



Appendix 4D

Half-year report

**For the Half-year ended
31 December 2020**

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 report for the Half-year ended 31 December 2020 ("Half-year report").

This Appendix 4D covers the reporting period from 1 July 2020 to 31 December 2020. The previous corresponding period is 1 July 2019 to 31 December 2019.

Results for Announcement to the Market

Summary of Financial Information

	1 July 2020 to 31 December 2020	1 July 2019 to 31 December 2019	Change \$	Change %
Revenue from ordinary activities	36,004,594	25,855,647	10,148,947	39.3
Net loss after tax attributable to members	(38,420,850)	(18,956,100)	(19,464,750)	(102.68)

Dividends

No dividend has been proposed or declared in respect of the period ended 31 December 2020.

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 2020 cents	31 December 2019 cents
Net tangible assets per ordinary share	112.72	102.11

The number of Megaport shares on issue at 31 December 2020 is 154,765,229 shares.

There are no entities over which control has been gained or lost during the period. Also, 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 2020 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 2020

Registered Office:
Level 3, 825 Ann Street
Fortitude Valley QLD 4006

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For the Half-year ended 31 December 2020

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 2020.

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
Jay Adelson
Naomi Seddon

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
- the development of product features and API integration with key partners; 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. The Group's mission is to be the global leading Network as a Service (NaaS) provider.

Megaport's platform uses Software Defined Networking to enable customers to rapidly connect to more than 365 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 platform has changed the way businesses consume connectivity services by creating a model that mirrors cloud-buying capabilities and is therefore 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, cloud service providers, network service providers, and managed service providers, collectively known as the Ecosystem.

Customers connect to the Ecosystem by acquiring 'Megaports' (Ports) and building Virtual Cross Connects (VXCs) to their chosen destinations or services across the Megaport Network. Connectivity services can be directly controlled by customers via mobile devices and desktop environments through Megaport's portal, and its open Application Programming Interface (API).

Megaport is an Alibaba Cloud Technology Partner, AWS Technology Partner, AWS Direct Connect Service Delivery Partner, Google Cloud Interconnect Partner, IBM Direct Link Cloud Exchange provider, Microsoft Azure Express Route Partner, Nutanix Direct Connect Partner, Oracle Cloud Partner, Salesforce Express Connect Partner, SAP Partner and recently a Cloudflare partner and OVHcloud partner.

Megaport will launch Megaport Virtual Edge (MVE) in the second half of FY21. As announced on 17 August 2020, MVE will provide a platform to virtualise network functionality – for example, SD-WAN – to enable businesses to connect to services through Megaport from more locations around the globe – including branch offices, corporate campuses, and point-of-sale locations. Cisco is the first technology partner to announce MVE integration with more integration partners planned in the near future.

During the period Megaport achieved ISO/IEC 27001 certification from the International Organization for Standardization (ISO). This important milestone is a validation of the strength of Megaport's overall systems and processes. This certification provides assurances to existing and potential customers and partners that the Megaport Information Security Management System is designed and administered in accordance with strict ISO guidelines.

The Group's extensive and scalable global footprint across North America, Asia Pacific, Europe offers customers a neutral platform that spans its 669 Enabled Data Centres¹ in key global locations.

Key performance metrics

	Half-yearly Performance			Trailing 12 Month Performance		
	Jan-20 to Jun-20	Jul-20 to Dec-20	Change	Jan-19 to Dec-19	Jan-20 to Dec-20	Change ²
Enabled Data Centres ¹	669	716	7%	552	716	30%
Installed Data Centres ³	366	386	5%	317	386	22%
Cloud Onramps	197	220	12%	156	220	41%
Customers	1,842	2,043	11%	1,679	2,043	22%
Ports	5,767	6,691	16%	4,863	6,691	38%
MCR	307	382	24%	228	382	68%
Total Services ⁴	16,712	19,278	15%	13,914	19,278	39%
MRR (M)	\$5.7	\$6.3	11%	\$4.6	\$6.3	37%
Revenue (M)	\$32.18	\$36.00	12%	\$45.74	\$68.19	49%

In December 2020, Megaport achieved 2,043 customers across 716 Enabled Data Centres in 130 cities across 23 countries and generated monthly recurring revenue ("MRR") of \$6.3 million. Of these data centres, 390 were located in North America, 124 in Asia Pacific and 202 in Europe.

¹Enabled Data Centres represents Installed Data Centres plus data centres that can be connected directly to Megaport equipment within Installed Data Centres by means of interconnection services provided by the data centre campus/facility operator of the Installed Data Centre

²Change in the 12-month performance at 31 December 2020 to the prior corresponding period ended 31 December 2019

³Installed 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

⁴Total Services comprises of Ports, Virtual Cross Connections (VXCs), Megaport Cloud Router (MCR), and Internet Exchange (IX)

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For the Half-year ended 31 December 2020

During the Half-year ended 31 December 2020:

- Megaport continued to expand its Network footprint to new cities while deepening its reach within existing metros, reaching a milestone of 386 installed locations and 716 enabled locations globally.
- Megaport established a presence in Luxembourg, bringing the Megaport platform to 23 countries and 130 cities globally.
- The Group continued to bolster its ecosystem of leading service providers with the addition of Cloudflare in August 2020 and OVHcloud in October 2020.
- Megaport furthered its leadership position in cloud networking by enabling 23 new cloud on-ramps globally. The addition of Cloudflare and OVHcloud contributed to 17 of the 23 new cloud on-ramps.
- The Group expanded its reach with existing data centre partners, new data centre partnership announcements in the period included Sungard, 1623 Farnam, Chorus, and LuxConnect.
- Megaport announced the development of Megaport Virtual Edge (MVE) as well as a strategic collaboration with Cisco on 17 August 2020.
- The Group achieved ISO/IEC 27001 certification from the International Organization for Standardization (ISO).

Financial performance

	31 December 2020	31 December 2019
	\$'000	\$'000
Revenue	36,005	25,856
Profit after direct network costs ⁵	18,223	13,167
Normalised EBITDA ⁶	(8,675)	(10,266)
Net loss after income tax	(38,421)	(18,956)

During the Half-year ended 31 December 2020, Megaport drove consistent growth across all metrics including the number of Installed Data Centres, Customers, Ports, Services and MRR. The Group's revenue for the period was \$36.00 million (31 December 2019: \$25.86 million), an increase of 39%. North America grew by 51%, Asia Pacific by 31%, and Europe by 30%.

The profit after direct network costs for the Half-year ended 31 December 2020 was \$18.2 million (31 December 2019: \$13.2 million), an increase of 39%. The Group has reported a consistent gross margin of 51% for the periods ended 31 December 2020 and 31 December 2019. All the operating segments generated a profit after direct network costs for the period.

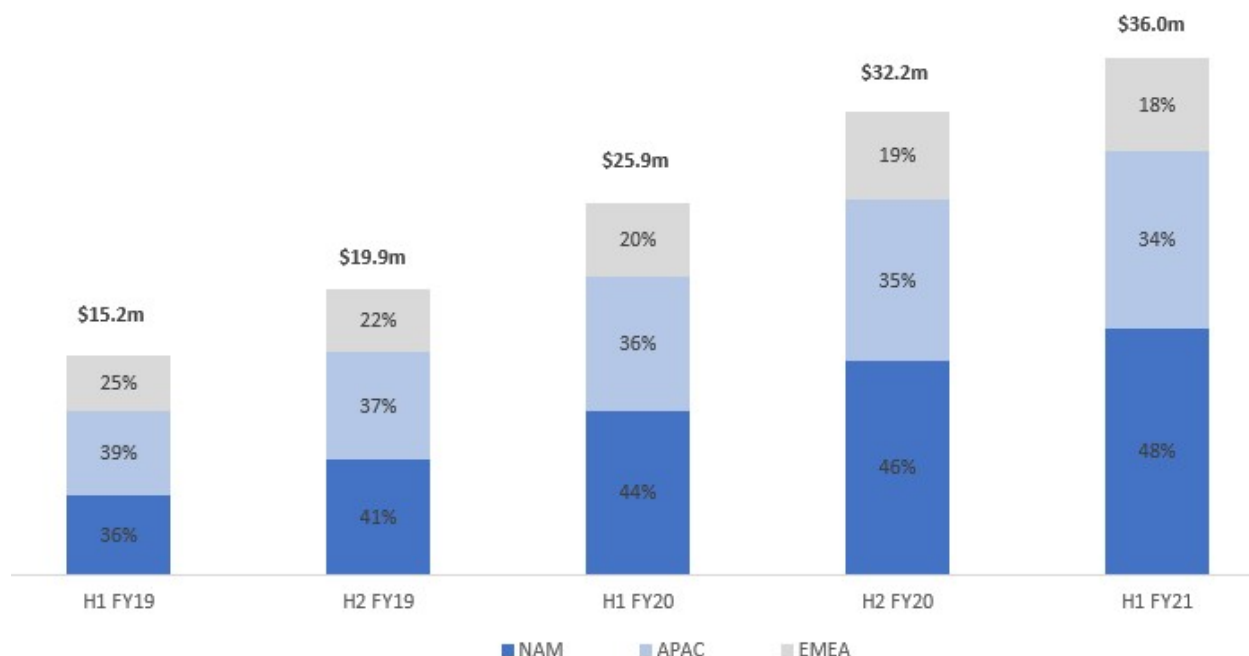
⁵Direct network costs comprise data centre power and space costs, physical cross connect fees, bandwidth and dark fibre, network operation and maintenance fees, and channel commissions, which are directly related to generating the service revenue of Megaport Group.

⁶ 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 income / (expenses). Including these amounts, EBITDA would be (\$28,631,000) for the Half-Year ended on 31 December 2020 and (\$12,268,000) on 31 December 2019.

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For the Half-year ended 31 December 2020

Reported revenue by operating segment for the Half-year ended 31 December 2020 ("H2 FY21") and the last four reporting periods is set out below:



Financial position

	31 December 2020	30 June 2020
	\$'000	\$'000
Net assets	190,164	212,030
Cash and bank balances at end of the period	144,828	166,877

Megaport continues to maintain a strong financial position with net current assets of \$130.6 million (30 June 2020: \$156.3 million), cash and bank balance of \$144.8 million (30 June 2020: \$166.9 million) and total equity of \$190 million (30 June 2020: \$212 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.

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For the Half-year ended 31 December 2020

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 7.

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

10 February 2021

The Board of Directors
Megaport Limited
Level 3, 825 Ann Street
Fortitude Valley, QLD 4006

10 February 2021

Dear Board Members

Auditor's Independence Declaration to Megaport Limited

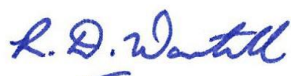
In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Megaport Limited.

As lead audit partner for the review of the half year financial report of Megaport Limited for the half-year ended 31 December 2020, 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 D Wanstall
Partner
Chartered Accountants

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For the Half-year ended 31 December 2020

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

		31 December 2020 \$'000	31 December 2019 \$'000
	Notes		
Continuing operations			
Revenue	2	36,005	25,856
Direct network costs		(17,782)	(12,689)
Profit after direct network costs		18,223	13,167
Other income		268	610
Employee expenses		(20,288)	(16,202)
Professional fees		(2,973)	(1,799)
Marketing expenses		(469)	(1,399)
Travel expenses		(32)	(1,720)
Equity-settled employee costs		(2,645)	(2,748)
Depreciation and amortisation expense		(10,916)	(6,926)
Finance costs		(763)	(530)
Foreign exchange (losses)/gains		(17,157)	742
Other expenses		(3,290)	(2,309)
Loss before income tax		(40,042)	(19,114)
Income tax (expense)/benefits		1,621	158
Net loss for the period		(38,421)	(18,956)
Other comprehensive loss, net of tax			
Items that may be reclassified subsequently to profit or			
Exchange differences on translating foreign operations		8,734	(920)
Total other comprehensive loss, net of income tax		8,734	(920)
Total comprehensive loss for the period		(29,687)	(19,876)
Loss attributable to:			
Owners of Megaport Limited		(38,421)	(18,956)
Total comprehensive loss attributable to:			
Owners of Megaport Limited		(29,687)	(19,876)
Losses per share			
		\$	\$
Basic and diluted losses per share		(0.25)	(0.14)

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 2020 \$'000	30 June 2020 \$'000
	Notes		
Assets			
Current assets			
Cash and cash equivalents		144,828	166,877
Trade and other receivables		8,783	11,476
Current tax assets		27	107
Other assets		3,512	1,875
Total current assets		157,150	180,335
Non-current assets			
Property, plant and equipment	3	45,411	49,822
Intangible assets	4	15,706	12,863
Deferred tax asset		5,924	4,226
Other assets		665	910
Total non-current assets		67,706	67,821
Total assets		224,856	248,156
Liabilities			
Current liabilities			
Trade and other payables		16,829	14,111
Borrowings	5	8,678	9,485
Current tax liabilities		738	206
Other liabilities		269	231
Total current liabilities		26,514	24,033
Non-current liabilities			
Borrowings	5	7,776	11,758
Deferred tax liability		171	172
Other liabilities		231	163
Total non-current liabilities		8,178	12,093
Total liabilities		34,692	36,126
Net assets		190,164	212,030
Equity			
Issued capital	6	376,674	371,524
Reserves		20,782	9,377
Other equity		(11,914)	(11,914)
Accumulated losses		(195,378)	(156,957)
Total equity		190,164	212,030

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For the Half-Year Ended 31 December 2020

Condensed Consolidated Statement of Changes in Equity

	Issued capital \$'000	Reserves \$'000	Other equity^ \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2019	229,521	2,290	(11,914)	(109,307)	110,590
Loss for the period	-	-	-	(18,956)	(18,956)
Other comprehensive loss	-	(920)	-	-	(920)
Total comprehensive loss for the period	-	(920)	-	(18,956)	(19,876)
Issue of ordinary share capital	66,717	-	-	-	66,717
Share-based payments	-	2,748	-	-	2,748
Share issue costs (net of tax)	(1,420)	-	-	-	(1,420)
Balance at 31 December 2019	294,818	4,118	(11,914)	(128,263)	158,759
Balance at 1 July 2020	371,524	9,377	(11,914)	(156,957)	212,030
Loss for the period	-	-	-	(38,421)	(38,421)
Other comprehensive loss	-	8,734	-	-	8,734
Total comprehensive loss for the period	-	8,734	-	(38,421)	(29,687)
Issue of ordinary share capital	5,150	-	-	-	5,150
Share-based payments	-	2,671	-	-	2,671
Balance at 31 December 2020	376,674	20,782	(11,914)	(195,378)	190,164

^ Represents adjustment arising from common-control transactions

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

Condensed Consolidated Statement of Cash Flows

	31 December 2020 \$'000	31 December 2019 \$'000
Cash flows from operating activities		
Receipts from customers	43,080	25,280
Payments to suppliers and employees	(47,115)	(36,322)
Income taxes (paid)/received	(132)	92
Finance costs	(773)	(530)
Net cash used in operating activities	(4,940)	(11,480)
Cash flows from investing activities		
Interest received	264	831
R&D refund received	-	517
Proceeds from disposal of property, plant and equipment	-	5
Payment for property, plant and equipment	(7,481)	(9,130)
Payment for intangibles	(4,616)	(1,958)
Net cash used in investing activities	(11,833)	(9,735)
Cash flows from financing activities		
Proceeds from issue of new shares	4,948	66,575
Share issue transaction costs	(57)	(2,029)
Proceeds from borrowings	307	4,464
Repayment of borrowings	(2,049)	(920)
Payment of lease liabilities	(3,017)	(1,898)
Net cash from financing activities	132	66,192
Net (decrease)/ increase in cash and cash equivalents held	(16,641)	44,977
Effects of exchange rate changes on cash and cash equivalents	(5,408)	6
Cash and cash equivalents at beginning of the period	166,877	74,879
Cash and cash equivalents at end of the period	144,828	119,862

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*.

(b) Basis of preparation

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.

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 2020, except for the impact of the Standards and Interpretations described in Note 1 (d) below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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 (\$'000), unless otherwise indicated.

All amounts are presented in Australian dollars ("\$"), unless otherwise noted.

(c) Going concern

Determining whether the Group is a going concern has been evaluated through detailed budgets and cash flow forecasts which include key assumptions around future cash flows (including consideration of COVID-19), and forecast results and margins from operations. The Group has significant cash reserves 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) New and amended Accounting Standards that are effective for the current 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 its operations and effective for the current Half year ended 31 December 2020.

(d) New and amended Accounting Standards that are effective for the current period (continued)

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

- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material
- AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework
- AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia
- AASB 2020-4 Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions.

Management's assessment of the impact of these new Standards and Interpretations is set out below.

AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material

This Standard amends AASB 101 *Presentation of Financial Statements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, and makes consequential amendments to several other pronouncements and publications. The Standard is effective for periods beginning on or after 1 January 2020, and the Group has adopted these amendments for the first time in the current period.

The amendments make the definition of material in AASB 101 easier to understand and are not intended to alter the underlying concept of materiality in Australian Accounting Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The amendment also removes the language that deemed information material if it influences the 'economic decisions' of a user and leaves the definition at 'decisions'. The definition of material in AASB 108 has been replaced by a reference to the definition of material in AASB 101. In addition, the Standard also amends other Australian Accounting Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

The Standard is not expected to have a material impact on the Group, as the Group already adopts a detailed and transparent approach to disclosure of material information.

AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework

Amendments to various Accounting Standards and other pronouncements to support the issue of the revised Conceptual Framework for Financial Reporting. Some Accounting Standards and other pronouncements contain references to, or quotations from, the previous versions of the Conceptual Framework. This Standard updates some of these references and quotations so they refer to the Conceptual Framework issued by the AASB in June 2019, and also makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

(d) New and amended Accounting Standards that are effective for the current period (continued)

AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia

This Standard makes amendments to AASB 1054 Additional Australian Disclosures by adding a disclosure requirement for an entity intending to comply with IFRS Standards to disclose the information specified in paragraphs 30 and 31 of AASB 108 on the potential effect of an IFRS Standard that has not yet been issued by the AASB.

The Standard is effective for periods beginning on or after 1 January 2020, the Group has adopted these amendments for the first time in the current period. The amendments have no impact on the current period but may affect future periods, as the consolidated financial statements of the Group are prepared to comply with International Financial Reporting Standards (IFRS).

AASB 2020-4 Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions

The amendments introduce a practical expedient into AASB 16 *Leases*. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election does account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying AASB 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021)
- There is no substantive change to other terms and conditions of the lease.

The Standard is effective for periods beginning on or after 1 June 2020 and is not expected to have any material impact on the Group. The Group has not received rent concessions for any of its lease contracts under the scope of AASB 16.

2 Segment information

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

	Asia Pacific \$'000	North America \$'000	Europe \$'000	Operating segments Total \$'000	Other \$'000	Total \$'000
Half-year ended 31 December 2020						
Revenue*	12,278	17,185	6,542	36,005	-	36,005
Normalised EBITDA^	4,349	(538)	322	4,133	(12,808)	(8,675)
Interest income	14	-	-	14	254	268
Depreciation and amortisation expense	(2,210)	(2,967)	(1,354)	(6,531)	(4,385)	(10,916)
Equity-settled employee benefits	-	-	-	-	(2,645)	(2,645)
Finance costs	(298)	(99)	(38)	(435)	(328)	(763)
Foreign exchange gains/(losses)	(1,142)	(10,002)	(669)	(11,813)	(5,344)	(17,157)
Non-operating income / (expenses)**	(143)	-	-	(143)	(11)	(154)
Income tax benefits / (expenses)	596	656	(14)	1,238	383	1,621
Net profit/(loss)	1,166	(12,950)	(1,753)	(13,537)	(24,884)	(38,421)
Half-year ended 31 December 2019						
Revenue*	9,394	11,418	5,044	25,856	-	25,856
Normalised EBITDA^	3,387	(2,664)	(235)	488	(10,754)	(10,266)
Interest income	48	-	-	48	562	610
Depreciation and amortisation expense	(1,466)	(3,554)	(1,706)	(6,726)	(200)	(6,926)
Equity-settled employee benefits	-	-	-	-	(2,748)	(2,748)
Finance costs	(244)	(205)	(78)	(527)	(3)	(530)
Foreign exchange gains/(losses)	68	440	241	749	(7)	742
Non-operating income / (expenses)**	4	(2)	(3)	(1)	5	4
Income tax benefits / (expenses)	(29)	144	420	535	(377)	158
Net profit/(loss)	1,768	(5,841)	(1,361)	(5,434)	(13,522)	(18,956)
Total segment assets						
At 31 December 2020	35,215	32,404	22,262	89,881	134,975	224,856
At 30 June 2020	35,227	34,029	20,257	89,513	158,643	248,156

* The revenue reported above represents revenue generated from external customers. There were no intersegment sales during the Half-year ended 31 December 2020 and 31 December 2019.

^ 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 income / (expenses).

** Non-operating income / (expenses) represent gain/loss on disposal/write off of intangible assets, property, plant and equipment and right of use assets.

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For the Half-year ended 31 December 2020

3 Property, plant and equipment

	\$'000
At 31 December 2020	
Opening net book value	49,822
Additions	7,935
Depreciation charge	(9,366)
Disposal / write-down	(163)
Exchange differences	(2,817)
Net book value at 31 December 2020*	45,411
At 30 June 2020	
Opening net book value	26,810
Initial recognition of right-of-use-asset	7,435
Additions	30,685
Disposal / write-down	(19)
Depreciation charge	(15,313)
Exchange differences	224
Net book value as at 30 June 2020*	49,822

* includes right-to-use assets of \$8.8 million as at 31 December 2020 (30 June 2020: \$12.2 million)

4 Intangible assets

	\$'000
At 31 December 2020	
Opening net book value	12,863
Additions	4,647
R&D refund received*	-
Amortisation charge	(1,550)
Exchange differences	(254)
Net book value as at 31 December 2020	15,706
At 30 June 2020	
Opening net book value	10,879
Additions	4,609
R&D refund received*	(611)
Amortisation charge	(2,052)
Exchange differences	38
Net book value as at 30 June 2020	12,863

* relates to the government grants received from the Australian Tax Office for the costs incurred in eligible technological development programmes, which were previously capitalised.

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For the Half-year ended 31 December 2020

5 Borrowings

	Notes	31 December 2020 \$'000	30 June 2020 \$'000
<i>Current</i>			
Lease liabilities	(a)	4,860	5,867
Other borrowings	(b)	3,818	3,618
		8,678	9,485
<i>Non-current</i>			
Lease liabilities	(a)	4,324	6,584
Other borrowings	(b)	3,452	5,174
		7,776	11,758
		16,454	21,243

Notes:

- (a) Represents the outstanding lease commitments within the scope of AASB 16.
- (b) Represents the outstanding balance of the drawn vendor financing facility. In September 2020, the Group increased the vendor financing facility limit to \$20.0 million (30 June 2020: \$12.0 million). The facility is for the purposes of funding the purchase of network equipment and payment of software licenses. The facility is governed by an Instalment Purchase Agreement. The facility does not carry interest and is repayable via equal instalments over 36 months from the drawdown date. The borrowing is secured by a bank guarantee charged over \$5.7 million in cash and cash equivalents. The unused facility was \$7.5 million at 31 December 2020. At inception the fair value of the loan is recognised using an estimate of a market borrowing rate.

6 Issued capital

Movements in ordinary share capital:

Details	Number of shares	Total \$'000
Balance at 1 July 2019	134,703,635	229,521
Shares issued - Private Placements	12,363,158	111,770
Shares issued - Share Purchase Plan	2,367,948	22,496
Shares issued – Employee Share Plan	24,024	142
Shares issued – Employee share options exercised	3,802,666	10,557
Less: Transaction costs arising on share issues, net of tax	-	(2,962)
Balance at 30 June 2020	153,261,431	371,524
Shares issued – Employee share plan	14,454	202
Shares issued – Employee share options exercised	1,489,344	4,948
Balance at 31 December 2020	154,765,229	376,674

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For the Half-year ended 31 December 2020

7 Share-based payments

Employee share option plan (ESOP General)

The Company issued 1,300,000 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 \$2.77 - \$5.62 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 4 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.

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 ended 31 December 2020, transactions totaling \$676,000 (31 December 2019: \$222,000) have been entered into with parties related to Megaport's Chairman, Mr. Bevan Slattery, \$557,000 (31 December 2019: \$150,000) was incurred for direct network costs and \$119,000 (31 December 2019: \$72,000) 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 2020. 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 COVID-19 pandemic is still ongoing, and rapidly developing. The actual impact on Megaport's operational and financial performance to 31 December 2020 has not been significant, it is however not practicable to estimate the potential impact, positive or negative, after the reporting date. The Group continues to adopt measures imposed by the Australian Government and other countries in which it has operations as and when they are announced, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

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

A handwritten signature in black ink, appearing to read 'Bevan Slattery', with a large, stylized flourish at the end.

Bevan Slattery
Chairman

Brisbane
10 February 2021

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Megaport Limited (the "Company") and its subsidiaries ("the Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2020, 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 as set out on pages 8 to 19.

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 the Megaport Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2020 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*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors⁶ of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Directors' Responsibilities 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 Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 Group's financial position as at 31 December 2020 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*.

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.



DELOITTE TOUCHE TOHMATSU



R D Wanstall

Partner

Chartered Accountants

Brisbane, 10 February 2021