N E X T D C where the cloud lives®

**ASX Appendix 4D**

**Results for Announcement to the Market**
For the half-year ended 31 December 2021 ("1H22")
Previous corresponding period: to 31 December 2020 ("1H21")

### Summary of financial information

| | Note | 1H22 $'000 | 1H21 $'000 | Change $'000 | Change % |
|---|---|---|---|---|---|
| Revenue from ordinary activities | | 144,510 | 121,622 | 22,888 | 19% |
| Profit/(loss) from ordinary activities after income tax for the period attributable to members | 1, 2 | 10,256 | (17,823) | 28,079 | nmf |
| Profit/(loss) after income tax attributable to members | 1, 2 | 10,256 | (17,823) | 28,079 | nmf |

### Explanation of Revenue and Profit from Ordinary Activities

Note 1: During the half-year to 31 December 2021 the Group completed a refinance of its existing Senior Debt Facilities, including an upsize of $650 million to a new aggregate limit of $2.5 billion, together with material pricing, flexibility enhancements and extended tenors. As a result of the refinance, $23.3 million of costs associated with the extinguishment of the original facilities were expensed during the half year to 31 December 2021 offset by a modification gain of $26.5 million that arose from the improved pricing achieved as a result of the refinance. Further details can be found in note 4(a) to the financial statements.

Note 2: Comparative information has been restated to reflect the change in accounting policy and prior period restatements detailed in note 2 to the financial statements

### NTA Backing

| | 1H22 | 1H21 |
|---|---|---|
| Net tangible asset backing per ordinary share | $3.61 | $3.60 |

### Dividends

No dividend has been proposed or declared for the period ended 31 December 2021.

# NEXTDC Limited

ABN 35 143 582 521

# Interim financial report for the half-year ended 31 December 2021

# Contents



This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by NEXTDC Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

These interim financial statements are the consolidated interim financial statements of the consolidated entity consisting of NEXTDC Limited and its subsidiaries. The interim financial statements are presented in the Australian currency.

NEXTDC Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office is:

NEXTDC Limited
20 Wharf Street
Brisbane Qld 4000

The Directors of NEXTDC Limited present their report on the consolidated entity (referred to hereafter as "the Group") consisting of NEXTDC Limited ("NEXTDC" or "the Company") and the entities it controlled at the end of, or during, the half-year ended 31 December 2021 ("1H22").

**Directors**

The following persons held office as Directors of NEXTDC Limited during the financial period and up to the date of this report:

Douglas Flynn
Craig Scroggie
Stuart Davis
Dr Gregory J Clark AC
Stephen Smith
Jennifer Lambert
Dr Eileen Doyle

**Principal activities**

During the half-year, the principal continuing activities of the Group consisted of the development and operation of independent data centres in Australia.

**Operating and financial review**

NEXTDC is pleased to announce its interim results for the half-year ended 31 December 2021 that saw continued substantial growth in data centre revenue, as well as a significant increase in underlying EBITDA.

As at 31 December 2021:

- Contracted utilisation grew 10.0MW (14%) to 81.0MW[1] (31 December 2020: 71.0MW)
- The number of interconnections rose by 1,968 (14%) to 15,879 (31 December 2020: 13,911), representing 7.3% of recurring revenue

Key financial highlights include:

- Data centre services revenue grew $22.9 million (19%) to $144.5 million (1H21: $121.6 million)
- Underlying EBITDA rose $19.3 million (29%) to $85.0 million (1H21: $65.7 million)
- Operating cash flow increased $5.9 million (9%) to $69.5 million (1H21: $63.6[2] million)
- Liquidity (cash and undrawn senior debt facilities) of $2.1 billion at 31 December 2021

Reconciliation of statutory profit/(loss) to EBITDA and underlying EBITDA is as follows:

| | **1H22** | **1H21[2]** |
|---|---|---|
| | **$'000** | **$'000** |
| Net profit/(loss) after tax | $10,256 | ($17,823) |
| Add: finance costs | $21,574 | $40,316 |
| Less: interest income | ($577) | ($2,841) |
| Add: depreciation and amortisation | $51,102 | $45,087 |
| **EBITDA** | **$82,355** | **$64,739** |
| Add: expensed SaaS costs previously capitalised | $1,364 | $495 |
| Add: Asian market review expenses | $222 | $510 |
| Add: cost expensed in relation to acquisition opportunities | $819 | - |
| Add: share of loss on investment in associate | $273 | - |
| **Underlying EBITDA** | **$85,033** | **$65,744** |

[1] Represents pro-forma 1H22 contracted utilisation as disclosed in NEXTDC's market announcement on 31 January 2022
[2] Comparative information has been restated to reflect the change in accounting policy and prior period restatements detailed in note 2

**Operating and financial review (continued)**

NEXTDC has a clear strategy to differentiate its services through in-house engineering innovation and the adoption of new technologies in power and cooling systems. In addition, NEXTDC is committed to delivering a world-class customer experience with continued investments in internal systems and processes, with the ongoing implementation of online platforms to automate and integrate the management of the entire customer journey through the life cycle of their data centre services with NEXTDC.

These investments position NEXTDC to deliver significant customer benefits, reinforce its market differentiation over the longer term and deliver scalable growth, generating operating cost efficiencies and increasing revenue.

A summary of consolidated revenues and segment EBITDA for the period is set out below:

| | **Segment revenues** | | **Segment EBITDA** | |
|---|---|---|---|---|
| **Consolidated entity** | **1H22 $'000** | 1H21 $'000 | **1H22 $'000** | 1H21 $'000 |
| Victoria | **51,077** | 39,527 | **40,507** | 29,080 |
| New South Wales/ACT | **67,882** | 59,049 | **49,406** | 41,514 |
| Queensland | **13,020** | 11,821 | **10,043** | 8,581 |
| Western Australia | **11,274** | 9,996 | **8,006** | 6,836 |
| Other | **1,257** | 1,229 | **267** | 244 |
| Total segment revenue/EBITDA | **144,510** | 121,622 | **108,229** | 86,255 |

Segment EBITDA reconciles to Group EBITDA as follows:

| | **1H22 $'000** | **1H21 $'000** |
|---|---|---|
| Segment EBITDA | $108,229 | $86,255 |
| Less: employee benefits expense (non-facility staff) | ($14,881) | ($13,955) |
| Less: overheads and other expenses | ($10,993) | ($7,561) |
| **EBITDA** | **$82,355** | $64,739 |

**Operational developments and performance**

NEXTDC invested $260.7 million during the half-year to progress capital development projects. M2 Melbourne added 3MW of capacity to support contracted customer requirements. Construction works continue at pace at NEXTDC's third generation S3 Sydney and M3 Melbourne facilities, with S3 Sydney practical completion of Stage 1 on target for 2H22 with 12MW of initial capacity. M3 Melbourne is on target for practical completion in 1H23 with 13.5MW of initial capacity and a further 4.5MW being added to support early customer contracted requirements. NEXTDC's first edge location SC1 Sunshine Coast was also acquired as an operational site with 0.2MW of built capacity and target capacity of 1MW+.

Investment continued into our AXON customer connectivity platform, with NEXTDC being named one of the select group of AWS (Amazon Web Services) Direct Connect High Capacity Service Delivery Partners globally. Additionally, NEXTDC has further expanded its footprint of direct hosted public cloud on ramps subsequent to period end, with the addition of a new Microsoft Azure ExpressRoute hosting location at S2 - NEXTDC's fourth ExpressRoute location nationwide. NEXTDC has built one of the most cloud connected and enabled data centre footprints in the country providing customers with greater choice and support when building hybrid architectures that are built to scale.

**Operational developments and performance (continued)**

During the period, NEXTDC was recognised by Frost & Sullivan as the 2021 Australian Company of the Year in the data centre services industry. NEXTDC was acknowledged for differentiating itself through the type of customer-focused innovation and technology-driven operational excellence that is supporting cloud migration. NEXTDC’s customers are delivered the assurance of an industry-leading service guarantee of 100% uptime, and are assisted in meeting their own ESG objectives through the sourcing of renewable energy, world-leading energy efficiency design and operations and a world-first, zero complexity carbon offset program. This award recognises NEXTDC’s commitment to environmental and operational sustainability verified through a range of third-party certifications, investments in renewable energy projects such as wind and solar, and its 100% carbon neutral status for corporate operations.

Throughout the period, NEXTDC maintained 100% uptime across its national data centre network. In addition, NEXTDC also maintained its ISO 9001 and ISO 27001 certifications.

**Sales performance**

NEXTDC has continued to focus its sales strategy on partnering with providers of infrastructure, platform and packaged services. Flexibility offered by being carrier and vendor neutral allows customers a choice of carriers and systems integrators.

During 1H22, NEXTDC generated new sales of 5.5MW to finish the period with contracted utilisation of 81.0MW (refer to pro-forma 1H22 ASX Announcement on 31 January 2022). As a percentage of installed capacity in NEXTDC's national portfolio, this represents approximately 82% of installed capacity being contracted. It should be noted that approximately 3.2MW of new capacity has been added since 30 June 2021.

NEXTDC continues to derive revenue from numerous product sources including white space (including power recharge), rack ready services, establishment service fees and add-on services. During 1H22 interconnections generated approximately 7.3% of total recurring revenue.

The Group continues to enhance its go-to-market strategy through its channel partnerships with major telecommunications and IT service providers, allowing the Company to actively increase the breadth and depth of its selling capability without adding to its sales operating cost base.

**Funding and financial position**

During the period NEXTDC completed a refinance of its existing $1.85 billion Senior Debt Facilities, including an upsize of $650 million to a new aggregate limit of $2.5 billion, together with material pricing, flexibility arrangements and extended tenors. The additional debt capacity is expected to provide NEXTDC with additional headroom to fund its medium to longer term growth aspirations.

Details of the new facility limits are summarised as follows:

- $800 million - Term Loan Facility
- $600 million - Capital Expenditure Facility
- $800 million - Revolving Credit Facility (multi-currency)
- $300 million - Term Loan Facility

The $300 million Term Loan Facility was drawn down in December 2021.

NEXTDC's balance sheet position is underpinned by more than $2.9 billion in total assets.

**Dividends**

No dividend has been declared or paid during the half-year ended 31 December 2021 (1H21: nil).

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

**Rounding of amounts**

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the ‘rounding off’ of amounts in the Directors’ report and financial report. Amounts in the Directors’ report and financial report have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of Directors.

Craig Scroggie
Managing Director and Chief Executive Officer

23 February 2022

# Auditor's Independence Declaration

As lead auditor for the review of NEXTDC Limited for the half-year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of NEXTDC Limited and the entities it controlled during the period.

Michael Shewan
Partner
PricewaterhouseCoopers

Brisbane
23 February 2022

***PricewaterhouseCoopers, ABN 52 780 433 757***
*480 Queen Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001*
*T: +61 7 3257 5000, F: +61 7 3257 5999*

| | Note | Consolidated entity<br>**31 December 2021 $'000** | Restated[#]<br>31 December 2020 $'000 |
|---|---|---|---|
| **REVENUE FROM CONTINUING OPERATIONS** | | | |
| Data centre services revenue | | **144,510** | 121,622 |
| **Total revenue** | | **144,510** | 121,622 |
| | | | |
| **OTHER INCOME** | | | |
| Other income | | **903** | 3,140 |
| | | | |
| **EXPENSES** | | | |
| Direct costs | | **(22,706)** | (23,301) |
| Employee benefits expense | | **(19,984)** | (18,578) |
| Data centre facility costs | | **(7,576)** | (6,504) |
| Depreciation and amortisation expense | | **(51,102)** | (45,087) |
| Professional fees | | **(2,366)** | (1,486) |
| Marketing costs | | **(129)** | (228) |
| Office and administrative expenses | | **(9,447)** | (7,085) |
| Finance costs | 4(a) | **(21,574)** | (40,316) |
| Share of loss on investment in associate | 7 | **(273)** | - |
| **Profit/(loss) before income tax** | | **10,256** | (17,823) |
| | | | |
| Income tax benefit/(expense) | 5 | **-** | - |
| **Profit/(loss) after income tax** | | **10,256** | (17,823) |
| | | | |
| **PROFIT/(LOSS) IS ATTRIBUTABLE TO:** | | | |
| Owners of NEXTDC Limited | | **10,256** | (17,823) |
| | | | |
| **OTHER COMPREHENSIVE INCOME** | | | |
| Gains/(losses) on cash flow hedges | | **(2,774)** | (1,516) |
| Exchange differences on translation of foreign operations | | **231** | (447) |
| Loss on cash flow hedges | | **(15)** | 112 |
| **Total comprehensive income** | | **7,698** | (19,674) |
| | | | |
| Attributable to: | | | |
| Owners of NEXTDC Limited | | **7,698** | (19,674) |
| | | | |
| | | **Cents** | Cents |
| **EARNINGS/(LOSS) PER SHARE FOR PROFIT/(LOSS) ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE GROUP:** | | | |
| Basic earnings/(loss) per share | | **2.25** | (3.91) |
| Diluted earnings/(loss) per share | | **2.24** | (3.91) |

[#]Comparative information has been restated to reflect the change in accounting policy and prior period restatements detailed in note 2.

*The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.*

**NEXTDC Limited**
**Consolidated Balance Sheet**
**As at 31 December 2021**

| | Note | **Consolidated entity 31 December 2021 $'000** | 30 June 2021 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | **724,942** | 652,334 |
| Trade and other receivables | | **44,620** | 49,716 |
| Derivative financial instruments | | **1,355** | - |
| Other assets | | **10,652** | 14,647 |
| **Total current assets** | | **781,569** | 716,697 |
| **Non-current assets** | | | |
| Property, plant and equipment | 6 | **2,078,187** | 1,883,978 |
| Intangible assets | | **24,150** | 20,745 |
| Other assets | | **7,385** | 22,699 |
| Investment in associates | 7 | **17,815** | - |
| **Total non-current assets** | | **2,127,537** | 1,927,422 |
| **Total assets** | | **2,909,106** | 2,644,119 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | | **35,706** | 56,009 |
| Lease liabilities | | **6,097** | 5,970 |
| Revenue received in advance | | **16,838** | 15,313 |
| **Total current liabilities** | | **58,641** | 77,292 |
| **Non-current liabilities** | | | |
| Provisions | | **1,752** | 1,612 |
| Revenue received in advance | | **46,102** | 46,967 |
| Derivative financial instruments | | **4,472** | 333 |
| Borrowings | 8 | **1,054,195** | 783,156 |
| Lease liabilities | | **71,012** | 71,325 |
| **Total non-current liabilities** | | **1,177,533** | 903,393 |
| **Total liabilities** | | **1,236,174** | 980,685 |
| **Net assets** | | **1,672,932** | 1,663,434 |
| **EQUITY** | | | |
| Contributed equity | 9 | **1,762,663** | 1,759,777 |
| Reserves | | **4,104** | 7,693 |
| Accumulated losses | | **(93,835)** | (104,036) |
| **Total equity** | | **1,672,932** | 1,663,434 |

*The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.*

| | | Attributable to owners of NEXTDC Limited | | | |
|---|---|---|---|---|---|
| **Consolidated entity** | Note | **Contributed equity $'000** | **Reserves $'000** | **Accumulated losses $'000** | **Total equity $'000** |
| **Balance at 1 July 2020** | | 1,757,262 | 7,612 | (81,413) | 1,683,461 |
| Change in accounting policy | | - | - | (2,065) | (2,065) |
| **Restated total equity at the beginning of the financial period** | | **1,757,262** | **7,612** | **(83,478)** | **1,681,396** |
| Profit/(loss) for the period as previously reported | | - | - | (17,539) | (17,539) |
| Change in accounting policy | | - | - | (284) | (284) |
| Restated profit for the period | | - | - | (17,823) | (17,823) |
| Other comprehensive income | | - | (1,951) | 100 | (1,851) |
| **Total comprehensive income for the period** | | **-** | **(1,951)** | **(17,723)** | **(19,674)** |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Contributions of equity, net of transaction costs and tax | | (31) | - | - | (31) |
| Share-based payments - value of employee services | | - | 1,387 | - | 1,387 |
| Share based payments - conversion of rights to shares | | 2,464 | (2,464) | - | - |
| Share based payments - deferred STI | | 82 | (82) | - | - |
| | | 2,515 | (1,159) | - | 1,356 |
| **Balance at 31 December 2020** | | **1,759,777** | **4,502** | **(101,201)** | **1,663,078** |
| **Balance at 1 July 2021** | | 1,759,777 | 7,693 | (104,036) | 1,663,434 |
| Profit/(loss) for the period | | - | - | 10,256 | 10,256 |
| Other comprehensive income | | - | (2,503) | (55) | (2,558) |
| **Total comprehensive income for the period** | | **-** | **(2,503)** | **10,201** | **7,698** |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Contributions of equity, net of transaction costs | | (26) | - | - | (26) |
| Share based payments - conversion of rights to shares | 9 | 2,912 | (2,912) | - | - |
| Share-based payments - value of employee services | | - | 1,826 | - | 1,826 |
| | | 2,886 | (1,086) | - | 1,800 |
| **Balance at 31 December 2021** | | **1,762,663** | **4,104** | **(93,835)** | **1,672,932** |

*The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.*

**NEXTDC Limited**
**Consolidated Statement of Cash Flows**
**For the half-year ended 31 December 2021**

| | Consolidated entity | |
|---|---|---|
| | | Restated# |
| | **31 December 2021 $'000** | 31 December 2020 $'000 |
| **Cash flows from operating activities** | | |
| Receipts from customers (inclusive of GST) | **167,788** | 151,798 |
| Payments to suppliers and employees (inclusive of GST) | **(79,548)** | (67,516) |
| | **88,240** | 84,282 |
| Interest paid | **(19,518)** | (23,772) |
| (Payments for)/proceeds from bank guarantees | **133** | 66 |
| Interest received | **652** | 3,067 |
| **Net cash inflow from operating activities** | **69,507** | 63,643 |
| **Cash flows from investing activities** | | |
| Payments for property, plant and equipment | **(260,713)** | (181,890) |
| Payments for intangible assets | **(5,517)** | (4,281) |
| Payments for investment in associate | **(18,071)** | - |
| **Net cash (outflow) from investing activities** | **(284,301)** | (186,171) |
| **Cash flows from financing activities** | | |
| Proceeds from borrowings | **300,000** | 800,000 |
| Repayment of Notes | **-** | (800,000) |
| Redemption premiums paid on repayment of Notes | **-** | (10,750) |
| Transaction costs in relation to loans and borrowings | **(12,089)** | (43,136) |
| Transaction costs paid in relation to issue of shares | **(26)** | (31) |
| Principal elements of lease payments | **(483)** | (588) |
| **Net cash inflow (outflow) from financing activities** | **287,402** | (54,505) |
| **Net increase (decrease) in cash and cash equivalents** | **72,608** | (177,033) |
| Cash and cash equivalents at the beginning of the period | **652,334** | 892,939 |
| **Cash and cash equivalents at the end of the period** | **724,942** | 715,906 |

#Comparative information has been restated to reflect the change in accounting policy and prior period restatements detailed in note 2.

*The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.*

## 1 Basis of preparation of half-year report

These financial statements for the half-year reporting period ended 31 December 2021 have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

These financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by NEXTDC Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Where necessary, comparative information has been reclassified to conform with changes in presentation in the current interim reporting period.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as disclosed below.

### (a) Principles of consolidation and equity accounting

*(i) Associates*

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (ii) below), after initially being recognised at cost.

*(ii) Equity method*

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the Group's accounting policy for impairment of assets.

## 2 Changes in accounting policies

The Group previously capitalised costs incurred in configuring or customising Software-as-a-Service (SaaS) arrangements as intangible assets, as the Group considered that it would benefit from those costs to implement the SaaS arrangements over the expected renewable term of the arrangements. Following the IFRS Interpretations Committee (IFRIC) agenda decision on Configuration or Customisation Costs in a Cloud Computing Arrangement in March 2021, the Group has reconsidered its accounting treatment and adopted the treatment set out in the IFRS IC agenda decision, which is to recognise those costs as intangible assets only if the implementation activities create an intangible asset that the entity controls and the intangible asset meets the recognition criteria.

Costs that do not result in intangible assets are expensed as incurred, unless they are paid to the suppliers of the SaaS arrangement to significantly customise the cloud-based software for the Group, in which case the costs are recorded as a prepayment for services and amortised over the expected renewable term of the arrangement. The IFRIC agenda decision was first applied in the financial statements for the year ended 30 June 2021. The change in policy was applied retrospectively with restatement of comparative information.

This had the following restatement impact to the amounts previously reported for the comparative half year period ending 31 December 2020:

| | (As previously reported) 31 December 2020 $'000 | Increase/ (decrease) $'000 | (Restated) 31 December 2020 $'000 |
|---|---|---|---|
| **Consolidated Balance Sheet** | | | |
| Intangible assets | **22,693** | **(2,349)** | **20,344** |
| Accumulated losses | **98,852** | **2,349** | **101,201** |
| **Consolidated Statement of Comprehensive Income** | | | |
| Depreciation and amortisation expense | **45,298** | **(211)** | **45,087** |
| Professional fees | **991** | **495** | **1,486** |
| **Loss after tax** | **17,539** | **284** | **17,823** |
| Basic EPS | **(3.85)** | **(0.06)** | **(3.91)** |
| Diluted EPS | **(3.85)** | **(0.06)** | **(3.91)** |
| **Consolidated Statement of Cash Flows** | | | |
| **Cash flows from operating activities** | | | |
| Payments to suppliers and employees | **67,021** | **495** | **67,516** |
| **Cash flows from investing activities** | | | |
| Payments for intangible assets | **4,776** | **(495)** | **4,281** |

## 3 Segment information

### (a) Description of segments

Management considers the business from a geographic perspective and has identified five reportable segments, being each geography where the Group operates data centre facilities and the last capturing financial information from operations that do not naturally fit into any particular geography. These segments do not exist as a separate legal entity, consequently, information such as income tax expense and segment liabilities are not prepared and provided to management for review and therefore not presented.

### (b) Segment information provided to management

| **Half-Year to 31 Dec 2021** | **Vic** $'000 | **NSW/ACT** $'000 | **Qld** $'000 | **WA** $'000 | **Other** $'000 | **Total** $'000 |
|---|---|---|---|---|---|---|
| Revenue from external customers | 51,077 | 67,882 | 13,020 | 11,274 | 1,257 | 144,510 |
| Direct and facility costs | (8,971) | (16,521) | (2,143) | (2,301) | (346) | (30,282) |
| Employee benefits expense | (1,478) | (1,779) | (775) | (900) | (171) | (5,103) |
| Other expenses | (121) | (176) | (59) | (67) | (473) | (896) |
| **Segment EBITDA** | **40,507** | **49,406** | **10,043** | **8,006** | **267** | **108,229** |
| Depreciation and amortisation | (11,389) | (26,484) | (4,184) | (5,479) | (8) | (47,544) |
| Finance charge | - | (2,670) | - | - | - | (2,670) |
| **Segment profit/(loss) before tax** | **29,118** | **20,252** | **5,859** | **2,527** | **259** | **58,015** |
| **Assets - 31 Dec 2021** | | | | | | |
| Segment assets | 621,951 | 1,030,885 | 133,524 | 236,098 | 14,086 | 2,036,544 |
| Unallocated assets | - | - | - | - | 872,562 | 872,562 |
| **Total segment assets** | **621,951** | **1,030,885** | **133,524** | **236,098** | **886,648** | **2,909,106** |

| **Half-Year to 31 Dec 2020** | **Vic** $'000 | **NSW/ACT** $'000 | **Qld** $'000 | **WA** $'000 | **Other** $'000 | **Total** $'000 |
|---|---|---|---|---|---|---|
| Revenue from external customers | 39,527 | 59,049 | 11,821 | 9,996 | 1,229 | 121,622 |
| Direct and facility costs | (9,172) | (15,737) | (2,455) | (2,173) | (268) | (29,805) |
| Employee benefits expense | (1,184) | (1,620) | (737) | (828) | (254) | (4,623) |
| Other expenses | (91) | (178) | (48) | (159) | (463) | (939) |
| **Segment EBITDA** | **29,080** | **41,514** | **8,581** | **6,836** | **244** | **86,255** |
| Depreciation and amortisation | (9,553) | (21,217) | (3,655) | (5,332) | (133) | (39,890) |
| Finance charge | - | (2,652) | - | - | - | (2,652) |
| **Segment profit/(loss) before tax** | **19,527** | **17,645** | **4,926** | **1,504** | **111** | **43,713** |
| **Assets - 31 Dec 2020** | | | | | | |
| Segment assets | 466,874 | 924,317 | 130,320 | 242,392 | 9,831 | 1,773,734 |
| Unallocated assets | - | - | - | - | 835,406 | 835,406 |
| **Total segment assets** | **466,874** | **924,317** | **130,320** | **242,392** | **845,237** | **2,609,140** |

## 3 Segment information (continued)

### (c) Other segment information

A reconciliation of operating segment results to profit/(loss) before income tax is as follows:

| | Consolidated entity | |
|---|---|---|
| | | Restated# |
| | **31 December 2021 $'000** | 31 December 2020 $'000 |
| **Total segment profit before tax** | **58,015** | 43,713 |
| Employee benefits expense (non-facility staff) | **(14,881)** | (13,955) |
| Other income | **903** | 3,140 |
| Finance costs | **(18,904)** | (37,664) |
| Corporate depreciation and amortisation | **(3,558)** | (5,197) |
| Overheads and other expenses | **(11,046)** | (7,860) |
| Share of loss on investment in associate | **(273)** | - |
| **Profit/(loss) before income tax from continuing operations** | **10,256** | **(17,823)** |

#Comparative information has been restated to reflect the change in accounting policy and prior period restatements detailed in note 2.

## 4 Other income and expense items

### (a) Finance costs

The Group has identified a number of significant expense items below that impacted financial performance for the half-year:

| | Consolidated entity | |
|---|---|---|
| | **31 December 2021 $'000** | 31 December 2020 $'000 |
| *Finance costs* | | |
| Modification gain | **26,481** | - |
| Costs on extinguishment of loans | **(23,290)** | (14,187) |
| Interest expense on lease liabilities | **(2,794)** | (2,777) |
| Interest expense and finance charges | **(21,971)** | (23,352) |
| | **(21,574)** | (40,316) |

## 4 Other income and expense items (continued)

### (a) Finance costs (continued)

During the period NEXTDC completed an amendment to its existing Senior Debt Facilities. The refinance included an upsize of $650 million to a new aggregate limit of $2.5 billion, together with material pricing, flexibility enhancements and extended tenors ("New Facilities").

The New Facilities are summarised as follows:

• $800 million - Term Loan Facility
• $600 million - Capital Expenditure Facility
• $800 million - Revolving Credit Facility (multi-currency)
• $300 million - Term Loan Facility

The refinance of the $800 million Term Loan Facility was deemed a modification of the original facility, and due to a decreased interest rate and extended tenor in the new facility, a modification gain of $26.5 million was recognised immediately in profit and loss.

Due to the increase in the Capital Expenditure and Revolving Credit Facilities these were deemed an extinguishment of the original facilities. The remaining costs previously capitalised for the establishment of these facilities were written off in December 2021 for an amount totalling $21.9 million. Further costs of $2 million incurred in relation to the refinance were also expensed during the half-year, bringing total cost on extinguishment of the loans to $23.9 million.

Remaining new costs of $10.3 million incurred in relation to the upsize of debt facility were capitalised across the new facilities in December 2021.

## 5 Income tax expense

### (a) Income tax expense

| | Consolidated entity | |
|---|---|---|
| | | Restated# |
| | **31 December 2021 $'000** | 31 December 2020 $'000 |
| **Total current tax expense** | **-** | - |
| Deferred income tax expense/(benefit) included in income tax expense/(benefit) comprises: | | |
| (Increase)/decrease in deferred tax assets | **7,782** | 851 |
| (Decrease)/increase in deferred tax liabilities | **(7,782)** | (851) |
| **Total deferred tax expense/(benefit)** | **-** | - |
| **Income tax expense/(benefit)** | **-** | - |

### (b) Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable

| | Consolidated entity | |
|---|---|---|
| | | Restated# |
| | **31 December 2021 $'000** | 31 December 2020 $'000 |
| Profit/(loss) from continuing operations before income tax expense | **10,256** | (17,823) |
| Tax at the Australian tax rate of 30.0% (2021 - 30.0%) | **3,077** | (5,347) |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | |
| Non-deductible expenses | **166** | 27 |
| Share-based payments | **(3,006)** | (2,133) |
| Prior period adjustments | **(256)** | - |
| Derecognition of temporary differences | **854** | 3,871 |
| Derecognition of tax losses | **-** | 3,437 |
| Sundry items | **(835)** | 145 |
| Income tax expense/(benefit) | **-** | - |

### (c) Tax losses

| | Consolidated entity | |
|---|---|---|
| | | Restated# |
| | **31 December 2021 $'000** | 31 December 2020 $'000 |
| Unused tax losses for which no deferred tax asset has been recognised | **56,994** | 47,038 |
| Potential tax benefit @ 30.0% | **17,098** | 14,112 |

#Comparative information has been restated to reflect the change in accounting policy and prior period restatements detailed in note 2.

## 6 Property, plant and equipment

During the period NEXTDC invested approximately $260.7 million in the development of M2, M3 and S3 as well as other expansion and improvement activities across our data centres.

## 7 Investments accounted for using the equity method

On 22 November 2022, NEXTDC Limited acquired a 19.99% interest in an ASX listed entity, Sovereign Cloud Holdings (ASX: SOV), via an upfront placement of $12.4 million. Following the placement, NEXTDC acquired a further $4.5 million in shares via a follow-on pro rata entitlement offer to maintain its 19.99% shareholding. Transaction costs of $1.1 million incurred as part of the acquisition have been capitalised against the investment.

Following acquisition, NEXTDC Limited was entitled to one seat on the board of Sovereign Cloud Holdings and now participates in all significant financial and operating decisions. As a result, the Group has determined that it has significant influence over this entity.

The carrying amount of equity-accounted investments has changed as follows in the six months to 31 December 2021:

| | Consolidated Entity | |
|---|---|---|
| | **31 December 2021 $'000** | **31 December 2020 $'000** |
| **Beginning of the period** | **-** | **-** |
| Additions | **18,088** | **-** |
| Profit/(loss) for the period | **(273)** | **-** |
| **End of the period** | **17,815** | **-** |

## 8 Borrowings

The Company's $2.5 billion New Facilities comprise the following tranches:

• $800 million - Term Loan Facility
• $600 million - Capital Expenditure Facility
• $800 million - Revolving Credit Facility (multi-currency)
• $300 million - Term Loan Facility

The $800 million Term Loan Facility has a maturity date of 3 December 2026, while the $300 million Term Loan Facility has a maturity of 3 December 2028.

As at 31 December 2021 the $600 million Capital Expenditure Facility and $800 million Revolving Credit Facility (multi-currency) remained undrawn. Both of these facilities have a maturity date of 3 December 2026.

NEXTDC is exposed to interest rate volatility due to the variable rate on its $800 million and $300 million Term Loan Facilities. To mitigate the interest rate risk associated with this floating instrument, NEXTDC entered into a two year $800 million interest rate swap on 3 December 2020 (apportioned equally between five financial institutions on identical terms) to receive variable and pay a fixed rate per annum. Management has extended the original hedge on the first two years of variable interest cash flows by a further year, for the increase in tenor of the $800 million Term Loan Facility. Management also entered into a three year $300 million interest rate swap on 3 December 2021 to hedge the first three years of variable interest cash flows on the $300 million Term Loan Facility.

A derivative asset/(liability) and associated cash flow hedge reserve has been taken up at 31 December 2021 to account for these transactions.

## 9 Contributed equity

*(i) Ordinary shares*

As part of NEXTDC's Equity Incentive Plan, which is offered to employees to create alignment with the Group's strategic objectives, 851,384 ordinary shares were issued on 15 September 2021. These shares were issued following the vesting of performance rights and deferred STI share rights.

## 10 Contingencies

The Group had no contingent liabilities at 31 December 2021 (2020: nil).

## 11 Events occurring after the reporting period

Since the end of the reporting period, no matters have arisen which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

In the Directors' opinion:

(a) the interim financial statements and notes set out on pages 6 to 17 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 consolidated entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date and

(b) there are reasonable grounds to believe that NEXTDC Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

Craig Scroggie
Managing Director and Chief Executive Officer

23 February 2022

# Independent auditor's review report to the members of NEXTDC Limited

## Report on the half-year financial report

### Conclusion

We have reviewed the half-year financial report of NEXTDC Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated balance sheet as at 31 December 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, significant accounting policies and explanatory notes 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 accompanying half-year financial report of NEXTDC Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date

2. 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* (ASRE 2410). 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 auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

### Responsibilities of the directors 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.

***PricewaterhouseCoopers, ABN 52 780 433 757***
*480 Queen Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001*
*T: +61 7 3257 5000, F: +61 7 3257 5999*

## 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 2021 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*.

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.

PricewaterhouseCoopers

PricewaterhouseCoopers

Michael Shewan
Partner

Brisbane
23 February 2022