Appendix 4D

Half-Year Report

31 December 2016

Megaport Limited

ABN: 46 607 301 959

Appendix 4D Half-Year Report

For the period 1 July 2016 to 31 December 2016

Appendix 4D

The following information sets out the requirements of the Appendix 4D of Megaport Limited ('the Company') with the stipulated information either provided here or cross referenced to the Half-Year Report, 31 December 2016.

This Appendix 4D covers the reporting period from 1 July 2016 to 31 December 2016. The previous corresponding period is 27 July 2015 (date of incorporation) to 31 December 2015.

Results for Announcement to the Market

Summary of Financial Information

	1 Jul 2016 to 31 Dec 2016	27 Jul 2015 to 31 Dec 2015	Change $	Change %
Revenue from ordinary activities	4,458,704	1,001,079	3,457,625	345.39
Profit/(loss) from ordinary activities after tax attributable to members	(13,772,690)	(9,939,517)	(3,833,173)	(38.56)
Net profit/(loss) for the period attributable to members	(13,772,690)	(9,939,517)	(3,833,173)	(38.56)

Dividends

No dividend has been proposed or declared in respect of the period ended 31 December 2016.

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

Refer to Media Release – Half Year Profit Announcement for the period ended 31 December 2016 and the Director's Report Review of Operations in the half-year financial report for commentary on the results for the period and explanations to understand the Group's revenue and profit/(loss) from ordinary activities.

Net tangible asset backing

	31 Dec 2016 cents	31 Dec 2015 cents
Net tangible assets per ordinary share	33.65	40.50

The number of Megaport shares on issue at 31 December 2016 is 88,234,994 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
Control obtained				
Peering GmbH	(a)	Germany	11 Aug 2016	100

(a) During the period this entity was acquired. Refer to note 4 in half-year financial report.

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 31 December 2016 Half-Year Report, which has been prepared in accordance with Australian Accounting Standards.

The 31 December 2016 Half-Year Report has been reviewed and is not subject to audit dispute or qualification.

Megaport Limited

ABN: 46 607 301 959

Interim Report

For the Half-Year Ended 31 December 2016

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

Megaport Limited

ABN: 46 607 301 959

Interim Report

For the half-year ended 31 December 2016

Contents

Directors Report

The Directors present their report on the consolidated entity consisting of Megaport Limited and the entities it controlled (referred to as 'the Group') at the end of, or during, the half-year ended 31 December 2016.

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
Denver Maddux
Drew Kelton
Simon Moore
Peter Hase (appointed 22 September 2016)

Denver Maddux has tendered his resignation as Chief Executive Officer effective 31 March 2017 and will resign from the Board of Directors. Vincent English has been appointed as Chief Executive Officer effective 1 April 2017 and will join the Board of Directors. (see ASX Announcement – Executive Team Update 14 February 2017).

Principal activities

The Group continued to engage in its principal activity, being the provisioning of on-demand elastic interconnection services to its customers, as well as continuing to expand the geographic footprint of its network and services fabric.

Review of operations

Group overview

Using Software Defined Networking, the Company's global platform enables customers to rapidly connect their network to other services across the Megaport Fabric. Services can be directly controlled by customers via mobile devices, their computer or our open Application Programming Interface (API). The Company's extensive footprint in Australia, Asia-Pacific, North America, and Europe provides a neutral platform that spans many key data centre providers across various markets.

The Group's business plan involves creating a unique configuration of network and cloud services, known as the ecosystem. Customers get access to this platform (the Megaport Fabric) by acquiring ports (a Megaport), have flexible control of their costs, commitments, and configuration of the services they require using the software capabilities of Megaport.

Megaport's vision is to be the global leader of elastic interconnection services.

At the half-year ended 31 December 2016, the Group has a global presence 141 locations across 19 countries. On 11 August 2016 the Group completed an acquisition, Peering GmbH in Germany. This entity contributed to 30 locations across 2 countries of the Group total. Of the Group total Asia-Pacific has a regional presence of 45 locations across 4 countries; North America has 39 locations across 2 countries; and Europe has 57 locations across13 countries.

The total ports on the Group's network at the end of December 2016 was 1,479 (at June 2016: 736).

Financial performance

Financials	31 Dec 2016 $	31 Dec 2015 $
Revenue	**4,458,704**	1,001,079
Profit/(loss) after direct network costs[1]	**(831,153)**	(149,455)
Net profit/(loss) after income tax	**(13,772,690)**	(9,939,517)

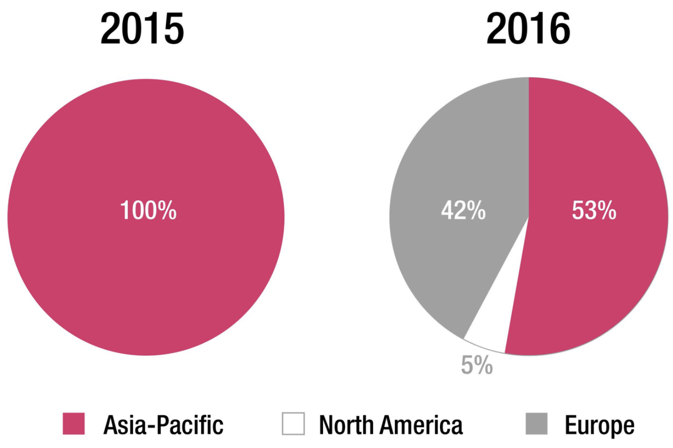
1. Revenue less direct network costs, which comprise of data centre power and space, physical cross connect fees, bandwidth and dark fibre, network operation and maintenance, and channel commissions which are directly related to generating the service revenue of Megaport Group.

Business metrics	31 December 2016	30 June 2016	31 December 2015
Total number of ports	**1,479**	736	504
Total number of services	**2,768**	1,500	940
Total number of data centres	**141**	102	46
Total number of countries	**19**	17	4
Total number of customers	**621**	314	253
Monthly recurring revenue[1]	**$909k**	$308k	$221k

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

During the half-year period, Megaport has continued to have significant growth in the number of ports sold to customers, number of data centres and monthly recurring revenues. The Group's Revenue for the period was $4.5 million (2015: $1.0 million). As detailed in the segment reporting note in the financial statements, this revenue was generated in the following business units: 53% in Asia-Pacific, 42% in Europe, and 5% in North America. The Group's Revenue in the half-year ended 31 December 2016 was up 161% from six-months ended 30 June 2016. The Group's revenue is up 54% if revenue from the two recent acquisitions of Peering GmbH and OMNIX Group AD is excluded.

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



There is a loss after direct network costs for the Group of $831,153 (2015: $149,455), which includes direct network costs for all business units. The Asia-Pacific and Europe business units are generating a profit after direct network costs.

During the period, Megaport entered into a partnership agreement with Digital Realty (NYSE:DLR). The partnership was to launch Service Exchange, a product that enables direct access to Amazon Web Services (AWS), Google Cloud Platform and Microsoft Azure, improving performance, reliability and security when compared to the public Internet. Service Exchange is available in a number of USA locations at 31 December 2016. Planned rollout for the remaining half-year of FY2017 includes additional USA locations, Europe locations and Singapore.

The Group's net loss after income tax for the half-year financial period, amounted to $13.8 million (2015: $9.9 million).

Financial position

	31 Dec 2016	30 June 2016
Financials	**$**	**$**
Net assets	**33,244,174**	17,169,978
Cash and cash equivalents at end of the period	**24,185,257**	11,869,997

At the end of December 2016, the cash position was $24,185,257.

Megaport continues to maintain a strong financial position, with net current assets of $21.3 million and total equity of $33.2 million.

On 5 August 2016, the Group successfully completed a capital raising of $17.85 million and on 22 August 2016 completed a Share Purchase Plan to raise a further $13.15 million. The net proceeds of the net capital raisings of $30 million which has been and will continue to be used for capital expenditure, ongoing operating costs of the network, services and staff, and network capacity investment. This will provide the funding for revenue growth, market development, and additional acquisition opportunities.

During the half-year, the Group invested $4.3 million cash in the network and ecosystem expansion. Of this amount, $1.0 million was for the acquisition of Peering GmbH, $2.8 million was rolling out additional data centres globally, particularly setting up the Europe sites and adding additional sites in North America, and $0.5 million was in the software facilitating the network.

Auditor's Independence Declaration

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

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

On behalf of the Directors

Bevan Slattery
Executive Chairman

Brisbane
21 February 2017

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

21 February 2017

Dear Board Members

Megaport Limited

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

As lead audit partner for the review of the financial statements of Megaport Limited for the half-year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

R G Saayman
Partner
Chartered Accountants

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	1 July 2016 to 31 December 2016 $	27 July 2015 to 31 December 2015 $
Continuing operations			
Revenue		4,458,704	1,001,079
Direct network costs		(5,289,857)	(1,150,534)
		(831,153)	**(149,455)**
Other income		126,033	11,881
Employee benefits expense		(7,813,796)	(5,875,993)
Professional fees		(1,666,517)	(1,409,005)
Marketing expenses		(526,588)	(874,347)
Travel expenses		(887,104)	(580,577)
Depreciation and amortisation expense		(1,835,632)	(444,013)
Finance costs		(44,977)	(25,988)
Foreign exchange gains/(losses)		580,282	(215,823)
Other expenses		(839,956)	(376,197)
Profit (loss) before income tax		**(13,739,408)**	**(9,939,517)**
Income tax benefit (expense)		(33,282)	-
Profit (loss) after income tax for the period		**(13,772,690)**	**(9,939,517)**
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(550,239)	70,358
Total other comprehensive income, net of income tax		**(550,239)**	**70,358**
Total comprehensive income for the period		**(14,322,929)**	**(9,869,159)**
Profit (loss) attributable to:			
Owners of Megaport Limited		(13,772,690)	(9,939,517)
Total comprehensive income attributable to:			
Owners of Megaport Limited		(14,322,929)	(9,869,159)

Earnings/(losses) per share		Cents	Cents
Basic losses per share		(16.39)	(20.87)
Diluted losses per share		(16.39)	(20.87)

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

Megaport Limited

ABN: 46 607 301 959

Condensed Consolidated Statement of Financial Position

As At 31 December 2016

Condensed Consolidated Statement of Financial Position

	Notes	31 December 2016 $	Restated* 30 June 2016 $
Assets			
Current assets			
Cash and cash equivalents	3	24,185,257	11,869,997
Trade and other receivables		1,169,245	987,328
Other financial assets		336,120	185,390
Other assets		820,461	452,976
Total current assets		**26,511,082**	**13,495,691**
Non-current assets			
Property, plant and equipment		8,442,483	6,421,473
Intangible assets	5	3,555,903	1,375,782
Other assets		108,067	108,067
Total non-current assets		**12,106,453**	**7,905,322**
Total assets		**38,617,535**	**21,401,013**
Liabilities			
Current liabilities			
Trade and other payables		4,633,892	4,231,035
Borrowings		236,515	-
Current tax liability		43,684	-
Other liabilities		330,946	-
Total current liabilities		**5,245,036**	**4,231,035**
Non-current liabilities			
Borrowings		90,184	-
Provisions		10,000	-
Other liabilities		28,141	-
Total non-current liabilities		**128,325**	**-**
Total liabilities		**5,373,361**	**4,231,035**
Net assets		**33,244,174**	**17,169,978**
Equity			
Issued capital	6	80,135,544	50,109,608
Other equity		(11,913,909)	(11,913,909)
Reserves		140,439	319,489
Accumulated losses		(35,117,900)	(21,345,210)
Total equity		**33,244,174**	**17,169,978**

*Restatement relates to adjustments to provisional values of assets acquired and liabilities assumed for the acquisition of OMNIX Group AD (refer to note 4(b)).

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

ABN: 46 607 301 959

Condensed Consolidated Statement of Changes in Equity

For the Half-Year Ended 31 December 2016

Condensed Consolidated Statement of Changes in Equity

		Attributable to the owners of Megaport Limited				
	Notes	Issued capital $	Other equity $	Reserves $	Accumulated losses $	Total equity $
Balance at 27 July 2015		-	-	-	-	-
Loss for the period		-	-	-	(9,939,517)	(9,939,517)
Other comprehensive income		-	-	70,358	-	70,358
Total comprehensive income for the period		**-**	**-**	**70,358**	**(9,939,517)**	**(9,869,159)**
Issue of ordinary share capital		51,000,001	-	-	-	51,000,001
Common-control transactions		-	(11,916,251)	-	-	(11,916,251)
Share-based payments granted		-	-	20,294	-	20,294
Share issue costs		(878,795)	-	-	-	(878,795)
Balance at 31 December 2015		**50,121,206**	**(11,916,251)**	**90,652**	**(9,939,517)**	**28,356,090**
Balance at 1 July 2016		50,109,608	(11,913,909)	319,489	(21,345,210)	17,169,978
Loss for the period		-	-	-	(13,772,690)	(13,772,690)
Other comprehensive income		-	-	(550,239)	-	(550,239)
Total comprehensive income for the period		**-**	**-**	**(550,239)**	**(13,772,690)**	**(14,322,929)**
Issue of ordinary share capital	6	30,999,490	-	-	-	30,999,490
Share-based payments granted	7	-	-	371,189	-	371,189
Share issue costs	6	(973,554)	-	-	-	(973,554)
Balance at 31 December 2016		**80,135,544**	**(11,913,909)**	**140,439**	**(35,117,900)**	**33,244,174**

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

Condensed Consolidated Statement of Cash Flows

	Notes	1 July 2016 to 31 December 2016 $	27 July 2015 to 31 December 2015 $
Cash flows from operating activities			
Receipts from customers		5,140,599	759,986
Payments to suppliers and employees		(18,177,858)	(7,041,604)
Income taxes paid		(117,455)	-
Finance costs		(44,977)	-
Net cash from (used in) operating activities		**(13,199,691)**	**(6,281,618)**
Cash flows from investing activities			
Interest received		126,033	-
Payment for financial assets		(150,730)	-
Payment for property, plant and equipment		(2,776,891)	(2,328,346)
Payment for intangibles		(488,721)	-
Purchase of controlled entities, net of cash acquired	4(a)	(844,476)	305,735
Transaction costs relating to acquisition of subsidiary		(155,672)	-
Net cash from (used in) investing activities		**(4,290,457)**	**(2,022,611)**
Cash flows from financing activities			
Proceeds from issue of new shares		30,999,490	35,000,001
Share issue transaction costs		(973,554)	(878,795)
Repayment of borrowings		(93,305)	-
Repayment of loan from founding shareholder		-	(375,719)
Net cash from (used in) financing activities		**29,932,631**	**33,745,487**
Net increase (decrease) in cash and cash equivalents held		12,442,483	25,441,258
Effects of exchange rate changes on cash and cash equivalents		(127,223)	-
Cash and cash equivalents at beginning of the period		11,869,997	-
Cash and cash equivalents at end of the period		**24,185,257**	**25,441,258**

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

Notes to the Condensed Consolidated Financial Statements

1 Significant accounting policies

(a) Statement of compliance

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

(b) Basis of preparation

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2016 annual financial report for the financial year ended 30 June 2016, 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.

Comparative figures in the Statement of Profit or Loss and Other Comprehensive Income are in respect of the period 27 July 2015 to 31 December 2015, representing the Group's first period of operations.

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

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

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

- *AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation*
- *AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements*
- *AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle*
- *AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*

(i) Impact of the application of AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation

The Group has applied these amendments for the first time in the current year. The amendments to *AASB 116 Property, Plant and Equipment* prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to *AASB 138 Intangible Assets* introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a. When the intangible asset is expressed as a measure of revenue, or
b. When it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

As the Group already uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively, the application of these amendments has had no impact on the Group's consolidated financial statements.

(ii) Impact of the application of AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements

The amendments to *AASB 127 Separate Financial Statements*, allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

- At cost
- In accordance with *AASB 9 Financial Instruments* (or, where AASB 9 is not applied, *AASB 139 Financial Instruments: Recognition and Measurement*), or
- Using the equity method as described in *AASB 128 Investments in Associates and Joint Ventures*.

The company has continued to account for its investments in subsidiaries, joint ventures and associates at cost in its separate financial statements.

(iii) Impact of the application of AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle

The Group has applied these amendments for the first time in the current year. The Amendments to *Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012- 2014 Cycle* include a number of amendments to various Accounting Standards, which are summarised below:

- The amendments to *AASB 5 Non-current Assets Held for Sale and Discontinued Operations* introduce specific guidance in AASB 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in AASB 5 regarding the change of sale plan do not apply. The amendments also clarifies the guidance for when held-for-distribution accounting is discontinued
- The amendments to *AASB 7 Financial Instruments: Disclosures* remove the requirement to provide disclosures relating to offsetting financial assets and financial liabilities in interim financial reports and provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets
- The amendments to *AASB 119 Employee Benefits* clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high qualify corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead
- The amendments to *AASB 134 Interim Financial Reporting* make provision for disclosures required by the Standard to be given either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statement that is available to users of the financial statements on the same terms as the interim financial statements and at the same time.

The application of these amendments has had no effect on the Group's consolidated financial statements

(iv) Impact of the application of AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101

The Group has applied these amendments for the first time in the current year. The amendments clarify that an entity need not provide a specific disclosure required by an AASB if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in AASB is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

In addition, the amendments clarify that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Group, and should be separated into the share of items that, in accordance with other Accounting Standards:

a. Will not be reclassified subsequently to profit or loss
b. Will be reclassified subsequently to profit or loss when specific conditions are met.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The application of these amendments has not had a material presentation impact on the financial performance or financial position of the Group.

2 Segment information

(a) Description of segments

The Group's Board of Directors examine the performance of the Group from a geographic perspective and has identified three operating segments of its business, with two being reportable. All operating segments receive revenue from the Group's principal activity, being the provision of elastic interconnection services. These segments are:

- **Megaport (Asia-Pacific)** includes Australia, New Zealand, Hong Kong and Singapore. The segment includes key data centres in each market. New Zealand includes a long-haul connectivity capability back to Australia, which enables cloud exchange services to the market. There is a link between Singapore and Hong Kong allowing customers cross-market cloud exchange connectivity and services.
- **Megaport (North America)** opened its' headquarters in San Francisco in August 2015. The network went live at the end of April 2016 and now has 39 sites across the United States of America and Canada. Partnership agreements have been signed with AMS-IX, EdgeConnex and CyrusOne to benefit the network. Megaport partnered with Digital Realty Trust to introduce Service Exchange, a direct global interconnection for enterprises, cloud, and telecommunications providers.
- **Megaport (Europe)'s** network went live in 2017 Q1 through the acquisition of OMNIX Group AD and Peering GmbH (refer to note 4) and Megaport built sites. These factors have developed a fully operational market in 19 cities, 13 countries, and 57 locations across Europe.
- **Other** includes head office and group services, whose function is to support the operating segments and growth of the global business.

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

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

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

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

Half-year 2016	Note	Asia-Pacific $	North America $	Europe $	Operating segments total $	Corporate $	Total $
Total revenue from external customers		2,345,183	245,040	1,868,481	**4,458,704**	-	**4,458,704**
Net profit/(loss)		(3,121,823)	(4,426,123)	(1,410,216)	**(8,958,162)**	(4,814,528)	**(13,772,690)**
Half-year 2015							
Total revenue from external customers		1,001,079	-	-	**1,001,079**	-	**1,001,079**
Net profit/(loss)		(3,033,065)	(3,360,485)	(70)	**(6,393,620)**	(3,545,897)	**(9,939,517)**
Total segment assets							
31 December 2016		7,145,377	6,400,524	9,667,179	**23,213,080**	15,404,455	**38,617,535**
30 June 2016*		6,039,898	3,828,090	2,180,332*	**12,048,320***	9,352,693	**21,401,013***

*These figures are restated. The restatement relates to adjustments to provisional values of assets acquired and liabilities assumed for the acquisition of OMNIX Group AD (refer to note 4(b)).

3 Restricted cash

Included in cash and cash equivalents at 31 December 2016 is an amount of $1,169,134 (30 June 2016: $224,101), representing restricted cash balances which are not available for use by the Group.

4 Business combinations

(a) Acquisition of PEERING GmbH

On 11 August 2016, Megaport (Europe) Limited acquired 100% of the shares in PEERING GmbH, which operates under the brand ECIX, based in Berlin, Germany. PEERING GmbH is Germany's second largest Internet Exchange operator, and this acquisition allows Megaport to expand their Europe network by an additional 30 locations and gain additional revenue at a higher margin through economies of scale through existing colocation and connectivity agreements. Core PEERING GmbH leadership team will remain as managers of the operation.

Details of the purchase consideration, the net assets acquired, and goodwill are as follows:

Purchase consideration

The initial cost of the acquisition was $951,600 (EUR 650,000) paid in cash, with further contingent consideration payable in two years, less any warranties, representations or claims incurred within the two years. The fair value of the contingent consideration arrangement is $951,600 (EUR 650,000) and has not been discounted as the funds are being held in escrow until payable to the seller.

	$
Initial cash paid	951,600
Acquisition date fair value contingent consideration	951,600
Total acquisition date fair value consideration	**1,903,200**

The Group expects to be liable for the full contingent consideration, and therefore was assessed to determine the acquisition date fair value of this contingent consideration.

The provisional assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value $
Cash and cash equivalents	107,124
Trade and other receivables	171,040
Prepayments	43,389
Property, plant and equipment	731,132
Trade and other payables	(353,872)
Current tax liability	(127,857)
Deferred revenue	(83,094)
Finance leases payable	(420,003)
Intangible assets: software	11,656
Intangible assets: brand name	35,300
Intangible assets: network rights	553,600
Intangible assets: customer contracts & relationships	287,300
Goodwill	947,485
Total acquisition date fair value consideration	**1,903,200**

The consideration payable for the combination effectively includes amounts in relation to the benefit of expected synergies, revenue growth and the management & workforce of the acquiree.

(i) Acquisition costs

Acquisition-related costs of $180,672 are included in professional fees in the Statement of Profit or Loss and Other Comprehensive Income and in investing cash flows in the Statement of Cash Flows.

(ii) Acquired receivables

The fair value of the acquired trade receivables is $169,480 (EUR 115,765). The gross contractual amount for trade receivables due is $271,960 (EUR 185,765), of which $102,480 (EUR 70,000) is expected to be uncollectable.

(iii) Revenue and profit contribution

The acquired business contributed revenues of $1,645,646 and net profit before tax $11,378 to the Group for the period from 11 August 2016 – 31 December 2016. If the acquisition had occurred on 1 July 2016, the revenue and net profit after tax the acquisition would have contributed to the Group for the period would have been $2,146,495 and $14,841 respectively. These figures are management's best estimate with the information available at the date of the report. These amounts have been calculated using the subsidiary's results and adjusting them for differences in the accounting policies between the group and subsidiary.

(iv) Purchase consideration – cash outflow

	$
Cash consideration	951,600
Less: cash balances acquired	(107,124)
Outflow of cash – investing activities (net of cash acquired)	**844,476**

(b) Prior period

On 30 June 2016, Megaport (Europe) Limited acquired 100% of the issued share capital of OMNIX Group AD ("OMNIX"), an Internet Exchange business headquartered in Bulgaria, with operations through the Baltic region and a network connecting to Amsterdam. The total consideration for the acquisition comprised of $498,792 paid on completion, with a further $149,401 deferred to six months after completion and $74,700 deferred to twelve months after completion.

At 30 June 2016, the fair value of assets and liabilities assumed were recognised on a provisional basis. In the current financial period, the fair value of assets acquired and liabilities assumed are still accounted for on a provisional basis, however the amounts have been altered and the effect on the financial statements has been summarised below:

(i) Goodwill arising on acquisition

	Provisional fair value at 30 June 2016 $	Purchase price adjustment $	Provisional fair value at 31 December 2016 $
Purchase consideration	722,893	-	722,893
Less: fair value net identifiable assets	(10,534)	(551,705)	(562,239)
Goodwill on acquisition	**712,359**	**(551,705)**	**160,654**

(ii) Identifiable assets acquired and liabilities assumed

	Provisional fair value at 30 June 2016 $	Purchase price adjustment $	Provisional fair value at 31 December 2016 $
Assets			
Cash and cash equivalents	6,629	-	6,629
Trade and other receivables	95,092	45,558	140,650
Property, plant and equipment	22,018	-	22,018
Intangible assets	-	490,300	490,300
Total assets	**123,739**	**535,858**	**659,597**
Liabilities			
Trade and other payables	(113,205)	15,847	(97,358)
Total liabilities	**(113,205)**	**15,847**	**(97,358)**
Total identifiable net assets acquired recognised at fair value	**10,534**	**551,705**	**563,239**

The fair value of identifiable intangible assets has been assessed by an independent valuer. The independent valuer identified and measured the following intangible assets on acquisition:

- Brand name, using the relief from royalty method
- Network rights, using the cost to replicate method
- Customer contracts and relationships, using the multiple-period excess earnings method

The movements in trade and other receivables and payables is due to additional information gained since acquisition date. These values were a best estimate at 30 June 2016.

The acquisition has been provisionally accounted for and requires further consideration of deferred taxes on intangible assets identified and any other business matters that arise.

5 Intangible assets

The intangible assets held by the group increased primarily as a result of the acquisition of Peering GmbH. See note 4 for further information.

	Note	Software – internally generated $	Software – acquired $	Customer contracts & relationships $	Network rights $	Brand names $	Patents & trademarks $	Goodwill $	Software under development $	Total $
As at 30 June 2016										
Cost		322,785	36,958	240,300	248,500	1,500	60,808	160,654	325,739	1,397,244
Accumulated amortisation		(17,933)	(3,408)	-	-	-	(121)	-	-	(21,462)
Net book value as at 30 June 2016		**304,852**	**33,550**	**240,300**	**248,500**	**1,500**	**60,687**	**160,654**	**325,739**	**1,375,782**
As at 31 December 2016										
Cost		322,785	71,588	517,341	792,744	36,900	148,437	1,104,974	804,057	3,798,825
Accumulated amortisation		(71,730)	(16,323)	(34,894)	(116,674)	(1,835)	(1,467)	-	-	(242,921)
Net book value as at 31 December 2016		**251,055**	**55,265**	**482,447**	**676,070**	**35,065**	**146,970**	**1,104,974**	**804,057**	**3,555,903**

5 Intangible assets (continued)

	Note	Software – internally generated $	Software – acquired $	Customer contracts & relationships $	Network rights $	Brand names $	Patents & trademarks $	Goodwill $	Software under development $	Total $
Half-year ended 31 December 2016										
Opening net book amount as at 1 July 2016		304,852	33,550	240,300	248,500	1,500	60,687	160,654	325,739	1,375,782
Additions		-	15,387	-	-	-	87,629	-	478,321	581,337
Additions through business combinations	4	-	11,656	287,300	553,600	35,300	-	947,485	-	1,835,341
Amortisation charge		(53,797)	(5,838)	(34,894)	(116,674)	(1,835)	(1,346)	-	-	(214,384)
Exchange differences		-	510	(10,259)	(9,356)	100	-	(3,165)	(3)	(22,173)
Closing net book value as at 31 December 2016		**251,055**	**55,265**	**482,447**	**676,070**	**35,065**	**146,970**	**1,104,974**	**804,057**	**3,555,903**

.

6 Issued capital

Issued capital as at 31 December 2016 amounted to $80,135,544 (88,234,994 ordinary shares).

Movements in ordinary share capital:

	Details	Note	Number of shares	Total $
	Opening balance at 1 July 2016		70,000,000	50,109,608
5 August 2016	Shares issued – private placement		10,500,000	17,850,000
22 August 2016	Shares issued – share placement plan		7,734,994	13,149,490
	Total shares issued		**88,234,994**	**81,109,098**
	Less: Transaction costs arising on share issue		-	(973,554)
	Balance at 31 December 2016		**88,234,994**	**80,135,544**

7 Share-based payments

Employee share option plan (ESOP General)

The company issued 2,255,000 share options over ordinary shares under its employee share option plan throughout the half-year. These share options had a fair value at grant date between the range of $0.811 - $1.408 per share option.

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

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

8 Related party transactions

(a) Key management personnel

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

(b) Transactions with other related parties

During the half-year, transactions totaling $871,689 have been entered into with parties related to Megaport's Chairman, Mr Bevan Slattery. $620,940 was incurred for direct network costs and $250,749 for shared services.

These same parties have also rendered elastic interconnection services provided by the Group totaling $23,606.

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 2016. Where any of these related entities are customers or suppliers of the Group, the arrangements are on a similar arm's length term to other customers and suppliers.

9 Events occurring after the reporting period

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

Directors' Declaration

The Directors declare that, in the Directors' opinion:

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

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

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

On behalf of the Directors

Bevan Slattery
Executive Chairman

Brisbane
21 February 2017

Deloitte.

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Megaport Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2016, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors’ declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 5 to 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 2016 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 2016 and of its performance for the half-year ended on that date; and

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

DELOITTE TOUCHE TOHMATSU

R G Saayman Partner
Chartered Accountants
Brisbane, 21 February 2017