



Appendix 4D

Half-year financial report

**For the half-year ended
31 December 2022**

Appendix 4D

The following information sets out the requirements of the Appendix 4D of Megaport Limited ('the Company') and its controlled entities ('the Group') with the stipulated information either provided here or cross referenced to the report for the half-year ended 31 December 2022 ('half-year financial report').

This Appendix 4D covers the reporting period from 1 July 2022 to 31 December 2022. The previous corresponding period is 1 July 2021 to 31 December 2021.

The Group changed its presentation currency from Australian Dollars ('AUD' or 'A\$') to US Dollars ('USD' or '\$') in the current financial year. These changes are expected to reduce the impact of movements in exchange rates on reported results and provide shareholders with a more useful reflection of the Group's underlying performance, given the majority of revenue is generated in USD. Refer to Note 1(c) to the Condensed Consolidated Financial Statements for further information.

Results for Announcement to the Market

Summary of Financial Information

	1 July 2022 to 31 December 2022 \$'000	Restated# 1 July 2021 to 31 December 2021 \$'000	Change \$	Change %
Revenue from ordinary activities	47,351	37,403	9,948	27%
Profit after direct network costs and partner commissions	31,124	22,570	8,554	38%
Normalised EBITDA	2,269	(5,343)	7,612	142%
Net loss after tax	(9,208)	(14,646)	5,438	37%

Restated due to change in presentation currency. Refer to Note 1(c) for further details.

Dividends

No dividend has been proposed or declared in respect of the period ended 31 December 2022.

Explanation of revenue and loss from ordinary activities

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

Net tangible asset backing

	31 December 2022 cents	31 December# 2021 cents
Net tangible assets per ordinary share	33.23	61.27

Restated due to change in presentation currency. Refer to Note 1(c) for further details.

The comparative information for the period ended 31 December 2021 and as at 30 June 2022 have been restated for the change in presentation currency as explained in Note 1(c) to the attached half-year financial statements.

The number of Megaport shares on issue at 31 December 2022 was 158,165,115 shares (31 December 2021: 157,787,783 shares).

The information provided in the Appendix 4D is based on the half-year financial report, which has been prepared in accordance with Australian Accounting Standards and has been reviewed by the Group's auditor, Deloitte Touche Tohmatsu. A copy of the auditor's unqualified review report is included as part of the financial statements.

HALF-YEAR REPORT

For the Half-year ended 31 December 2022

For personal use only

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

Contents

	Page
Directors' Report	2
Auditor's Independence Declaration	7
Half-year Financial Statements	
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	8
Condensed Consolidated Statement of Financial Position	9
Condensed Consolidated Statement of Changes in Equity	10
Condensed Consolidated Statement of Cash Flows	11
Notes to the Condensed Consolidated Financial Statements	12
Directors' Declaration	22
Independent Auditor's Review Report	23

Directors' Report

The Directors present their report on the consolidated entity consisting of Megaport Limited (referred to as 'the Company') 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 2022.

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
Michael Klayko
Melinda Snowden
Glo Gordon

Celia Pheasant was the Company Secretary from 1 July until her resignation date of 14 September 2022. Emily McCaffery commenced as Company Secretary on 14 September 2022.

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 and enable customers with an agile networking methodology through the Megaport Connected Edge Strategy.

Megaport's platform uses Software Defined Networking to enable customers to rapidly connect to more than 390 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 'Megaport's' (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 Cloud Router ('MCR') enables customers to instantly provision and control virtual routers through Megaport's web-based portal. Enterprises and service providers can unlock powerful use cases such as cloud-to-cloud networking and deploy Virtual Points of Presence ('VPoPs') without the need to purchase or maintain physical routing equipment. MCR enables customers to rapidly deploy services, granularly control traffic, and reduce total cost of ownership. Leading cloud service providers advocate MCR as a reference service for enabling connectivity between their cloud solutions and third-party cloud platforms.

Megaport Virtual Edge ('MVE') takes our platform beyond data centres and helps enterprises accelerate their journey into SD-WAN and Secure Access Service Edge ('SASE'). MVE enables customers to connect branch locations like office buildings, corporate campuses, and storefronts to the Megaport ecosystem of service providers. Since its launch in March 2021, Megaport has continued to accelerate the integration of MVE with many of the leading SD-WAN providers to deliver maximum flexibility for our customers.

Megaport's indirect sales channel, PartnerVantage, is Megaport's scale up, scale out program aimed at driving revenue and business growth via channel sales. PartnerVantage will enable indirect channel partners to sell and provision Megaport services on behalf of their customers, with all the requisite materials, commercial terms and conditions, co-marketing support, education, and billing information on one platform, to facilitate an easy process for the partners to grow their business.

Megaport partners with the world's top cloud service providers, including AWS, Microsoft Azure, and Google Cloud, as well as the largest data centre operators, systems integrators and managed service providers. Megaport is an ISO/IEC 27001-certified company.

The Group's extensive and scalable global footprint across North America, Asia Pacific and Europe offers customers a neutral platform that spans its 802 Enabled Data Centres¹ in key global locations.

Key performance metrics

	Half-yearly Performance			Trailing 12 Month Performance		
	Jan-22 to Jun-22	Jul-22 to Dec-22	Change ¹	Jan-21 to Dec-21	Jan-22 to Dec-22	Change ²
Enabled Data Centres ³	787	802	2%	768	802	4%
Installed Data Centres ⁴	423	423	-	411	423	3%
Cloud Onramps	278	282	1%	240	282	18%
Customers	2,643	2,739	4%	2,455	2,739	12%
Ports	9,545	9,809	3%	8,523	9,809	15%
MCR	731	768	5%	603	768	27%
MVE	73	94	29%	40	94	135%
Total Services ⁵	27,383	29,088	6%	24,359	29,088	19%
Monthly Recurring Revenue ('MRR') ⁶ in USD millions	\$7.5	\$8.3	11%	\$6.5	\$8.3	28%
Revenue in USD millions	\$42.1	\$47.4	13%	\$70.0 [#]	\$89.5	28%

Restated due to change in presentation currency. Refer to Note 1(c) for further details.

1 Change in the 6-month performance at 31 December 2022 to the prior corresponding period ended 30 June 2022.

2 Change in the 12-month performance at 31 December 2022 to the prior corresponding period ended 31 December 2021.

3 Enabled Data Centres represents Installed Data Centres plus External Data Centres. Extended Data Centres are data centres that can be connected directly to Megaport networking hardware within Installed Data Centres by means of interconnection services offered directly by the data centre campus / facility operator of an Installed Data Centre.

4 Installed Data Centres are data centres in which Megaport has a Point of Presence with physical infrastructure.

5 Total Services comprises of Ports, Virtual Cross Connect (VXCs), Megaport Cloud Router (MCR), Megaport Virtual Edge (MVE) and Internet Exchange (IX).

6 Monthly Recurring Revenue (MRR) is revenue (excluding one-off and non-recurring revenue) for the last month of the relevant period.

ABN: 46 607 301 959

For the Half-year ended 31 December 2022

In December 2022, Megaport reached 2,739 customers across 802 Enabled Data Centres in 150 cities (2021: 138 cities) and generated monthly recurring revenue ('MRR') of USD 8.3 million. Of these data centres, 435 were located in North America, 144 in Asia Pacific and 223 in Europe.

During the half-year ended 31 December 2022:

- Megaport announced a new strategic partnership with Zenlayer which gives Megaport customer access to new and emerging markets, as well as transforming the coverage extended to Zenlayer customers on Megaport's global network.
- Megaport delivered two commercial deployments of MegaportONE, with one deployment focussed on cloud architecture orchestration and management, and the other deployment focussed on activation of core software defined networking capabilities, demonstrating how the broad capabilities afforded by MegaportONE can address a wide range of customer requirements across service provider segments.
- Megaport signed a deal to provide the fabric and underlying connectivity to data centre operator, Databank, which is expected to be serviced through a MegaportONE white label solution.
- Megaport continued to expand its Network footprint to new cities while deepening its reach within existing metros, reaching 423 installed locations and 802 enabled locations globally.
- Megaport furthered its leadership position in cloud networking by enabling 4 new cloud on-ramps globally.

Financial performance

For the half-year ended	31 December	Restated [#]
	2022	31 December
	\$'000	2021
		\$'000
Revenue	47,351	37,403
Profit after direct network costs ⁷ and partner commissions	31,124	22,570
Normalised EBITDA ⁸	2,269	(5,343)
Net loss after income tax	(9,208)	(14,646)

Restated due to change in presentation currency. Refer to Note 1(c) for further details.

The Group changed its presentation currency from Australian Dollars ('AUD' or 'A\$') to US Dollars ('USD' or '\$') in the current financial year. These changes will reduce the impact of movements in exchange rates on reported results and provide shareholders with a more useful reflection of the Group's underlying performance, given a large majority of its revenue is generated in USD. Refer to Note 1(c) to the Condensed Consolidated Financial Statements for further information.

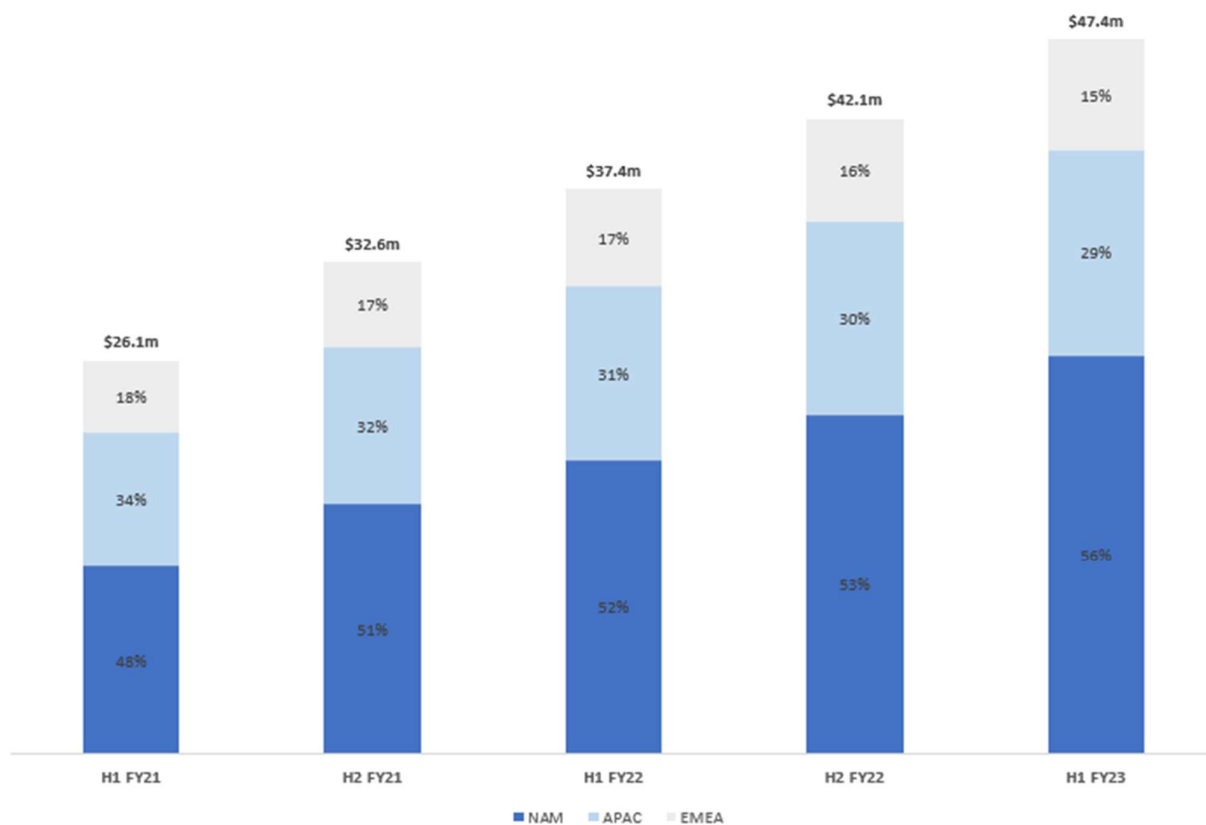
During the half-year ended 31 December 2022, Megaport drove consistent growth across key metrics including the number of Installed Data Centres, Customers, Ports, Services, MVE and MRR. The Group's revenue for the period was \$47.4 million (31 December 2021: \$37.4 million), an increase of 27%. North America grew by 36%, Asia Pacific by 18%, and Europe by 13%.

The profit after direct network costs and partner commissions for the half-year ended 31 December 2022 was \$31.1 million (31 December 2021: \$22.6 million), an increase of 38%. The Group has reported a gross margin of 66% for the period ended 31 December 2022 (31 December 2021: 60%). All operating segments generated a profit after direct network costs and partner commissions for the period.

⁷ Direct 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 the 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 income/(expenses). Including these amounts, EBITDA would be \$3.3m for the half-year ended on 31 December 2022 and (\$3.9m) for the half-year ended 31 December 2021. Refer Note 2 in the Financial Report for the reconciliation from Normalised EBITDA to the net loss for the half year.

Reported revenue by operating segment for the half-year ended 31 December 2022 ('H1 FY23') and the last four reporting periods is set out below. For the comparative periods, the amounts have been restated due to the change in presentation currency. Refer to Note 1(c) for further details.



Financial position

	31 December 2022	Restated# 30 June 2022
	\$'000	\$'000
Net assets	87,179	98,969
Cash and bank balances at end of the period	39,197	56,884

Restated due to change in presentation currency. Refer to Note 1(c) for further details.

Megaport continues to maintain a strong financial position with net current assets of \$19.3 million (30 June 2022: \$34.3 million), cash and cash equivalents balance of \$39.2 million (30 June 2022: \$56.9 million) and total equity of \$87.2 million (30 June 2022: \$99.0 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 this report and the half-year financial statements are rounded off to the nearest thousand dollars (\$'000), unless otherwise indicated.

ABN: 46 607 301 959

For the Half-year ended 31 December 2022

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 the Directors made pursuant to s306(3) of the *Corporations Act 2001*.

On behalf of the Directors



Bevan Slattery

Chairman

9 February 2023

For personal use only

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

9 February 2023

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.

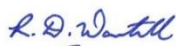
As lead audit partner for the review of the half year financial report of Megaport Limited for the half-year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (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



Richard Wanstall
Partner
Chartered Accountants

For personal use only

ABN: 46 607 301 959

For the Half-year ended 31 December 2022

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

		31 December 2022	Restated# 31 December 2021
	Notes	\$'000	\$'000
Continuing operations			
Revenue	2	47,351	37,403
Direct network costs		(10,870)	(10,800)
Partner commissions		(5,357)	(4,033)
Profit after direct network costs and partner commissions		31,124	22,570
Interest income		218	25
Employee expenses		(21,751)	(20,738)
Professional fees		(2,538)	(3,013)
Marketing expenses		(1,778)	(776)
IT costs		(1,181)	(1,194)
Travel expenses		(1,006)	(370)
Equity-settled employee costs and related tax costs		(158)	(1,430)
Depreciation and amortisation expense		(12,948)	(9,949)
Finance costs		(787)	(589)
Foreign exchange gains	8	2,433	3,494
Other expenses		(1,877)	(2,412)
Loss before income tax		(10,249)	(14,382)
Income tax benefit/(expense)		1,041	(264)
Net loss for the period		(9,208)	(14,646)
Other comprehensive loss, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on the transaction of foreign operations		(3,006)	(6,756)
Total other comprehensive loss, net of income tax		(3,006)	(6,756)
Total comprehensive loss for the period		(12,214)	(21,402)
Loss per share			
		\$	\$
Basic and diluted loss per share		0.06	0.09

Restated due to change in presentation currency. Refer to Note 1(c) for further details.

Condensed Consolidated Statement of Financial Position

		31 December 2022	Restated# 30 June 2022
	Notes	\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents		39,197	56,884
Trade and other receivables		13,303	10,686
Income tax receivable		178	174
Other assets		3,548	3,176
Total current assets		56,226	70,920
Non-current assets			
Property, plant and equipment	3	40,830	41,771
Intangible assets	4	34,616	32,732
Deferred tax assets		6,996	7,394
Other assets		2,311	-
Total non-current assets		84,753	81,897
Total assets		140,979	152,817
Liabilities			
Current liabilities			
Trade and other payables	5	25,691	24,216
Borrowings	6	8,340	9,028
Provisions		2,844	3,258
Income tax payable		73	98
Other liabilities		-	27
Total current liabilities		36,948	36,627
Non-current liabilities			
Trade and other payables	5	2,311	-
Borrowings	6	8,466	9,766
Provisions		313	255
Deferred tax liabilities		5,762	7,200
Total non-current liabilities		16,852	17,221
Total liabilities		53,800	53,848
Net assets		87,179	98,969
Equity			
Issued capital	7	293,946	291,873
Reserves		(2,382)	3,730
Other equity		(8,767)	(8,767)
Accumulated losses		(195,618)	(187,867)
Total equity		87,179	98,969

Restated due to change in presentation currency. Refer to Note 1(c) for further details.

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 2021 (Restated)#	283,570	13,496	(8,767)	(152,866)	135,433
Loss for the period	-	-	-	(14,646)	(14,646)
Other comprehensive loss	-	(6,756)	-	-	(6,756)
Total comprehensive loss for the period	-	(6,756)	-	(14,646)	(21,402)
Issue of ordinary share capital	4,001	-	-	-	4,001
InnovoEdge acquisition – equity consideration	-	7,481	-	-	7,481
Transfer from equity-settled employee benefits reserves	2,418	(2,418)	-	-	-
Employee share option expense	-	1,041	-	-	1,041
Balance at 31 December 2021 (Restated)#	289,989	12,844	(8,767)	(167,512)	126,554
Balance at 1 July 2022 (Restated)#	291,873	3,730	(8,767)	(187,867)	98,969
Loss for the period	-	-	-	(9,208)	(9,208)
Other comprehensive loss net of income tax	-	(3,006)	-	-	(3,006)
Total comprehensive loss for the period	-	(3,006)	-	(9,208)	(12,214)
Issue of ordinary share capital	167	-	-	-	167
InnovoEdge – Milestone 2	1,873	(1,873)	-	-	-
Transfer from equity-settled employee benefits reserves	33	(1,490)	-	1,457	-
Employee share option and restricted stock units expense	-	257	-	-	257
Balance at 31 December 2022	293,946	(2,382)	(8,767)	(195,618)	87,179

^ Represents adjustment arising from common-control transactions

Restated due to change in presentation currency. Refer to Note 1(c) for further details

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 2022 \$'000	Restated# 31 December 2021 \$'000
Notes		
Cash flows from operating activities		
Receipts from customers	49,295	40,285
Payments to suppliers and employees	(52,063)	(45,759)
Transaction costs relating to acquisition of subsidiary	-	(415)
Interest received	198	26
Income taxes paid	(37)	(15)
Vendor financing proceeds	3,747	-
Payment of vendor financing instalments	(280)	-
Net cash flows from/(used in) operating activities	860	(5,878)
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	4	12
Payments for property, plant and equipment	(7,329)	(10,838)
Payments for intangible assets	(5,496)	(4,573)
Payments for acquisition of subsidiary	-	(7,500)
Net cash flows used in investing activities	(12,821)	(22,899)
Cash flows from financing activities		
Proceeds from issue of new shares	47	3,828
Share issue transaction costs	(16)	(62)
Proceeds from borrowings	1,435	6,565
Repayment of borrowings	(2,423)	(2,308)
Payment of principal portion of lease liabilities	(3,467)	(2,510)
Interest and other costs of finance paid	(764)	(589)
Transaction costs related to loans and borrowings	(128)	-
Net cash flows (used in)/from financing activities	(5,316)	4,924
Net decrease in cash and cash equivalents held	(17,277)	(23,853)
Effects of exchange rate changes on cash and cash equivalents	(410)	(2,493)
Cash and cash equivalents at beginning of the period	56,884	102,317
Cash and cash equivalents at end of the period	39,197	75,971

Restated due to change in presentation currency. Refer to Note 1(c) for further details.

Notes to the Condensed Consolidated Financial Statements

1 Significant accounting policies

(a) Statement of compliance

The half-year Condensed Consolidated Financial Statements ('half-year financial statements') are general purpose financial statements 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 statements do 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 statements are consistent with those adopted and disclosed in the Group's annual financial report for the year ended 30 June 2022, unless otherwise indicated. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

In the current half-year, the Group has applied the below amendments to Australian Accounting Standards issued by the Australian Accounting Standards Board that are effective for the Group's annual reporting period that began on 1 July 2022.

- AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments*

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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.

(c) Change in presentation currency

The Group changed its presentation currency from Australian Dollars ('AUD' or 'A\$') to US Dollars ('USD' or '\$') effective from 1 July 2022. The Condensed Consolidated Financial Statements for the half year ended 31 December 2022 are the first half-year financial statements with results in USD. These changes are expected to reduce the impact of movements in exchange rates on reported results and provide shareholders with a more useful reflection of the Group's underlying performance, given the majority of its revenue is generated in USD. The change in reporting currency is a voluntary change in accounting policy that is accounted for retrospectively.

To satisfy the requirements of AASB 121 *The Effects of Changes in Foreign Exchange Rates*, with respect to a change in presentation currency, the statutory financial information included in the financial statements for the half-year ended 31 December 2021 and as at 30 June 2022, previously reported in AUD has been retrospectively restated into USD using the procedures outlined below:

- Assets and liabilities denominated in non-USD currencies were translated into USD at the closing rates of exchange on the relevant balance sheet date;
- Non-USD income and expenditure were translated at the average rates of exchange prevailing for the relevant period;
- Equity accounts were translated at the historical rates of exchange prevailing on the date of the transaction;
- Earnings per share has also been translated to reflect the change in presentation currency; and
- All exchange rates used were extracted from an external exchange rate data provider.

All amounts are presented in US Dollars, unless otherwise noted. The functional currency (i.e. the main currency in which an entity primarily transacts, generates and expends cash) of the parent entity and each subsidiary remains unchanged.

(d) Change in accounting policy

In the current year financial statements, interest received and interest paid have been classified as cash flows from operating activities and cash flows used in financing activities respectively in the Condensed Consolidated Statement of Cash Flows in order to show greater transparency while in line with the requirements of AASB 107 *Statement of Cash Flows*. In previous periods, interest received and interest paid were presented as cash flows from investing activities and cash flows used in operating activities respectively. Historical financial information has been restated to account for the impact of the change in accounting policy, as below.

In \$'000 Financial statement item	31 December 2021 Inflow/(Outflow)	
	Interest paid	Interest received
Condensed Consolidated Statement of Cash Flows		
Net cash flows from operating activities	589	26
Net cash flows used in investing activities	-	(26)
Net cash flows used in financing activities	(589)	-

The restatement did not have an impact on the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Condensed Consolidated Statement of Financial Position, or the Condensed Consolidated Statement of Changes in Equity.

(e) 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 forecast results and margins from operations. The Group has sufficient cash reserves and monitors reserves through these budgets and cash flow forecasts to ensure there are sufficient available funds for its operations and any planned expansion. The Group also has a debt facility of A\$25 million which can be drawn down once certain EBITDA conditions are met. 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 half-year financial statements.

2 Segment information

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

Half-year ended 31 December 2022	Asia Pacific \$'000	North America \$'000	Europe \$'000	Total operating segments \$'000	Other ¹ \$'000	Total \$'000
Revenue from direct sales channel ²	9,029	17,537	4,867	31,433	-	31,433
Revenue from indirect sales channel ³	4,572	8,881	2,465	15,918	-	15,918
Total revenue⁴	13,601	26,418	7,332	47,351	-	47,351
Profit after direct network costs and partner commissions	10,552	15,267	5,305	31,124	-	31,124
Normalised EBITDA⁵	7,544	8,195	1,782	17,521	(15,252)	2,269
Interest income	38	2	-	40	178	218
Depreciation and amortisation expense	(1,935)	(3,954)	(1,172)	(7,061)	(5,887)	(12,948)
Equity-settled employee costs and related tax costs	-	-	-	-	(158)	(158)
Finance costs	(332)	(25)	(36)	(393)	(394)	(787)
Foreign exchange gains	483	680	398	1,561	872	2,433
Non-operating expenses ⁶	(67)	(245)	(203)	(515)	(761)	(1,276)
Income tax benefit/(expense)	95	1,642	9	1,746	(705)	1,041
Net profit/(loss)	5,826	6,295	778	12,899	(22,107)	(9,208)

1. 'Other' represents head office and group services costs, whose function is to support the operating segments and growth of the global business.
2. Revenue generated from customers sourced directly by Megaport.
3. Revenue generated through external partner resellers and agents.
4. Segment revenue reported above represents revenue generated from external customers. There were no intersegment sales during the half-year ended 31 December 2022 and 31 December 2021.
5. Normalised Earnings Before Interest Tax Depreciation and Amortisation (Normalised EBITDA) represents operating results excluding equity-settled employee costs and related tax costs, foreign exchange gains/(losses) and non-operating income/(expenses).
6. Non-operating expenses represent restructuring costs, gain/loss on disposal/write off of intangible assets, property, plant and equipment and right of use assets.

2 Segment information (continued)

Half-year ended 31 December 2021 ¹	Asia Pacific \$'000	North America \$'000	Europe \$'000	Total operating segments \$'000	Other ² \$'000	Total \$'000
Revenue from direct sales channel ³	7,708	13,021	4,332	25,061	-	25,061
Revenue from indirect sales channel ⁴	3,797	6,412	2,133	12,342	-	12,342
Total revenue⁵	11,505	19,433	6,465	37,403	-	37,403
Profit after direct network costs and partner commissions	8,552	9,721	4,297	22,570	-	22,570
Normalised EBITDA⁶	5,568	2,782	1,086	9,436	(14,779)	(5,343)
Interest income	-	-	-	-	25	25
Depreciation and amortisation expense	(1,845)	(2,956)	(1,466)	(6,267)	(3,682)	(9,949)
Equity-settled employee benefits	-	-	-	-	(1,430)	(1,430)
Finance costs	(294)	(36)	(41)	(371)	(218)	(589)
Foreign exchange gains/(losses)	125	2,400	(25)	2,500	994	3,494
Non-operating income/(expenses) ⁷	-	(641)	-	(641)	51	(590)
Income tax benefit/(expense)	566	(222)	(90)	254	(518)	(264)
Net profit/(loss)	4,120	1,327	(536)	4,911	(19,557)	(14,646)
Total segment assets						
At 31 December 2022	37,658	52,571	19,622	109,851	31,128	140,979
At 30 June 2022 ¹	36,770	49,111	20,185	106,066	46,751	152,817

1. Restated due to change in presentation currency. Refer to Note 1(c) for further details.
2. 'Other' represents head office and group services costs, whose function is to support the operating segments and growth of the global business.
3. Revenue generated from customers sourced directly by Megaport.
4. Revenue generated through external partner resellers and agents.
5. Segment revenue reported above represents revenue generated from external customers. There were no intersegment sales during the half-year ended 31 December 2022 and 31 December 2021.
6. Normalised Earnings Before Interest Tax Depreciation and Amortisation (Normalised EBITDA) represents operating results excluding equity-settled employee costs and related tax costs, foreign exchange gains/(losses) and non-operating income/(expenses).
7. Non-operating expenses represent gain/loss on disposal/write off of intangible assets, property, plant and equipment and right of use assets.

3 Property, plant and equipment

	\$'000
Period ended 31 December 2022	
Net book value at 1 July 2022 (Restated) [#]	41,771
Additions	9,419
Transfers to intangible assets	(286)
Disposals/write-down	(221)
Depreciation charge	(9,600)
Exchange differences	(253)
Net book value at 31 December 2022*	40,830
Year ended 30 June 2022 (Restated)[#]	
Net book value at 1 July 2021	32,070
Additions	31,513
Transfers to intangible assets	(302)
Disposals/write-down	(1,590)
Depreciation charge	(17,399)
Exchange differences	(2,521)
Net book value as at 30 June 2022*	41,771

[#] Restated due to change in presentation currency. Refer to Note 1(c) for further details.

* Includes right-of-use assets of \$8.2 million as at 31 December 2022 (30 June 2022: \$9.0 million)

4 Intangible assets

	\$'000
Period ended 31 December 2022	
Net book value at 1 July 2022 (Restated) [#]	32,732
Additions	5,057
Transfers from property, plant and equipment	286
Disposals	-
Amortisation charge	(3,348)
Exchange differences	(111)
Net book value as at 31 December 2022	34,616
Year ended 30 June 2022 (Restated)[#]	
Net book value at 1 July 2021	12,053
Additions	25,771
Transfers from property, plant and equipment	302
Disposals	(2)
Amortisation charge	(4,308)
Exchange differences	(1,084)
Net book value as at 30 June 2022 (Restated)[#]	32,732

[#] Restated due to change in presentation currency. Refer to Note 1(c) for further details.

5 Trade and other payables

		31 December 2022 \$'000	Restated# 30 June 2022 \$'000
	Notes		
<i>Current</i>			
Trade payables		4,814	7,067
Employee entitlements		4,405	6,137
Accrued expenses		13,162	8,980
Goods and services tax payable		1,866	1,795
Other payables		143	237
Vendor financing costs payable	(a)	1,301	-
		25,691	24,216
<i>Non-current</i>			
Vendor financing costs payable	(a)	2,311	-
		2,311	-

Restated due to change in presentation currency. Refer to Note 1(c) for further details.

Notes:

- (a) Represents the outstanding balance for support and maintenance costs that have been prepaid on behalf of the Group via vendor financing agreements. The balance does not carry interest and is repayable via equal instalments over 36 months. Due to the nature and timing of the services being received as well as the repayment life cycle of these agreements, this arrangement is considered part of the working capital used in the Group's normal operating cycle. The Group has therefore classified these costs under trade and other payables. The associated cash inflows and outflows of the arrangement have been included in operating cash flows.

6 Borrowings

		31 December 2022 \$'000	Restated# 30 June 2022 \$'000
	Notes		
<i>Current</i>			
Lease liabilities	(a)	3,915	4,486
Other borrowings	(b)	4,425	4,542
		8,340	9,028
<i>Non-current</i>			
Lease liabilities	(a)	4,693	4,879
Other borrowings	(b)	3,773	4,887
		8,466	9,766

Restated due to change in presentation currency. Refer to Note 1(c) for further details.

6 Borrowings (continued)

Notes:

- (a) Represents the outstanding lease commitments within the scope of AASB 16 *Leases*.
- (b) Represents the outstanding balance of the drawn vendor financing to fund the purchase of network equipment and payment of software licences. This is governed by a number of Instalment Payment Agreements, (IPAs). These agreements do not carry interest and are separately repayable via equal instalments over 36 months from each drawdown date. The borrowing is secured by a bank guarantee charged over \$3.9 million in cash and cash equivalents. At inception the fair value of the loan is recognised using an estimate of a market borrowing rate. Arrangements relating to maintenance and support contracts are not included in this balance and are classified as trade and other payables, refer to Note 5 for further information.

7 Issued capital

Movements in ordinary share capital:

Details	Number of shares	Total \$'000
Balance at 1 July 2021 (Restated)#	156,598,437	283,570
InnovoEdge consideration shares	161,233	1,879
Shares issued – Employee share plan	16,013	173
Shares issued – Employee share options exercised	1,173,333	3,833
Transfer from equity-settled employee benefits reserve	-	2,418
Balance at 30 June 2022 (Restated)#	157,949,016	291,873
InnovoEdge consideration shares	161,233	1,873
Shares issued – Employee share plan	29,866	121
Shares issued – Employee share options exercised	25,000	46
Transfer from equity-settled employee benefits reserve	-	33
Balance at 31 December 2022	158,165,115	293,946

Restated due to change in presentation currency. Refer to Note 1(c) for further details.

8 Foreign exchange differences

(a) Exchange differences on monetary items recognised in profit or loss

The Group operates internationally and is subject to foreign exchange risk arising from exposure to foreign currencies. The Group's earnings and cash flows are influenced by a wide variety of currencies due to the geographic diversity of the countries in which the Group operates. The US Dollar ('USD'), Australian Dollar ('AUD'), Euro ('EUR') and Pound Sterling ('GBP') are the main currencies in which the majority of the Group's sales and costs are denominated. In any particular year, currency fluctuations may have a significant impact on the Group's financial results.

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). Certain cash reserves, other financial assets and liabilities, including intercompany balances, are held in currencies other than the functional currency of the

8 Foreign exchange differences (continued)

relevant subsidiary. This results in an accounting exposure to exchange gains and losses as the financial assets and liabilities are translated into the functional currency of the subsidiary that holds those assets and liabilities. These exchange gains or losses are recorded on the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income.

The table below summarises the Group's foreign exchange gain/(loss), the fluctuation during the period is mainly attributed to the strengthening of the USD against the AUD and results from the revaluation of the AUD denominated cash and intercompany balances.

	31 December 2022 \$'000	Restated# 31 December 2021 \$'000
Realised foreign exchange (loss)/gain	(71)	206
Unrealised foreign exchange gain	2,504	3,288
Net foreign exchange gain	2,433	3,494

#Restated due to change in presentation currency. Refer to Note 1(c) for further details.

(b) Foreign currency translation reserve movement

For the purpose of presenting these Condensed Consolidated Financial Statements, the assets and liabilities of the Group's operations are translated into US Dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity. The table below summarises the movement of the foreign currency translation reserve during the period.

	Foreign currency translation reserve \$'000
Balance at 30 June 2021 (Restated)#	8,742
Exchange differences arising on translation of foreign operations	(15,293)
Balance at 30 June 2022 (Restated)#	(6,551)
Exchange differences arising on translation of foreign operations	(3,006)
Balance at 31 December 2022	(9,557)

Restated due to change in presentation currency. Refer to Note 1(c) for further details.

9 Equity-settled employee costs and related tax costs

Employee share option plan (ESOP General)

The Company has a share option scheme for executives and employees of the Company and its subsidiaries. In accordance with the terms of the plan, as approved by the Directors on 2 November 2015, executives and employees of the Group may be granted options to purchase ordinary shares at the Board's discretion.

During the half-year, the Company issued 25,000 ordinary shares for \$46,411 on exercise of 25,000 share options issued under its executive share option plan (31 December 2021: 1,173,333 ordinary shares for \$3.8 million on exercise of 1,173,333 options). As a result of this share issue, \$32,535 was transferred from the equity-settled employee benefits reserve to issued capital (31 December 2021: \$2.4 million).

9 Equity-settled employee costs and related tax costs (continued)

The Company issued no share options (31 December 2021: 25,000 share options) over ordinary shares under its employee share option plan throughout the half-year. The share options granted during the half-year ended 31 December 2021 had a fair value at grant date of between \$2.70 and \$4.32 per share option.

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.

Employee share plan (ESP)

The Company has a share scheme for employees of the Company and its subsidiaries. Under the ESP, eligible employees on 1 June 2022 were granted A\$1,000 in Megaport shares for no consideration. In September 2022, 29,866 shares were issued to the eligible employees who were still employed and had not tendered their resignation on the issuance date.

On 23 November 2022, resolutions were passed by the shareholders in the FY22 Annual General Meeting to issue, transfer or allocate 6,027 Megaport shares to each non-executive director in three tranches under the ESP for no consideration. The first tranche of shares will be issued on 23 November 2023. This grant of shares forms part of their remuneration for services provided as members of the Board.

Shares are issued under the ESP carry the same dividend and voting rights as existing shares. However, the ESP shares are subject to a holding lock until the earlier of three years from the date of issue and the date on which the participant ceases to be employed by the Group.

Restricted stock units (RSU)

The Company has a restricted stock units plan for executives and employees of the Company and its subsidiaries. The number of RSUs granted is specific to that executive and employee's RSU plan agreement and is granted at the Board's discretion. The RSUs reward executives and employees subject to meeting agreed service conditions or performance conditions specific to the individual's agreement.

The RSUs are equity settled and are settled in full on the vesting date.

a) Restricted stock units general plan (RSU General)

During the half-year, the Company granted RSUs to employees under the plan with a fair value of \$1,254,933. The number of shares granted in the future will equal a fixed monetary amount.

b) Restricted stock units executive plan (RSU Executive)

The Company issued 825,415 RSUs over ordinary shares under its plan throughout the half-year. The number of shares granted in the future will equal a fixed number of RSUs.

10 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, group entities entered into the following transactions with related parties that are not members of the Group:

	31 December 2022 \$	Restated# 31 December 2021 \$
<i>Sales and purchases of goods and services</i>		
Purchase of shared services from entities controlled by key management personnel	30,483	90,815
Purchase of direct network costs from entities related to key management personnel	-	138,022
Sale of network related equipment and services to entities related to key management personnel	36,519	32,561

Restated due to change in presentation currency. Refer to Note 1(c) for further details.

Arrangements with related parties are on similar arm's length terms as other customers and suppliers.

11 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 Group.

Directors' Declaration

In the directors' opinion:

- a. the Condensed Consolidated Financial Statements and notes set out on pages 8 to 21 of Megaport Limited ('the Company') and its controlled entities ('the Group') are in accordance with the Corporations Act 2001, including:
 - i. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
 - ii. giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date and
- b. At the date of this declaration, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the Condensed Consolidated Financial Statements also comply with the relevant International Financial Reporting Standards applicable for interim reporting as issued by the International Accounting Standards Board.

This declaration is made 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
9 February 2023

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 2022, 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.

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:

- Giving a true and fair view of the Group's financial position as at 31 December 2022 and of 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*.

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 directors of the Company, would be in the same terms if given to the directors' as at the time of this auditor's review report.

For personal use only

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 2022 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



Richard Wanstall

Partner

Chartered Accountants

Brisbane, 9 February 2023