



Appendix 4D

Half-Year Report

**For the Half-Year Ended
31 December 2018**

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 for the Half-Year ended 31 December 2018 ("Half-Year Report").

This Appendix 4D covers the reporting period from 1 July 2018 to 31 December 2018. The previous corresponding period is 1 July 2017 to 31 December 2017.

Results for Announcement to the Market

Summary of Financial Information

	1 July 2018 to 31 December 2018	1 July 2017 to 31 December 2017	Change \$	Change %
Revenue from ordinary activities	15,184,070	8,832,995	6,351,075	71.9
Profit/(loss) from ordinary activities after tax attributable to members	(16,566,605)	(13,321,998)	(3,244,607)	(24.4)
Net profit/(loss) for the period attributable to members	(16,566,605)	(13,321,998)	(3,244,607)	(24.4)

Dividends

No dividend has been proposed or declared in respect of the period ended 31 December 2018.

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

Refer to the Director's Report "Review of Operations" in the Half-Year 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 December 2018 cents	31 December 2017 cents
Net tangible assets per ordinary share	47.34	24.81

The number of Megaport shares on issue at 31 December 2018 is 118,660,822 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
Megaport Japan K.K.	Incorporation	Japan	27 August 2018	100%

There are no entities over which control has been lost during the period.

There are no associates or joint ventures of the Company.

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

The 31 December 2018 Half-Year Report has been reviewed and is not subject to audit dispute or qualification.

HALF-YEAR REPORT

For the Half-Year Ended 31 December 2018

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

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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' or 'consolidated entity' or 'Megaport') at the end of, or during, the Half-Year ended 31 December 2018.

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 marketplace.

Review of operations

Group overview

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

Megaport's platform uses Software Defined Networking to enable customers to connect to over 300 leading service providers in a flexible, on-demand, and cost-effective way. The first of its kind and the leader in the market, the Group's Network has changed the way enterprise customers consume connectivity services by creating a model that is more intuitive and customer-centric than the offerings from traditional telecommunications companies.

In order to align its services closely with cloud compute and storage consumption models, the Group provides a self-serve environment for interconnection. Megaport enables customers to rapidly and flexibly connect to its partner data centres, network service providers, and managed service providers, collectively known as the Ecosystem.

Customers are provided connections to the Ecosystem after acquiring 'Megaports' (Ports) and building Virtual Cross Connects (VXCs) to their chosen destinations across the Megaport Network. Connectivity services can be directly controlled by customers via mobile application, Megaport's portal, and its open Application Programming Interface (API). Megaport is an Alibaba Cloud Technology Partner, Oracle Cloud Partner, AWS Technology Partner, AWS Networking Competency Partner, Microsoft Azure ExpressRoute Partner, Google Cloud Interconnect Partner, IBM Direct Link Cloud Exchange provider, and Salesforce Express Connect Partner.

The Group's extensive footprint across North America, Asia Pacific, and Europe makes up a neutral platform that spans key global locations.

Key performance metrics

In December 2018, Megaport achieved 1,277 customers across 386 Enabled Data Centres¹ in 82 cities and generated Monthly Recurring Revenue (MRR) of \$2.7M. Of these data centres, 78 were located in Asia Pacific; 209 in North America and 99 in Europe.

Megaport's North America region increased its MRR from \$0.55M in June 2018, to \$1.0M in December 2018 representing an 80% uplift during the half-year. This achievement represents a major growth milestone for the Group with MRR in North America doubling in the eight months to December 2018.

The total Ports on the Group's Network at 31 December 2018 was 3,344, up 48% compared to a year earlier.

Half-Yearly Performance	Half-Year ended 31 December 2018	Half-Year ended 31 December 2017	% Change	Half-Year ended 30 June 2018	% Change
Enabled Data Centres ¹	386	³	⁴	³	⁴
Installed Data Centres ²	245	185	32%	221	11%
Cloud On-Ramps	115	102	13%	108	6%
Customers	1,277	860	48%	1,038	23%
Ports	3,344	2,259	48%	2,755	21%
Services ⁵	8,735	5,041	73%	6,567	33%
Monthly Recurring Revenue ⁶	\$2.7M	\$1.6M	70%	\$2.0M	37%
Revenue	\$15.18M	\$8.83M	72%	\$10.92M	39%

¹ To align with other industry operators and more accurately reflect the Company's extensive coverage and service availability, Megaport is now including "Enabled Data Centres" in its regularly reported metrics. Enabled Data Centres represents Installed Data Centres plus data centres that can be connected directly to Megaport equipment within Installed Data Centres by means of a dark fibre campus cross connect, provided by the data centre campus/facility operator for a price that is the same or similar to a standard Installed Data Centre cross connect

² Installed Data Centres are data centres in which Megaport has a Point of Presence with physical infrastructure. This definition is consistent with the data centre count reported previously

³ Megaport did not historically count Enabled Data Centres

⁴ Megaport will begin tracking Reporting Period percentile changes in future periods

⁵ Services comprise of Ports, Virtual Cross Connections (VXCs), Megaport Cloud Router (MCR), and Internet Exchange (IX)

⁶ Monthly recurring revenue represents revenue earned for services rendered to customers for the applicable month and excludes one-off or non-recurring revenue. Whilst Megaport typically offers services on flexible terms without long term contracts, churn of customers and ports has been low resulting in the majority of this revenue recurring from month-to-month

ABN: 46 607 301 959

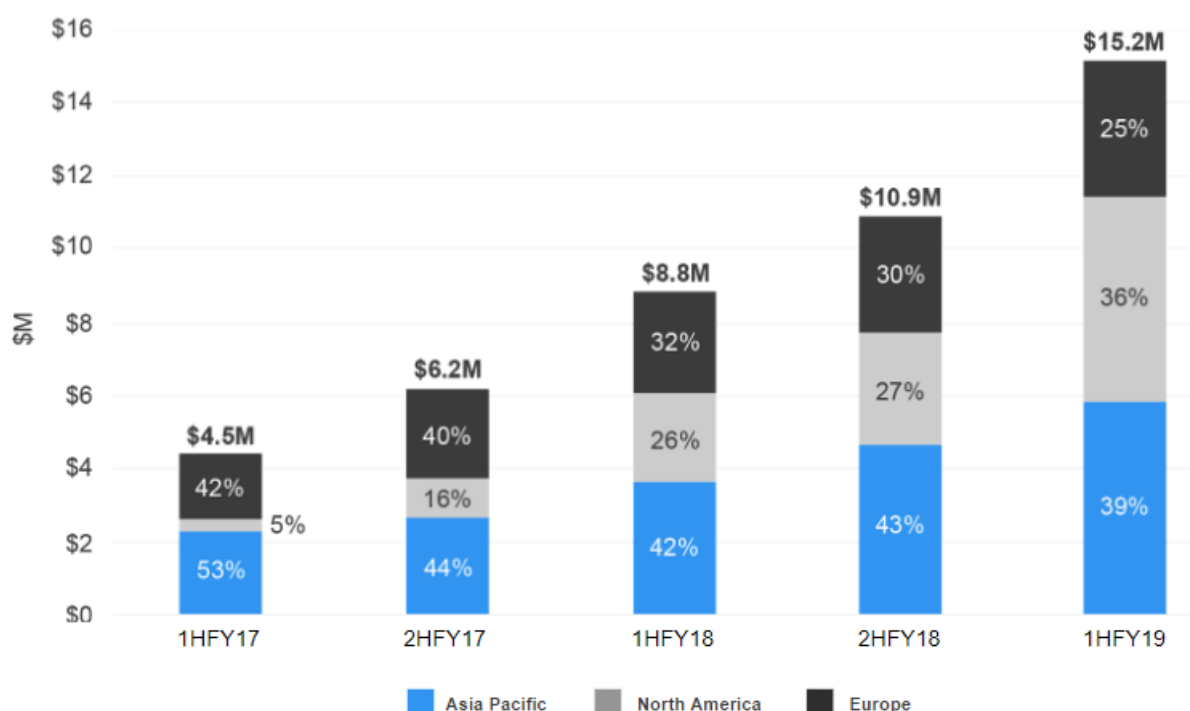
For the Half-Year Ended 31 December 2018

Financial performance

	31 December 2018	31 December 2017
	\$'000	\$'000
Revenue	15,184	8,833
Profit after direct network costs ⁷	4,828	2,089
Normalised EBITDA ⁸	(12,415)	(10,458)
Net loss after income tax	(16,567)	(13,322)

During the Half-Year ended 31 December 2018, Megaport saw significant growth in the number of Installed Data Centres, customers, Ports, Services and MRR. The Group's revenue for the period was \$15.2 million, up 72% compared to the Half-Year ended 31 December 2017 (\$8.8 million). This increase was driven by North America which grew 134% compared to the previous period, followed by Asia Pacific which grew by 61%, and Europe 34%.

Half-Yearly reported revenue by operating segment is set out below:



Group profit after direct network costs for the Half-Year ended 31 December 2018 was \$4.8 million, up 131% compared to the profit of \$2.1 million for the Half-Year ended 31 December 2017. The Asia Pacific and Europe regions generated a profit after direct network costs for the period, whilst the loss after direct network costs in North America reduced significantly.

⁷ Revenue less direct network costs comprising 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 Group

⁸ Normalised Earnings Before Interest Tax Depreciation and Amortisation ('Normalised EBITDA') represents operating results excluding equity-settled employee benefits, foreign exchange gains / (losses) and non-operating expenses. Including these amounts, EBITDA would be (\$12,867,000) for the Half-Year ended on 31 December 2018 and (\$11,198,000) on 31 December 2017

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For the Half-Year Ended 31 December 2018

During the Half-Year ended 31 December 2018:

- Megaport continued to expand its Network footprint to new cities while deepening its reach within existing metros;
- The Company furthered its leadership position in cloud networking by enabling seven new cloud on-ramps globally;
- The Company entered into new partnerships with data centre operators including DataBank, DataMSP, Cavern Technologies, and STT GDC, and expanded its partnership with EdgeConnex. Megaport's partnership with Orixcom has extended the reach of Megaport services into Dubai where leading cloud service providers are investing in infrastructure to support regional demand; and
- The Company made significant investments in sales and marketing resources, particularly in North America, where the Company is focused on driving increased service adoption.

The Group's net loss after income tax for the Half-Year amounted to \$16.6 million (31 December 2017: \$13.3 million).

Financial position

	31 December 2018	30 June 2018
	\$'000	\$'000
Net assets	66,282	80,204
Cash and bank balances at end of the period [^]	38,107	56,270

[^]includes bank term deposits

Megaport continues to maintain a strong financial position with net current assets of 32.7 million (30 June 2018: \$49.7 million) and cash of \$38.1 million (30 June 2018: \$56.3 million) and total equity of \$66.3 million (30 June 2018: \$80.2 million).

Rounding off of amounts

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016. In accordance with that Corporations Instrument, amounts in the Directors' Report and the Half-Year Financial Report are rounded off to the nearest thousand dollars (\$'000), unless otherwise indicated.

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 6.

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
Chairman

The Board of Directors
Megaport Limited
Level 4, 825 Ann Street
Fortitude Valley, QLD 4006

12 February 2019

Dear Board Members

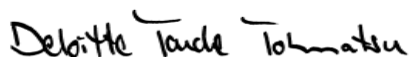
Auditor's Independence Declaration to Megaport Limited

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 half year financial report of Megaport Limited for the half-year ended 31 December 2018, 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



R G Saayman
Partner
Chartered Accountants

ABN: 46 607 301 959

For the Half-Year Ended 31 December 2018

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

		31 December 2018 \$'000	31 December 2017 \$'000
	Notes		
Continuing operations			
Revenue	2	15,184	8,833
Direct network costs		(10,356)	(6,744)
Profit after direct network costs		4,828	2,089
Other income		555	130
Employee expenses		(14,502)	(9,872)
Professional fees		(1,433)	(1,042)
Marketing expenses		(588)	(447)
Travel expenses		(1,311)	(699)
Depreciation and amortisation expense		(4,313)	(2,154)
Finance costs		(80)	(63)
Foreign exchange gains / (losses)		1,818	(153)
Other expenses		(1,679)	(1,074)
Loss before income tax		(16,705)	(13,285)
Income tax benefits/(expense)		138	(37)
Net loss for the period		(16,567)	(13,322)
Other comprehensive income/(loss), net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(998)	261
Total other comprehensive income/(loss), net of income tax		(998)	261
Total comprehensive income/(loss) for the period		(17,565)	(13,061)
Loss attributable to:			
Owners of Megaport Limited		(16,567)	(13,322)
Total comprehensive loss attributable to:			
Owners of Megaport Limited		(17,565)	(13,061)
Losses per share			
		\$	\$
Basic and diluted losses per share		(0.14)	(0.13)

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

Condensed Consolidated Statement of Financial Position

		31 December 2018 \$'000	30 June 2018 \$'000
	Notes		
Assets			
Current assets			
Cash and cash equivalents		37,589	55,761
Trade and other receivables		4,819	3,397
Current tax assets		32	-
Other financial assets – term deposits		518	509
Other assets		2,317	1,688
Total current assets		45,275	61,355
Non-current assets			
Property, plant and equipment	3	21,609	19,687
Intangible assets	4	10,108	9,271
Deferred tax asset		2,198	1,844
Total non-current assets		33,915	30,802
Total assets		79,190	92,157
Liabilities			
Current liabilities			
Trade and other payables		12,080	10,401
Borrowings		19	59
Current tax liability		216	72
Provision		10	10
Financial liabilities		-	995
Other liabilities		277	166
Total current liabilities		12,602	11,703
Non-current liabilities			
Deferred tax liability		295	184
Other liabilities		11	66
Total non-current liabilities		306	250
Total liabilities		12,908	11,953
Net assets		66,282	80,204
Equity			
Issued capital	5	168,226	166,840
Other equity		(11,914)	(11,914)
Reserves		2,280	1,021
Accumulated losses		(92,310)	(75,743)
Total equity		66,282	80,204

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

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For the Half-Year Ended 31 December 2018

Condensed Consolidated Statement of Changes in Equity

	Issued capital \$'000	Other equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2017	80,136	(11,914)	13,281	(51,280)	30,223
Loss for the period	-	-	-	(13,322)	(13,322)
Other comprehensive income	-	-	261	-	261
Total comprehensive income/(loss) for the period	-	-	261	(13,322)	(13,061)
Issue of ordinary share capital	27,974	-	(11,441)^	-	16,533
Share-based payments	-	-	580	-	580
Share issue costs (net of tax)	(412)	-	-	-	(412)
Balance at 31 December 2017	107,698	(11,914)	2,681	(64,602)	33,863
Balance at 1 July 2018	166,840	(11,914)	1,021	(75,743)	80,204
Loss for the period	-	-	-	(16,567)	(16,567)
Other comprehensive loss	-	-	(998)	-	(998)
Total comprehensive loss for the period	-	-	(998)	(16,567)	(17,565)
Issue of ordinary share capital	1,402	-	-	-	1,402
Share-based payments	-	-	2,257	-	2,257
Share issue costs (net of tax)	(16)	-	-	-	(16)
Balance at 31 December 2018	168,226	(11,914)	2,280	(92,310)	66,282

^ 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.

Condensed Consolidated Statement of Cash Flows

	31 December 2018 \$'000	31 December 2017 \$'000
Cash flows from operating activities		
Receipts from customers	13,917	9,154
Payments to suppliers and employees	(25,491)	(19,268)
Income taxes received/(paid)	10	(47)
Finance costs	(80)	(63)
Net cash used in operating activities	(11,644)	(10,224)
Cash flows from investing activities		
Interest received	564	130
Payment for financial assets	(9)	-
Payment for property, plant and equipment	(5,342)	(3,611)
Payment for intangibles	(2,181)	(2,471)
Payment for contingent consideration	(1,009)	(74)
Net cash used in investing activities	(7,977)	(6,026)
Cash flows from financing activities		
Proceeds from issue of new shares	1,291	16,355
Share issue transaction costs	(22)	(412)
Repayment of borrowings	(51)	(83)
Net cash from financing activities	1,218	15,860
Net decrease in cash and cash equivalents held	(18,403)	(390)
Effects of exchange rate changes on cash and cash equivalents	231	(39)
Cash and cash equivalents at beginning of the period	55,761	21,027
Cash and cash equivalents at end of the period	37,589	20,598

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 financial report does not include notes of the type normally included in an annual financial report and should 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 financial instruments that are measured at revalued amounts or fair values at the end of each reporting date. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars ("A\$"), unless otherwise noted.

The Company is a company of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the financial report are rounded off to the nearest thousand dollars (A\$'000), unless otherwise indicated.

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 Group's annual financial report for the year ended 30 June 2018, 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.

(c) Going concern

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.

(d) 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 ended 31 December 2018.

Megaport Limited

ABN: 46 607 301 959

For the Half-Year Ended 31 December 2018

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

- AASB 9 *Financial Instruments* (including AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010), AASB 2014-1 Amendments to Australian Accounting Standards (Part E – Financial Instruments), AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014))
 - AASB 15 *Revenue from Contracts with Customers* (including AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15, AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15, and AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15)
 - AASB 2016-5 *Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions*
 - Interpretation 22 *Foreign Currency Transactions and Advance Consideration*
- (i) AASB 9 *Financial Instruments* (including AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010), AASB 2014-1 Amendments to Australian Accounting Standards (Part E – Financial Instruments), AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014))

The final version of AASB 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. The Standard carries over the existing derecognition requirements from AASB 139 *Financial Instruments: Recognition and Measurement* but all other areas of AASB 139 have been revised.

AASB 9 introduces new requirements for classifying and measuring financial assets. The material financial assets held by the Group are:

- Cash and cash equivalents
- Loans and receivables

The financial assets outlined above are currently classified and measured at amortised cost on the same bases as is currently adopted under AASB 139 *Financial Instruments: Recognition and Measurement*. The application of AASB 9 did not have any impact on the recognition and classification of financial assets.

The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit and loss – in these cases, the portion of the change in fair value related to changes in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss, unless it creates a mismatch in profit or loss.

There was no impact on the carrying value of financial liabilities as a result of applying AASB 9, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

A new impairment model based on expected credit losses applies to debt instruments measured at amortised cost or at fair value through other comprehensive income, lease receivables, contract assets and written loan commitments and financial guarantee contracts. The loan loss allowance will be for either 12-month expected losses or lifetime expected losses. The latter applies if credit risk has increased significantly since initial recognition of the financial instrument. The Group applied AASB 9 guidance for impairment of financial assets. No significant impact is noted from the application of AASB 9 for impairment.

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For the Half-Year Ended 31 December 2018

A new hedge accounting model has been put in place that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. However, some transition options exist that allow entities to essentially retain AASB 139 hedge accounting. The Group currently does not have hedging instruments. As a result, the application of AASB 9 for hedge accounting does not have any impact.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments in the annual financial statements. No significant changes are expected.

- (ii) *AASB 15 Revenue from Contracts with Customers* (including AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15, AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15, and AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15)

AASB 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers; and replaces AASB 111 Construction Contracts, AASB 118 Revenue, Interpretation 13 Customer Loyalty Programmes, Interpretation 15 Agreements for the Construction of Real Estate, Interpretation 18 Transfers of Assets from Customers, and Interpretation 131 Revenue-Barter Transactions Involving Advertising Services.

The core principle is that an entity recognises revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Group has adopted AASB15 for the first time in the current year. The Group's business model involves the provision of on-demand self-serve connectivity and interconnection services under contracts that are short term in nature and are largely billed on a monthly usage basis consistent with the individual performance obligations. As a result, the adoption of AASB15 did not have a significant impact on the measurement and recognition of revenue.

- (iii) *AASB 2016-5 Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions*

The amendments clarify the following:

- In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.
- Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority (typically in cash), i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.
- A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:
 - The original liability is derecognised
 - The equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date
 - Any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

Megaport Limited

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For the Half-Year Ended 31 December 2018

The Group has applied these amendments for the first time in the current year. The application of these amendments has had no impact on the Group's condensed consolidated financial statements as the Group does not have cash-settled share-based payments.

(iv) Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

Clarifies how to determine the date of the transaction for the purpose of determining the exchange rate to use when recognising the receipt or payment of advance consideration in a foreign currency.

The Interpretation requires an entity to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) as the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receive of advance consideration.

The Group has applied these amendments for the first time in the current year. The application of these amendments has had no significant impact on the Group's condensed consolidated financial statements.

Megaport Limited

ABN: 46 607 301 959

For the Half-Year Ended 31 December 2018

2 Segment information

The following tables present revenue, results and assets information for the Group's operating segments.

Half-year ended 31 December 2018	Asia Pacific \$'000	North America \$'000	Europe \$'000	Operating segments Total \$'000	Other \$'000	Total \$'000
Revenue*	5,934	5,483	3,767	15,184	-	15,184
Normalised EBITDA^	831	(5,213)	(1,274)	(5,656)	(6,759)	(12,415)
Interest income	-	-	-	-	555	555
Depreciation and amortisation expense	(893)	(1,880)	(958)	(3,731)	(582)	(4,313)
Equity-settled employee benefits	-	-	-	-	(2,257)	(2,257)
Finance costs	(32)	(21)	(24)	(77)	(3)	(80)
Foreign exchange gains/(losses)	342	1,573	(76)	1,839	(21)	1,818
Non-operating expenses**	-	-	(12)	(12)	(1)	(13)
Income tax benefit / (expense)	173	9	(54)	128	10	138
Net profit/(loss)	421	(5,532)	(2,398)	(7,509)	(9,058)	(16,567)
Half-year ended 31 December 2017						
Revenue*	3,683	2,342	2,808	8,833	-	8,833
Normalised EBITDA^	(389)	(3,571)	(1,497)	(5,457)	(5,001)	(10,458)
Interest income	3	-	-	3	127	130
Depreciation and amortisation expense	(558)	(641)	(650)	(1,849)	(305)	(2,154)
Equity-settled employee benefits	-	-	-	-	(580)	(580)
Finance costs	(36)	(11)	(14)	(61)	(2)	(63)
Foreign exchange gains/(losses)	(59)	(413)	273	(199)	46	(153)
Non-operating expenses**	-	-	-	-	(7)	(7)
Income tax benefit / (expense)	-	-	(37)	(37)	-	(37)
Net loss	(1,039)	(4,636)	(1,925)	(7,600)	(5,722)	(13,322)
Total segment assets						
At 31 December 2018	13,264	15,936	13,385	42,585	36,605	79,190
At 30 June 2018	11,752	14,863	12,142	38,757	53,400	92,157

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

^ Normalised Earnings Before Interest Tax Depreciation and Amortisation (Normalised EBITDA) represents operating results excluding equity-settled employee benefits, foreign exchange gains/(losses) and non-operating expenses

** Non-operating expenses represent intangible assets and property, plant and equipment written off or loss on disposal and business acquisition expenses

3 Property, plant and equipment

	\$'000
At 31 December 2018	
Opening net book amount	19,687
Additions	4,511
Depreciation charge	(3,329)
Disposal	(13)
Exchange differences	753
Net book value at 31 December 2018	21,609
At 30 June 2018	
Opening net book amount	8,523
Additions	13,972
Depreciation charge	(3,445)
Exchange differences	637
Net book value as at 30 June 2018	19,687

4 Intangible assets

	\$'000
At 31 December 2018	
Opening net book amount	9,271
Additions	1,546
Transfers	45
Amortisation charge	(984)
Exchange differences	230
Net book value as at 31 December 2018	10,108
At 30 June 2018	
Opening net book amount	8,317
Additions	2,097
Acquisitions through business combinations	123
Write-off	(26)
Amortisation charge	(1,491)
Exchange differences	251
Net book value as at 30 June 2018	9,271

5 Issued capital

Movements in ordinary share capital:

Details	Number of shares	Total \$'000
Opening balance at 1 July 2017	88,234,994	80,136
Shares issued – private placement	26,568,583	77,794
Shares issued – Share Purchase Plan	2,666,271	9,998
Shares issued – Employee share options exercised	333,334	611
Less: Transaction costs arising on share issue (net of tax)	-	(1,699)
Balance at 30 June 2018	117,803,182	166,840
Shares issued – Employee share plan	28,380	111
Shares issued – Employee share options exercised	829,260	1,291
Less: Transaction costs arising on share issue (net of tax)	-	(16)
Balance at 31 December 2018	118,660,822	168,226

6 Share-based payments

Employee share option plan (ESOP General)

The Company issued 5,805,000 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 of between \$0.92 - \$1.91 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. Grants of share options under the Employee Share Option Plan is at the Board's discretion. Under the plan, participants are granted options which vest after a pre-determined length of service. 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 is set at the share option grant date.

Megaport Limited

ABN: 46 607 301 959

For the Half-Year Ended 31 December 2018

7 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 ended 31 December 2018, transactions totaling \$104,000 (31 December 2017: \$1,233,000) have been entered into with parties related to Megaport's Chairman, Mr Bevan Slattery, \$62,000 (31 December 2017: \$1,205,000) was incurred for direct network costs and \$42,000 (31 December 2017: \$28,000) 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 2018. 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.

8 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
Chairman

Brisbane
12 February 2019

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

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 2018, 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 7 to 19.

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 2018 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 2018 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

DELOITTE TOUCHE TOHMATSU



R.G Saayman
Partner
Chartered Accountants
Brisbane, 12 February 2019