Appendix 4D

Half-Year Report

31 December 2017

Megaport Limited

ABN: 46 607 301 959

Appendix 4D Half-Year Report

For the period 1 July 2017 to 31 December 2017

Appendix 4D

The following information sets out the requirements of the Appendix 4D of Megaport Limited ('the Company') with the stipulated information either provided here or cross referenced to the Half-Year Report, 31 December 2017.

This Appendix 4D covers the reporting period from 1 July 2017 to 31 December 2017. The previous corresponding period is 1 July 2016 to 31 December 2016.

Results for Announcement to the Market

Summary of Financial Information

	1 Jul 2017 to 31 Dec 2017	1 July 2016 to 31 Dec 2016	Change $	Change %
Revenue from ordinary activities	8,832,995	4,458,704	4,374,291	98.11
Profit/(loss) from ordinary activities after tax attributable to members	(13,321,998)	(13,772,690)	450,692	3.27
Net profit/(loss) for the period attributable to members	(13,321,998)	(13,772,690)	450,692	3.27

Dividends

No dividend has been proposed or declared in respect of the period ended 31 December 2017.

Explanation of revenue and profit/(loss) from ordinary activities

Refer to the Director's Report Review of Operations in the half-year financial report for commentary on the results for the period and explanations to understand the Group's revenue and profit/(loss) from ordinary activities.

Net tangible asset backing

	31 Dec 2017 cents	31 Dec 2016 cents
Net tangible assets per ordinary share	24.81	33.65

The number of Megaport shares on issue at 31 December 2017 is 101,566,242 shares.

Details of entities where control has been gained or lost during the period

Name of entity	Note	Country of incorporation	Date control obtained or lost	% of equity held by immediate parent
- None				

There are no entities over which control has been lost during the period. However, the directors decided to de-register its wholly owned non-operating subsidiaries, Megaport Networks (Espana) S.L and Megaport (Italia) S.R.L and the de-registration process is in progress as of 31 December 2017.

There are no associates or joint ventures of the Company.

The information provided in the Appendix 4D is based on the 31 December 2017 Half-Year Report, which has been prepared in accordance with Australian Accounting Standards.

The 31 December 2017 Half-Year Report has been reviewed and is not subject to audit dispute or qualification.

Megaport Limited

ABN: 46 607 301 959

Interim Report

For the Half-Year Ended 31 December 2017

Registered Office:
Level 4, 825 Ann Street
Fortitude Valley QLD 4006

Megaport Limited

ABN: 46 607 301 959

Interim Report

For the half-year ended 31 December 2017

Contents

Directors Report

The Directors present their report on the consolidated entity consisting of Megaport Limited and the entities it controlled (referred to as 'the Group') at the end of, or during, the half-year ended 31 December 2017.

Directors and Company Secretary

The following persons were Directors of Megaport Limited during the whole period and up to the date of this report:

Bevan Slattery
Vincent English
Drew Kelton
Simon Moore
Peter Hase

The Company Secretary is Celia Pheasant.

Principal Activities

During the period, the Group engaged in its principal activities, being:

- the provisioning of on-demand elastic interconnection services,
- the provisioning of internet exchange services,
- the addition and integration of new service providers into the Ecosystem, and
- continuing to expand the geographic footprint of its Network and services Fabric.

Review of Operations

Group overview
Using Software Defined Networking, the Company's global platform enables customers to rapidly connect to leading service providers across the Megaport Fabric. Services can be directly controlled by customers via mobile application, Megaport's portal (megaport.al), and its open Application Programming Interface (API). The Company's extensive footprint in Australia, New Zealand, Asia-Pacific, North America, and Europe provides a neutral platform that spans many key data centre providers across various markets.

The Group's business plan involves providing on-demand self-serve connectivity and interconnection that aligns with cloud consumption models. Megaport enables rapid connectivity to a unique array of data centre, network, managed, and cloud service providers known collectively as the Ecosystem. Customers get access to this platform (the Megaport Fabric) by acquiring Ports (Megaports); they have flexible control of their costs, commitments, and configuration of the services they require using Megaport's proprietary software capabilities. Megaport is an Alibaba Cloud Technology Partner, Oracle Cloud Partner, AWS Technology Partner, Microsoft Azure Express Route Partner, Google Cloud Interconnect Partner, and IBM Direct Link Cloud Exchange provider.

Megaport's vision is to be the global leading Network as a Service provider.

At 31 December 2017, the Group has a global presence of 185 locations across 46 markets. Of the Group total, Asia-Pacific has a regional presence of 52 locations, North America has 76 locations, and Europe has 57 locations.

The total Ports on the Group's Network at 31 December 2017 was 2,259.

Financial performance

Financials	31 Dec 2017 $	31 Dec 2016 $
Revenue	**8,832,995**	4,458,704
Profit/(loss) after direct Network costs[1]	**2,089,095**	(831,153)
Net profit/(loss) after income tax	**(13,321,998)**	(13,772,690)

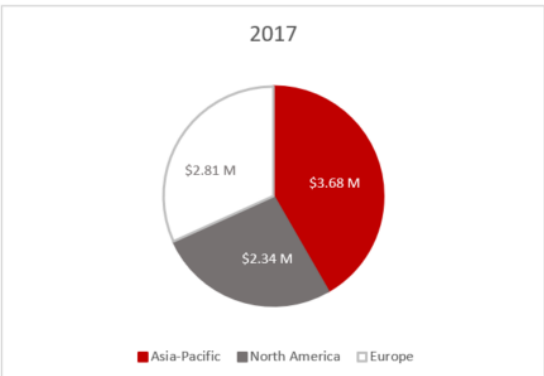
1. Revenue less direct network costs, which comprise of data centre power and space, physical cross connect fees, bandwidth and dark fibre, network operation and maintenance, and channel commissions which are directly related to generating the service revenue of Megaport Group.

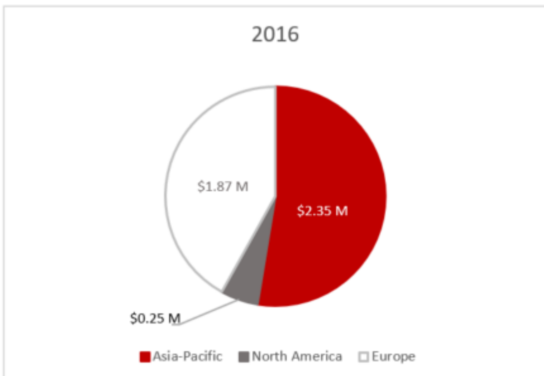
Business metrics	Growth	31 December 2017	30 June 2017	31 December 2016
Total number of Ports	**24%**	**2,259**	1,829	1,479
Total number of services	**34%**	**5,041**	3,764	2,768
Total number of data centres	**12%**	**185**	165	141
Total number of customers	**17%**	**860**	738	621
Monthly recurring revenue[1]	**31%**	**$1.6m**	$1.2m	$0.9m

1. Monthly recurring revenue represents revenue earned for services rendered to customers for the applicable month, that is also expected to continue in following months based on various factors, including customer contracts, ports, and locations.

During the half-year period, Megaport has continued to have significant growth in the number of Ports sold to customers, number of data centres, and monthly recurring revenues. The Group's revenue for the period was $8.8 million (31 December 2016: $4.5 million). As detailed in the segment reporting note in the financial statements, this revenue was generated in the following business units: 42% (31 December 2016: 53%) in Asia-Pacific, 32% (31 December 2016: 42%) in Europe, and 26% (31 December 2016: 5%) in North America. The Group's revenue in the half-year ended 31 December 2017 was up 98% compared to the half-year period ended 31 December 2016, which is driven by the increase in revenue of $1.4 million in Asia-Pacific (up 57%), $0.9 million in Europe (up 50%) and $2.1 million in North America (up 856%).

The revenue from external customers generated by segment for the half-year period ending 31 December is illustrated in the graphs below:





There is a profit after direct network costs for the Group of $2,089,095 (31 December 2016: loss of $831,153), which includes direct network costs for all business units. The Asia-Pacific and Europe business units are generating a profit after direct network costs.

During the half-year period ended 31 December 2017:

- Megaport entered into a key partnership with NTT, Singapore and expanded into new markets including Adelaide, Kansas City, and Wellington;
- Megaport entered into new data centre partnerships with QTS, Stream, and FORTRUST and activated its first European Oracle Cloud onramp in Frankfurt;
- Megaport entered into a key partnership with IBM Cloud to provide direct connectivity to IBM's cloud-native services;
- Megaport also achieved AWS Networking Competency status and entered into data centre partnerships with Cyxtera and IO Data Centres; and
- The Company continued to grow its footprint with the launch of services in Denver and Hamilton.

On 24 January 2018, the Group announced the launch of Megaport Cloud Router (MCR) at PTC '18, the annual Pacific Telecom Council conference in Honolulu, Hawaii. MCR is a virtual router service that enables customers to rapidly and privately connect at Layer 3 without the need to own or manage routers or physical infrastructure. By removing administrative and ownership complexities, MCR makes it easier for companies to connect to cloud services, expand their service footprint through virtual Points of Presence (PoPs), and peer with Ecosystem partners around the world without the need to physically deploy network infrastructure. The launch of MCR has been well received by partners and customers as a means of enabling new use cases for data networking globally.

The Group's net loss after income tax for the half-year financial period amounted to $13.3 million (31 December 2016: $13.8 million).

Financial position

	31 December 2017	30 June 2017
Financials	**$**	**$**
Net assets	**33,862,966**	30,223,200
Cash and bank balances at end of the period^	**21,099,425**	21,527,943

^includes bank term deposits

Megaport continues to maintain a strong financial position with net current assets of 16.0 million (30 June 2017: $14.6 million) and total equity of $33.9 million (30 June 2017: $30.2 million).

On 4 July 2017, Megaport issued 13,235,249 shares at an issue price of $2.10 per share, raising $27.79 million. The shares were issued at a discount of 6.7% based on the last trading price on 27 June 2017. The new shares issued are ordinary shares and rank equally with existing Megaport ordinary shares. The transaction was fully underwritten by Morgans Corporate Limited and Royal Bank of Canada. $11.4 million has been received in relation to this capital raising prior to 30 June 2017. The remainder was received by the date of issue. The net proceeds of the capital raisings have been and will continue to be used for capital expenditure, ongoing operating costs of the Network, services and staff, and network capacity investment. This will provide the funding for revenue growth, market development, and additional acquisition opportunities.

During the half-year, the Group invested $6.0 million cash in the Network and Ecosystem expansion. Of this amount, $3.6 million was invested in rolling out additional data centres globally, particularly setting up the Europe sites and adding additional sites in North America, and $2.4 million was invested in the software development and innovation including the Company's recently-launched MCR and partial payment for previously acquired intangible assets (i.e; indefeasible rights to use assets).

Auditor's Independence Declaration

A copy of the auditor's independence declaration is required under section 307C of the Corporations Act 2001 and is set out on page 4.

Signed in accordance with a resolution of Directors made pursuant to s306(3) of the *Corporations Act 2001.*

On behalf of the Directors

Bevan Slattery
Executive Chairman
21 February 2018

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The Board of Directors
Megaport Limited
4/825 Ann Street
Fortitude Valley
Brisbane QLD 4006

21 February 2018

Dear Board Members

Megaport Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Megaport Limited.

As lead audit partner for the review of the financial statements of Megaport Limited for the half-year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review ; and

(ii) any applicable code of professional conduct in relation to the review .

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

R G Saayman
Partner
Chartered Accountants

ABN: 46 607 301 959

For the Half-Year Ended 31 December 2017

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	31 December 2017 $	31 December 2016 $
Continuing operations			
Revenue	2	8,832,995	4,458,704
Direct network costs		(6,743,900)	(5,289,857)
		2,089,095	**(831,153)**
Other income		129,828	126,033
Employee benefits expense		(9,872,183)	(7,813,796)
Professional fees		(1,042,063)	(1,666,517)
Marketing expenses		(446,675)	(526,588)
Travel expenses		(699,710)	(887,104)
Depreciation and amortisation expense		(2,153,751)	(1,835,632)
Finance costs		(62,923)	(44,977)
Foreign exchange (losses)/gains		(153,125)	580,282
Other expenses		(1,073,862)	(839,956)
Loss before income tax		**(13,285,369)**	**(13,739,408)**
Income tax expense		(36,629)	(33,282)
Loss after income tax for the period		**(13,321,998)**	**(13,772,690)**
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		261,011	(550,239)
Total other comprehensive income, net of income tax		**261,011**	**(550,239)**
Total comprehensive income for the period		**(13,060,987)**	**(14,322,929)**
Loss attributable to:			
Owners of Megaport Limited		**(13,321,998)**	(13,772,690)
Total comprehensive loss attributable to:			
Owners of Megaport Limited		**(13,060,987)**	(14,322,929)
Losses per share		**$**	**$**
Basic losses per share		**(0.13)**	(0.16)
Diluted losses per share		**(0.13)**	(0.16)

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Megaport Limited

ABN: 46 607 301 959

As At 31 December 2017

Condensed Consolidated Statement of Financial Position

	Notes	31 December 2017 $	30 June 2017 $
Assets			
Current assets			
Cash and cash equivalents	3	20,598,504	21,027,324
Trade and other receivables		1,917,150	1,569,768
Current tax assets		94,132	90,079
Other financial assets – term deposits		500,921	500,619
Other assets		1,038,176	771,193
Total current assets		**24,148,883**	**23,958,983**
Non-current assets			
Property, plant and equipment	4	10,326,526	8,522,564
Intangible assets	5	8,662,773	8,317,229
Other assets		45,422	45,422
Total non-current assets		**19,034,721**	**16,885,215**
Total assets		**43,183,604**	**40,844,198**
Liabilities			
Current liabilities			
Trade and other payables		7,735,498	8,889,820
Borrowings		121,206	167,202
Current tax liability		29,225	70,117
Other liabilities		213,705	217,237
Total current liabilities		**8,099,634**	**9,344,376**
Non-current liabilities			
Borrowings		18,019	55,500
Provisions		10,000	10,000
Deferred tax liability		201,917	236,257
Financial liabilities		965,397	944,883
Other liabilities		25,671	29,982
Total non-current liabilities		**1,221,004**	**1,276,622**
Total liabilities		**9,320,638**	**10,620,998**
Net assets		**33,862,966**	**30,223,200**
Equity			
Issued capital	6	107,697,996	80,135,544
Other equity		(11,913,909)	(11,913,909)
Reserves		2,680,994	13,281,682
Accumulated losses		(64,602,115)	(51,280,117)
Total equity		**33,862,966**	**30,223,200**

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

Condensed Consolidated Statement of Changes in Equity

	Notes	Issued capital $	Other equity $	Reserves $	Accumulated losses $	Total equity $
		Attributable to the owners of Megaport Limited				
Balance at 1 July 2016		50,109,608	(11,913,909)	319,489	(21,345,210)	17,169,978
Loss for the period		-	-	-	(13,772,690)	(13,772,690)
Other comprehensive income		-	-	(550,239)	-	(550,239)
Total comprehensive income for the period		**-**	**-**	**(550,239)**	**(13,772,690)**	**(14,322,929)**
Issue of ordinary share capital		30,999,490	-	-	-	30,999,490
Share-based payments granted		-	-	371,189	-	371,189
Share issue costs		(973,554)	-	-	-	(973,554)
Balance at 31 December 2016		**80,135,544**	**(11,913,909)**	**140,439**	**(35,117,900)**	**33,244,174**
Balance at 1 July 2017		80,135,544	(11,913,909)	13,281,682	(51,280,117)	30,223,200
Loss for the period		-	-	-	(13,321,998)	(13,321,998)
Other comprehensive income		-	-	261,011	-	261,011
Total comprehensive income for the period		**-**	**-**	**261,011**	**(13,321,998)**	**(13,060,987)**
Issue of ordinary share capital	6	27,974,294	-	(11,441,287)^	-	16,533,007
Share-based payments	7	-	-	579,588	-	579,588
Share issue costs	6	(411,842)	-	-	-	(411,842)
Balance at 31 December 2017		**107,697,996**	**(11,913,909)**	**2,680,994**	**(64,602,115)**	**33,862,966**

^ The share allotment reserve relates to cash received in advance for 5,448,232 shares as at 30 June 2017, which were allotted and issued on 4 July 2017.

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

Megaport Limited

ABN: 46 607 301 959

For the Half-Year Ended 31 December 2017

Condensed Consolidated Statement of Cash Flows

	31 December 2017 $	31 December 2016 $
Cash flows from operating activities		
Receipts from customers	9,154,411	5,140,599
Payments to suppliers and employees	(19,268,691)	(18,177,858)
Income taxes paid	(47,043)	(117,455)
Finance costs	(62,923)	(44,977)
Net cash used in operating activities	**(10,224,246)**	**(13,199,691)**
Cash flows from investing activities		
Interest received	129,828	126,033
Payment for financial assets	(302)	(150,730)
Payment for property, plant and equipment	(3,610,850)	(2,776,891)
Payment for intangibles	(2,471,086)	(488,721)
Payment for contingent consideration	(73,890)	-
Purchase of controlled entities, net of cash acquired	-	(844,476)
Transaction costs relating to acquisition of subsidiary	-	(155,672)
Net cash used in investing activities	**(6,026,300)**	**(4,290,457)**
Cash flows from financing activities		
Proceeds from issue of new shares	16,354,642	30,999,490
Share issue transaction costs	(411,842)	(973,554)
Repayment of borrowings	(83,477)	(93,305)
Net cash from financing activities	**15,859,323**	**29,932,631**
Net (decrease)/increase in cash and cash equivalents held	(391,223)	12,442,483
Effects of exchange rate changes on cash and cash equivalents	(37,597)	(127,223)
Cash and cash equivalents at beginning of the period	21,027,324	11,869,997
Cash and cash equivalents at end of the period	**20,598,504**	**24,185,257**

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

Notes to the Condensed Consolidated Financial Statements

1 Significant accounting policies

(a) Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

(b) Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars ("$"), unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2017 annual financial report for the financial year ended 30 June 2017, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Determining whether the Group is a going concern has been determined through detailed budgets and cash flow forecasts which include key assumptions around future cash flows, and forecast results and margins from operations. The Group has significant cash reserves obtained through capital raising, and monitors the reserves through these detailed budgets and cash flow forecasts to ensure there are sufficient available funds for its operations and any planned expansion. As a result, the Directors are satisfied that the Group is able to maintain sufficient resources to continue in operation for the foreseeable future. Accordingly, they have adopted the going concern basis in preparing the financial statements.

(c) Amendments to Accounting Standards that are mandatorily effective for the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

- AASB 1048 Interpretation of Standards
- AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses
- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107
- AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016

(i) Impact of the application of AASB 1048 Interpretation of Standards

The Group has applied the new principal version of AASB 1048 providing an up-to-date listing of Australian Interpretations, including Interpretation 22 Foreign Currency Transactions and Advance Consideration and Interpretation 23 Uncertainty over Income Tax Treatments.

The application of these amendments has had no impact on the Group's consolidated financial statements as this is a service standard that ensures there is no difference between the status of Interpretations in the hierarchy between IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

(ii) Impact of the application of AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses

The Group has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference. The application of these amendments has had no impact on the Group's consolidated financial statements as the Group already assesses the sufficiency of future taxable profits in a way that is consistent with these amendments.

(iii) Impact of the application of AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and noncash changes. Apart from the additional disclosure in the annual financial statements, the application of these amendments has had no impact on the Group's consolidated financial statements.

(iv) Impact of the application of AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016

Amends AASB 12 Disclosure of Interests in Other Entities to clarify that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests. The application of these amendments has had no effect on the Group's consolidated financial statements as none of the Group’s interests in these entities are classified, or included in a disposal group that is classified, as held for sale.

2 Segment information

(a) Description of segments

The Group’s Board of Directors examine the performance of the Group from a geographic perspective and have identified three operating segments of its business. All operating segments are currently reportable. All operating segments generate revenue from its principal activities. These segments are:

- **Asia-Pacific** includes Australia, New Zealand, Hong Kong and Singapore. The segment includes key data centres in each market. As of 31 December 2017, 52 locations are fully operarational across Asia-Pacific. New Zealand includes a long-haul connectivity capability back to Australia, which enables cloud exchange services to the market. There is a link between Singapore and Hong Kong, Hong Kong and Los Angeles, and Sydney and Los Angeles allowing customers cross-market cloud exchange connectivity and services.
- **North America** went live at the end of April 2016 and now has 76 sites across the United States of America and Canada. A number of partnership agreements have been signed to benefit the network, with businesses including Digital Realty, AMS-IX, EdgeConnex and CyrusOne.
- **Europe,** the network went live in 2017 Q1 through the acquisition of OMNIX Group AD and Peering GmbH and Megaport built sites. These factors have developed a fully operational market in 57 locations across Europe.
- **Other** includes head office and group services, whose function is to support the operating segments and growth of the global business.

The Board monitors the operating results of operating segments separately for the purpose of making decisions about resources to be allocated and assessing performance. Segment performance is evaluated based on net profit or loss, which is measured the same as the net profit or loss in the consolidated financial statements.

The accounting policies of the reportable segments are the same as the Group’s accounting policies.

Segment assets are measured in the same way as in the consolidated financial statements. These assets are allocated based on the operations of the segment and in the case of property, plant and equipment, the physical location of the asset.

(b) Segment information provided to the chief operating decision maker

Half-year 2017	Asia-Pacific $	North America $	Europe $	Operating segments total $	Other $	Total $
Total revenue from external customers	3,683,364	2,341,619	2,808,012	**8,832,995**	-	**8,832,995**
Net profit/(loss)	(1,038,857)	(4,635,502)	(1,925,333)	**(7,599,692)**	(5,722,306)	**(13,321,998)**
Half-year 2016						
Total revenue from external customers	2,345,183	245,040	1,868,481	**4,458,704**	-	**4,458,704**
Net profit/(loss)	(3,121,823)	(4,426,123)	(1,410,216)	**(8,958,162)**	(4,814,528)	**(13,772,690)**
Total segment assets						
31 December 2017	11,152,326	7,952,518	9,241,779	**28,346,623**	14,836,981	**43,183,604**
30 June 2017	11,969,427	5,748,970	8,459,096	**26,177,493**	14,666,705	**40,844,198**

The revenue reported above represents revenue generated from external customers. There were no intersegment sales during the half-year.

During the half-year, the directors decided to de-register its wholly owned Europe non-operating subsidiaries, Megaport Networks (Espana) S.L and Megaport (Italia) S.R.L and the de-registration process is in progress as of 31 December 2017. The net loss for these entities for the half-year ended and total assets as at 31 December 2017 included in the Europe segment were $19,898 and 62,983 respectively.

3 Restricted cash

Included in cash and cash equivalents at 31 December 2017 is an amount of $965,397 (30 June 2017: $1,015,000), representing restricted cash balances which are not available for use by the Group.

4 Property, plant and equipment

	$
At 31 December 2017	
Opening net book amount	8,522,564
Additions	3,256,248
Depreciation charge	(1,474,475)
Exchange differences	22,189
Net book value at 31 December 2017	**10,326,526**
At 30 June 2017	
Opening net book amount	6,421,473
Additions	5,199,639
Disposals	(53,502)
Acquisitions through business combinations	677,159
Transfers	(15,440)
Depreciation charge	(3,573,337)
Exchange differences	(133,428)
Net book value as at 30 June 2017	**8,522,564**

During the half-year, the directors reassessed the useful life of certain items of property, plant and equipment, as follows

Class	**Previous estimate of useful lives used in the calculation of depreciation**	**Revised estimate of useful lives used in the calculation of depreciation**
Network equipment	3 years	4 years

The financial effect of this reassessment, assuming the assets are held until the end of their estimated useful lives, is to increase consolidated depreciation expense in the current half-year by $681K, and for the next three financial years, by the following amounts:

Financial years	**$'000'**
2018	1,305
2019	754
2020	2

5 Intangible assets

	$
At 31 December 2017	
Opening net book amount	8,317,229
Additions	978,086
Amortisation charge	(679,276)
Exchange differences	46,734
Net book value as at 31 December 2017	**8,662,773**
At 30 June 2017	
Opening net book amount	1,424,662
Additions	5,432,642
Acquisitions through business combinations	2,153,707
Disposals	(705)
Transfers	15,440
Amortisation charge	(582,617)
Exchange differences	(125,900)
Net book value as at 30 June 2017	**8,317,229**

6 Issued capital

Issued capital as at 31 December 2017 amounted to $107,697,996 (101,566,242 ordinary shares).

Movements in ordinary share capital:

Details	**Number of shares**	**Total $**
Opening balance at 1 July 2016	70,000,000	50,109,608
Shares issued – private placement	10,500,000	17,850,000
Shares issued – share placement plan	7,734,994	13,149,490
Less: Transaction costs arising on share issue	-	(973,554)
Balance at 30 June 2017	**88,234,994**	**80,135,544**
Shares issued – private placement*	13,235,249	27,794,023
Shares issued – Employee share options exercised^	95,999	180,271
Less: Transaction costs arising on share issue	-	(411,842)
Balance at 31 December 2017	**101,566,242**	**107,697,996**

* Includes $11.4 million cash received in advance for 5,448,232 shares at 30 June 2017.
^ Includes $178k receivable for 94,999 shares issued on 18 December 2017, which is included in “trade and other receivable” at 31 December 2017. The amount was received on 3 January 2018.

7 Share-based payments

Employee share option plan (ESOP General)

The Company issued 685,000 share options over ordinary shares under its employee share option plan throughout the half-year. These share options had a fair value at grant date between the range of $1.93 - $2.20 per share option.

The Megaport Limited Employee Share Option Plan was designed to provide long-term incentives for employees (including Directors) to deliver long-term shareholder returns. Under the plan, participants are granted options which only vest when a pre-determined length of service is met. It is at the Board's discretion as to who to award options to. The length of service attached to these options ranges from 1 to 3 years.

Once vested, the options remain exercisable for 12 months. When exercisable, each option is convertible into one ordinary share. The exercise price has been set at the commencement of the agreement.

8 Related party transactions

(a) Key management personnel

Remuneration arrangements of key management personnel are disclosed in the Group annual financial report.

(b) Transactions with other related parties

During the half-year, transactions totaling $1,232,886 (31 December 2016: $871,689) have been entered into with parties related to Megaport's Chairman, Mr Bevan Slattery, $1,205,245 (31 December 2016: $620,940) was incurred for direct network costs and $27,640 (31 December 2016: $250,749) for shared services.

Directors of the Group hold other directorships as detailed in the Directors' Report of the Group's annual financial statements for the year ended 30 June 2017. Where any of these related entities are customers or suppliers of the Group, the arrangements are on a similar arm's length term to other customers and suppliers.

9 Events occurring after the reporting period

The Group is not aware of any matters or circumstances that have arisen since the end of the half year which have significantly affected or may significantly affect the operations and results of the consolidated entity.

Directors' Declaration

The Directors declare that, in the Directors' opinion:

a. There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and

b. The attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the Directors made pursuant to s303(5) of the *Corporations Act 2001.*

On behalf of the Directors

Bevan Slattery
Executive Chairman

Brisbane
21 February 2018

Deloitte.

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Independent Auditor's Review Report to the Members of Megaport Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Megaport Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2017, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 5 to 15.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Megaport Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Megaport Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Megaport Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

DELOITTE TOUCHE TOHMATSU

R G Saayman Partner
Chartered Accountants
Brisbane, 21 February 2018