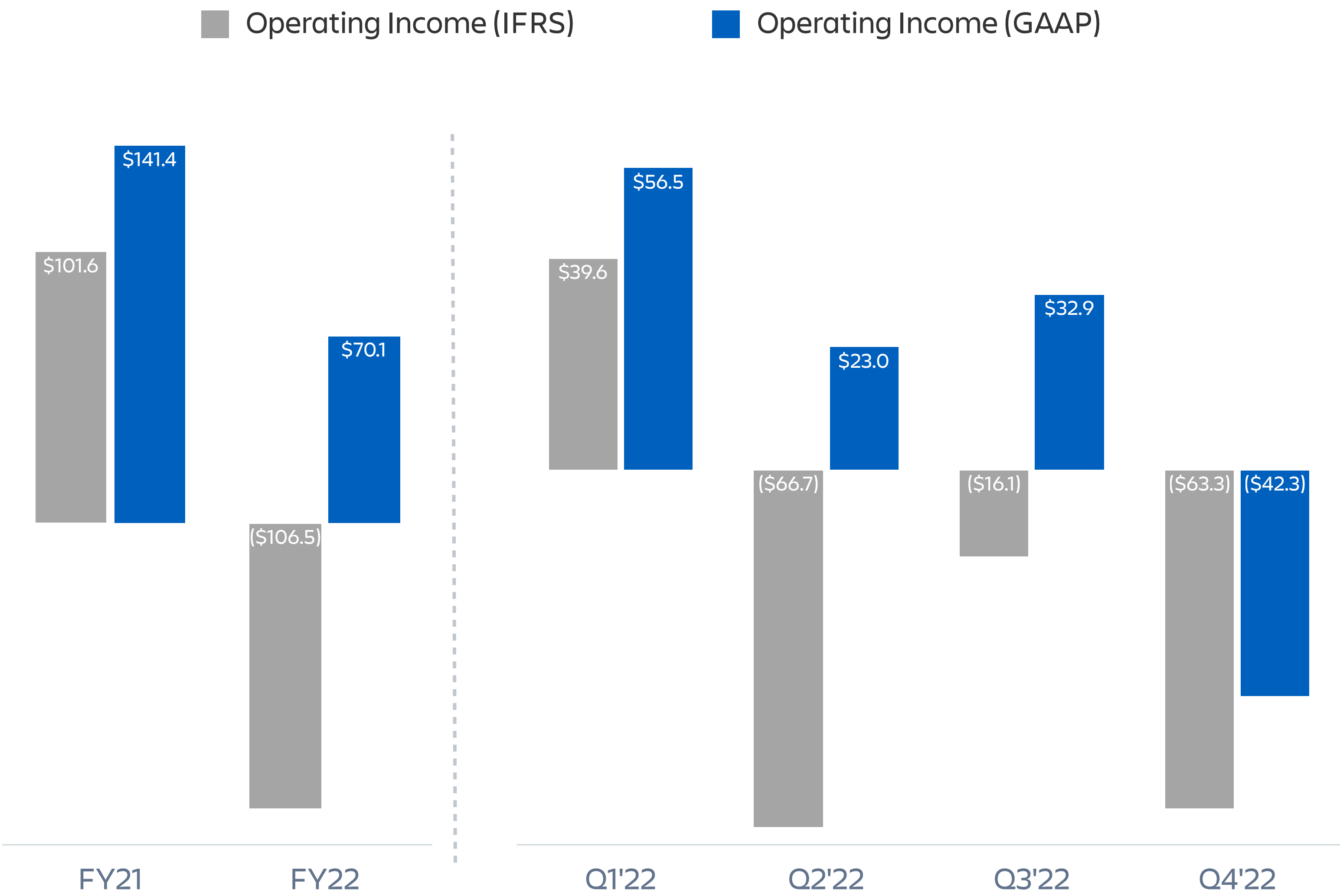
OPERATING INCOME

IFRS VS. GAAP

(U.S. \$ in millions)
(unaudited)

The difference between IFRS results previously reported and GAAP is primarily due to stock-based compensation expense. Under IFRS, more stock-based compensation is recognized in the earlier vesting periods for an award.

Atlassian typically grants stock awards annually to existing employees late in the first quarter of the fiscal year.



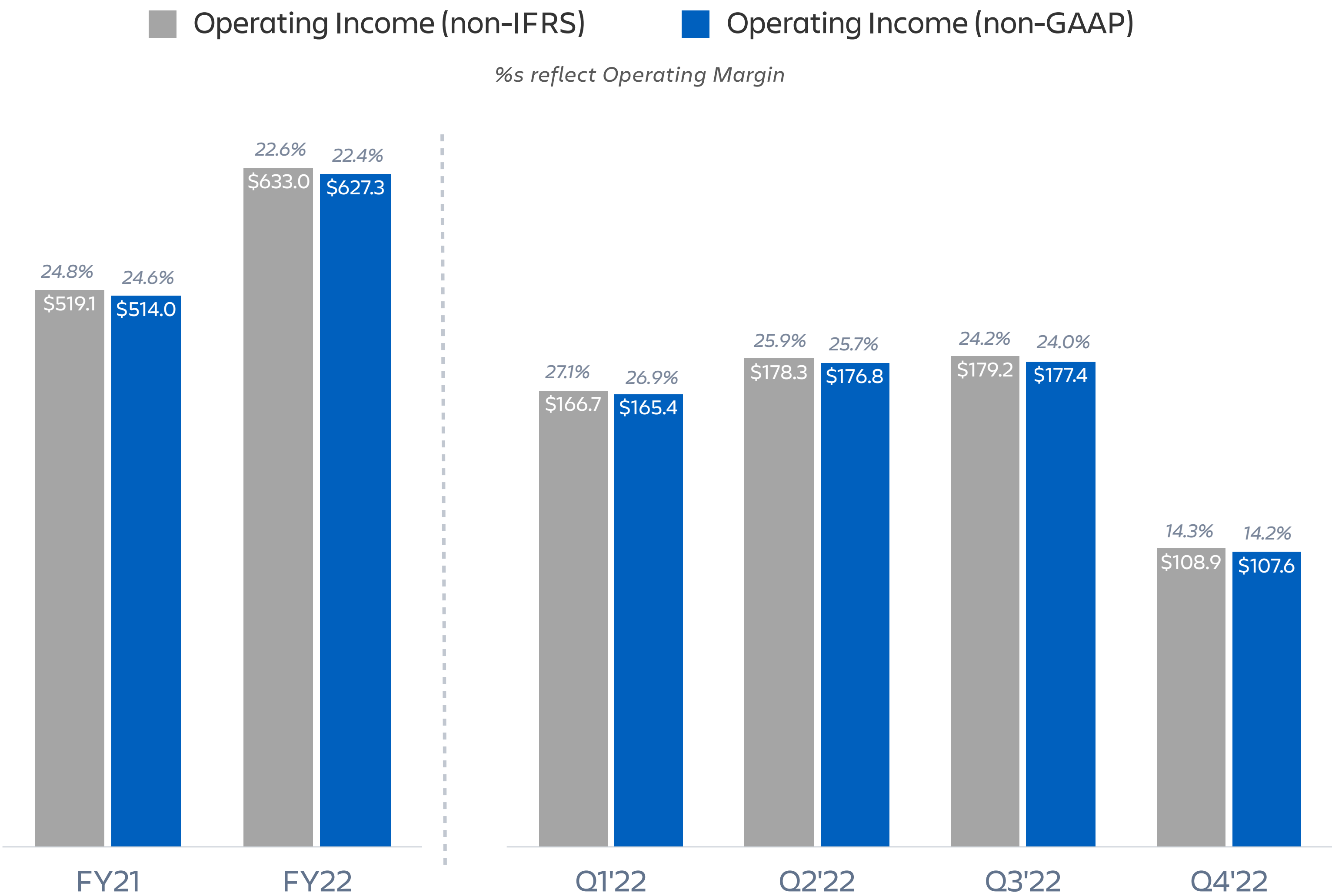
OPERATING INCOME & MARGIN

NON-IFRS VS. NON-GAAP

(U.S. \$ in millions, except percentages)
(unaudited)

The difference between non-IFRS results previously reported and non-GAAP is primarily due to the reclassification of interest expense for lease obligations from non-operating expense under IFRS to operating expense under GAAP.

Under GAAP, Atlassian will recognize interest related to lease obligations as lease expense which will be allocated accordingly to cost of revenues and operating expenses on the statement of operations.

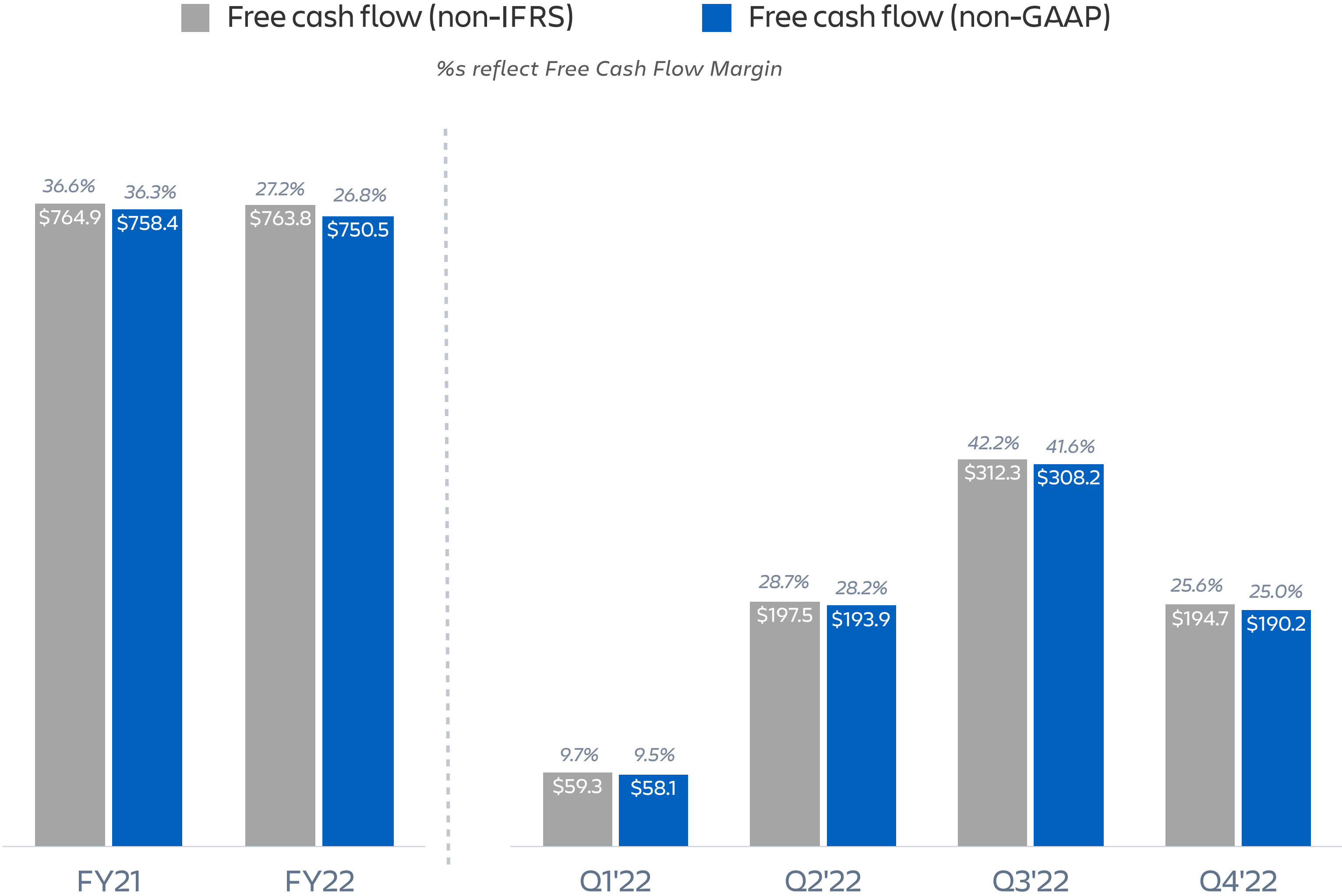


FREE CASH FLOW & MARGIN

NON-IFRS VS. NON-GAAP

(U.S. \$ in millions, except percentages)
(unaudited)

The difference between non-IFRS results previously reported and non-GAAP is due to the reclassification of cash flows for interest paid on the Exchangeable Notes and the Credit Facility from financing activities to operating activities on the statement of cash flows.



KEY FINANCIAL METRICS

IFRS VS. GAAP

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

	IFRS		GAAP (unaudited)		Delta	
	FY21	FY22	FY21	FY22	ΔFY21	ΔFY22
Revenue	2,089,132	2,802,882	2,089,132	2,802,882	-	-
Gross profit	1,753,111	2,337,175	1,757,282	2,349,968	4,171	12,793
Gross margin	83.9%	83.4%	84.1%	83.8%	0.2%	0.4%
Operating income (loss)	101,634	(106,457)	141,406	70,083	39,772	176,540
Operating margin	4.9%	(3.8%)	6.8%	2.5%	1.9%	6.3%
Net loss	(696,315)	(614,124)	(578,979)	(519,510)	117,336	94,614
Net loss per share	(\$2.79)	(\$2.42)	(\$2.32)	(\$2.05)	\$0.47	\$0.37
Weighted-average shares used in computing net loss per share	249,679	253,312	249,679	253,312	-	-
Cash flow - operations	841,330	883,496	789,960	821,044	(51,370)	(62,452)

Note: Certain figures may not foot due to rounding.

KEY FINANCIAL METRICS

NON-IFRS VS. NON-GAAP

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

	Non-IFRS		Non-GAAP		Delta	
	FY21	FY22	FY21	FY22	ΔFY21	ΔFY22
Gross profit	1,800,244	2,404,717	1,799,555	2,404,020	(689)	(697)
Gross margin	86.2%	85.8%	86.1%	85.8%	(0.1%)	-%
Operating Income	519,120	633,028	513,977	627,284	(5,143)	(5,744)
Operating margin	24.8%	22.6%	24.6%	22.4%	(0.2%)	(0.2%)
Net income	357,577	434,292	399,418	383,456	41,841	(50,836)
Diluted earnings per share	\$1.40	\$1.69	\$1.58	\$1.50	\$0.18	(\$0.19)
Weighted-average diluted shares outstanding ⁽¹⁾	254,720	256,682	253,352	255,657	(1,368)	(1,025)
Free cash flow	764,936	763,771	758,440	750,461	(6,496)	(13,310)
Free cash flow margin	36.6%	27.2%	36.3%	26.8%	(0.3%)	(0.5%)

(1) Weighted-average diluted shares outstanding is accounted for under the treasury stock method. Dilutive securities are based on the assumed proceeds, or unamortized expense, of stock-based awards. Assumed proceeds for stock-based awards increased under GAAP, resulting in an increase in shares assumed or repurchased and a resulting decrease in weighted-average diluted shares outstanding.

KEY FINANCIAL METRICS – QUARTERLY

IFRS VS. GAAP

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

<i><u>IFRS</u></i>	Q1'22	Q2'22	Q3'22	Q4'22
Gross profit	516,006	573,365	621,117	626,687
Gross margin	84.0%	83.3%	83.9%	82.5%
Operating income/(loss)	39,646	(66,718)	(16,132)	(63,253)
Operating margin	6.5%	(9.7%)	(2.2%)	(8.3%)
Net loss	(400,102)	(77,472)	(31,087)	(105,463)
Net loss per share	(1.59)	(0.31)	(0.12)	(0.41)
Weighted-average shares used in computing net loss per share	252,106	252,960	253,723	254,482
Cash flow - operations	78,386	221,684	353,029	230,397

<i><u>GAAP</u></i>	Q1'22	Q2'22	Q3'22	Q4'22
Gross profit	517,768	578,335	624,428	629,437
Gross margin	84.3%	84.0%	84.3%	82.8%
Operating income/(loss)	56,477	23,042	32,897	(42,333)
Operating margin	9.2%	3.3%	4.4%	(5.6%)
Net income (loss)	(411,204)	(22,328)	4,661	(90,639)
Net income (loss) per share	(1.63)	(0.09)	0.02	(0.36)
Weighted-average shares used in computing net income (loss) per share	252,106	252,960	255,741	254,482
Cash flow - operations	65,001	206,455	334,709	214,879

KEY FINANCIAL METRICS – QUARTERLY

NON-IFRS VS. NON-GAAP

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

<u>Non-IFRS</u>	Q1'22	Q2'22	Q3'22	Q4'22
Gross profit	529,540	592,595	638,557	644,025
Gross margin	86.2%	86.1%	86.2%	84.8%
Operating income	166,675	178,250	179,184	108,919
Operating margin	27.1%	25.9%	24.2%	14.3%
Net income	118,313	127,324	120,583	68,072
Diluted earnings per share	\$0.46	\$0.50	\$0.47	\$0.27
Weighted-average diluted shares outstanding	256,304	256,978	256,730	256,680
Free cash flow	59,319	197,477	312,278	194,697
Free cash flow margin	9.7%	28.7%	42.2%	25.6%

<u>Non-GAAP</u>	Q1'22	Q2'22	Q3'22	Q4'22
Gross profit	529,374	592,387	638,406	643,853
Gross margin	86.2%	86.0%	86.2%	84.7%
Operating income	165,438	176,820	177,404	107,622
Operating margin	26.9%	25.7%	24.0%	14.2%
Net income	94,409	110,427	110,168	68,452
Diluted earnings per share	\$0.37	\$0.43	\$0.43	\$0.27
Weighted-average diluted shares outstanding	255,390	256,032	255,741	255,488
Free cash flow	58,120	193,874	308,236	190,231
Free cash flow margin	9.5%	28.2%	41.6%	25.0%

RECONCILIATION OF GAAP TO NON-GAAP RESULTS

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

	FY21	FY22	Q1'22	Q2'22	Q3'22	Q4'22
<u>Gross profit</u>						
GAAP gross profit	\$ 1,757,282	\$ 2,349,968	\$ 517,768	\$ 578,335	\$ 624,428	\$ 629,437
Plus: Stock-based compensation	19,879	31,358	5,917	8,453	8,269	8,719
Plus: Amortization of acquired intangible assets	22,394	22,694	5,689	5,599	5,709	5,697
Non-GAAP gross profit	<u>\$ 1,799,555</u>	<u>\$ 2,404,020</u>	<u>\$ 529,374</u>	<u>\$ 592,387</u>	<u>\$ 638,406</u>	<u>\$ 643,853</u>
<u>Operating income</u>						
GAAP operating income (loss)	\$ 141,406	\$ 70,083	\$ 56,477	\$ 23,042	\$ 32,897	\$ (42,333)
Plus: Stock-based compensation	340,817	524,803	100,907	145,820	136,402	141,674
Plus: Amortization of acquired intangible assets	31,754	32,398	8,054	7,958	8,105	8,281
Non-GAAP operating income	<u>\$ 513,977</u>	<u>\$ 627,284</u>	<u>\$ 165,438</u>	<u>\$ 176,820</u>	<u>\$ 177,404</u>	<u>\$ 107,622</u>
<u>Net income</u>						
GAAP net income (loss)	\$ (578,979)	\$ (519,510)	\$ (411,204)	\$ (22,328)	\$ 4,661	\$ (90,639)
Plus: Stock-based compensation	340,817	524,803	100,907	145,820	136,402	141,674
Plus: Amortization of acquired intangible assets	31,754	32,398	8,054	7,958	8,105	8,281
Plus: Non-coupon impact related to exchangeable senior notes and capped calls	700,847	450,829	433,973	16,856	—	—
Plus (less): Income tax effects and adjustments	(95,021)	(105,064)	(37,321)	(37,879)	(39,000)	9,136
Non-GAAP net income	<u>\$ 399,418</u>	<u>\$ 383,456</u>	<u>\$ 94,409</u>	<u>\$ 110,427</u>	<u>\$ 110,168</u>	<u>\$ 68,452</u>
<u>Net income per share</u>						
GAAP net income (loss) per share - diluted	\$ (2.32)	\$ (2.05)	\$ (1.63)	\$ (0.09)	\$ 0.02	\$ (0.36)
Plus: Stock-based compensation	1.35	2.05	0.41	0.57	0.53	0.56
Plus: Amortization of acquired intangible assets	0.13	0.13	0.03	0.03	0.03	0.03
Plus: Non-coupon impact related to exchangeable senior notes and capped calls	2.80	1.78	1.71	0.07	—	—
Plus (less): Income tax effects and adjustments	(0.38)	(0.41)	(0.15)	(0.15)	(0.15)	0.04
Non-GAAP net income per share - diluted	<u>\$ 1.58</u>	<u>\$ 1.50</u>	<u>\$ 0.37</u>	<u>\$ 0.43</u>	<u>\$ 0.43</u>	<u>\$ 0.27</u>
<u>Weighted-average diluted shares outstanding</u>						
Weighted-average shares used in computing diluted GAAP net loss per share	249,679	253,312	252,106	252,960	255,741	254,482
Plus: Dilution from share options and RSUs (1)	3,673	2,345	3,284	3,072	—	1,006
Weighted-average shares used in computing diluted non-GAAP net income per share	<u>253,352</u>	<u>255,657</u>	<u>255,390</u>	<u>256,032</u>	<u>255,741</u>	<u>255,488</u>
<u>Free cash flow</u>						
GAAP net cash provided by operating activities	\$ 789,960	\$ 821,044	\$ 65,001	\$ 206,455	\$ 334,709	\$ 214,879
Less: Capital expenditures	(31,520)	(70,583)	(6,881)	(12,581)	(26,473)	(24,648)
Free cash flow	<u>\$ 758,440</u>	<u>\$ 750,461</u>	<u>\$ 58,120</u>	<u>\$ 193,874</u>	<u>\$ 308,236</u>	<u>\$ 190,231</u>

(1) The effects of these dilutive securities were not included in the GAAP calculation of diluted net loss per share for the Q1'22, Q2'22, Q4'22, FY22 and FY21 because the effect would have been anti-dilutive.

RECONCILIATION OF IFRS TO NON-IFRS RESULTS

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

	FY21	FY22	Q1'22	Q2'22	Q3'22	Q4'22
<u>Gross profit</u>						
IFRS gross profit	\$ 1,753,111	\$ 2,337,175	\$ 516,006	\$ 573,365	\$ 621,117	\$ 626,687
Plus: Share-based payment expense	24,739	44,848	7,845	13,631	11,731	11,641
Plus: Amortization of acquired intangible assets	22,394	22,694	5,689	5,599	5,709	5,697
Non-IFRS gross profit	<u>\$ 1,800,244</u>	<u>\$ 2,404,717</u>	<u>\$ 529,540</u>	<u>\$ 592,595</u>	<u>\$ 638,557</u>	<u>\$ 644,025</u>
<u>Operating income</u>						
IFRS operating income (loss)	\$ 101,634	\$ (106,457)	\$ 39,646	\$ (66,718)	\$ (16,132)	\$ (63,253)
Plus: Share-based payment expense	385,732	707,087	118,975	237,010	187,211	163,891
Plus: Amortization of acquired intangible assets	31,754	32,398	8,054	7,958	8,105	8,281
Non-IFRS operating income	<u>\$ 519,120</u>	<u>\$ 633,028</u>	<u>\$ 166,675</u>	<u>\$ 178,250</u>	<u>\$ 179,184</u>	<u>\$ 108,919</u>
<u>Net income</u>						
IFRS net loss	\$ (696,315)	\$ (614,124)	\$ (400,102)	\$ (77,472)	\$ (31,087)	\$ (105,463)
Plus: Share-based payment expense	385,732	707,087	118,975	237,010	187,211	163,891
Plus: Amortization of acquired intangible assets	31,754	32,398	8,054	7,958	8,105	8,281
Plus: Non-coupon impact related to exchangeable senior notes and capped calls	723,823	427,853	427,853	—	—	—
Plus (less): Income tax effects and adjustments	(87,417)	(118,922)	(36,467)	(40,172)	(43,646)	1,363
Non-IFRS net income	<u>\$ 357,577</u>	<u>\$ 434,292</u>	<u>\$ 118,313</u>	<u>\$ 127,324</u>	<u>\$ 120,583</u>	<u>\$ 68,072</u>
<u>Net income per share</u>						
IFRS net loss per share - diluted	\$ (2.79)	\$ (2.42)	\$ (1.59)	\$ (0.31)	\$ (0.12)	\$ (0.41)
Plus: Share-based payment expense	1.51	2.75	0.47	0.93	0.73	0.64
Plus: Amortization of acquired intangible assets	0.12	0.13	0.03	0.03	0.03	0.03
Plus: Non-coupon impact related to exchangeable senior notes and capped calls	2.90	1.69	1.69	—	—	—
Plus (less): Income tax effects and adjustments	(0.34)	(0.46)	(0.14)	(0.15)	(0.17)	0.01
Non-IFRS net income per share - diluted	<u>\$ 1.40</u>	<u>\$ 1.69</u>	<u>\$ 0.46</u>	<u>\$ 0.50</u>	<u>\$ 0.47</u>	<u>\$ 0.27</u>
<u>Weighted-average diluted shares outstanding</u>					0	0
Weighted-average shares used in computing diluted IFRS net loss per share	249,679	253,312	252,106	252,960	253,723	254,482
Plus: Dilution from share options and RSUs (1)	5,041	3,370	4,198	4,018	3,007	2,198
Weighted-average shares used in computing diluted non-IFRS net income per share	<u>254,720</u>	<u>256,682</u>	<u>256,304</u>	<u>256,978</u>	<u>256,730</u>	<u>256,680</u>
<u>Free cash flow</u>						
IFRS net cash provided by operating activities	\$ 841,330	\$ 883,496	\$ 78,386	\$ 221,684	\$ 353,029	\$ 230,397
Less: Capital expenditures	(31,520)	(70,583)	(6,881)	(12,581)	(26,473)	(24,648)
Less: Payments of lease obligations	(44,874)	(49,142)	(12,186)	(11,626)	(14,278)	(11,052)
Free cash flow	<u>\$ 764,936</u>	<u>\$ 763,771</u>	<u>\$ 59,319</u>	<u>\$ 197,477</u>	<u>\$ 312,278</u>	<u>\$ 194,697</u>

(1) The effects of these dilutive securities were not included in the IFRS calculation of diluted net loss per share for Q1'22, Q2'22, Q3'22, Q4'22, FY22 and FY21 because the effect would have been anti-dilutive.

