

APPENDIX 4D

KOGAN.COM LTD

ABN 96 612 447 293

RESULTS FOR ANNOUNCEMENT TO THE MARKET

HALF-YEAR¹ ENDED 31 DECEMBER 2017

(Previous corresponding period: Half-year ended 31 December 2016)

	Half-year ended 31 December 2017 \$'000	Half-year ended 31 December 2016 \$'000	Change increase/ (decrease) \$'000	Change increase/ (decrease) %
Revenues from ordinary activities	209,622	143,859	65,763	45.7
Profit before tax	11,974	3,352	8,622	257.2
Profit after tax attributable to members	8,327	1,460	6,867	470.3

Abbreviated explanation of results

Revenue from ordinary activities was up \$65.7 million (45.7%) from \$143.9 million to \$209.6 million in the six months ended 31 December 2017, compared to the prior corresponding period. The increase in revenue was driven by active customer growth and investments in inventory and marketing. All product divisions achieved significant year on year growth.

Profit before tax was up \$8.6 million compared to the prior corresponding period. In each period, both profit before tax and profit after tax attributable to members include the impact of one-off/non-trading items:

1. half-year ended 31 December 2017: \$0.3 million of unrealised foreign exchange gain; and
2. half-year ended 31 December 2016: \$3.0 million of costs associated with the group's Initial Public Offering ("IPO") and \$0.7 million of unrealised foreign exchange gains.

Refer to the accompanying market release and Review of Operations in the Directors' Report for further commentary.

Net tangible assets per share

	31 December 2017	31 December 2016
Net tangible assets backing per ordinary shares	\$0.45	\$0.42

Dividends

	Amount per Share (cents)	Franked Amount per share at 30% of Tax (cents)
Ordinary shares:		
2017 interim – paid 24 March 2017	3.9	3.9
2017 final – paid 4 September 2017	3.8	3.8
2018 interim dividend declared	6.9	6.9

¹ Pursuant to ASIC relief granted on 26 September 2016, the previous corresponding interim reporting period represents the period from 19 May 2016 to 31 December 2016. As Kogan.com Ltd acquired the Kogan group of companies just prior to the date of listing on the Australian Stock Exchange on 7 July 2016, and was previously non-operational, the prior reporting period represents the trading results of the Kogan group of companies for the six months ended 31 December 2016.

Current period

The 2018 interim dividend was declared subsequent to balance date. The record date for determining entitlement of receipt of the interim dividend is 1 March 2018 and the company expects to pay the dividend on 13 March 2018. The dividend has not been accrued for as at 31 December 2017.

Dividend reinvestment plans

There was no dividend reinvestment plan in operation during the half year.

Foreign entities

The results of Kogan HK Limited, a Hong Kong registered entity, have been compiled using International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board.

Other information required by Listing Rule 4.3A

Other information requiring disclosure to comply with Listing Rule 4.3A is contained in the 31 December 2017 Financial Report.

Signed on behalf of Kogan.com Limited, on the 22 February 2018

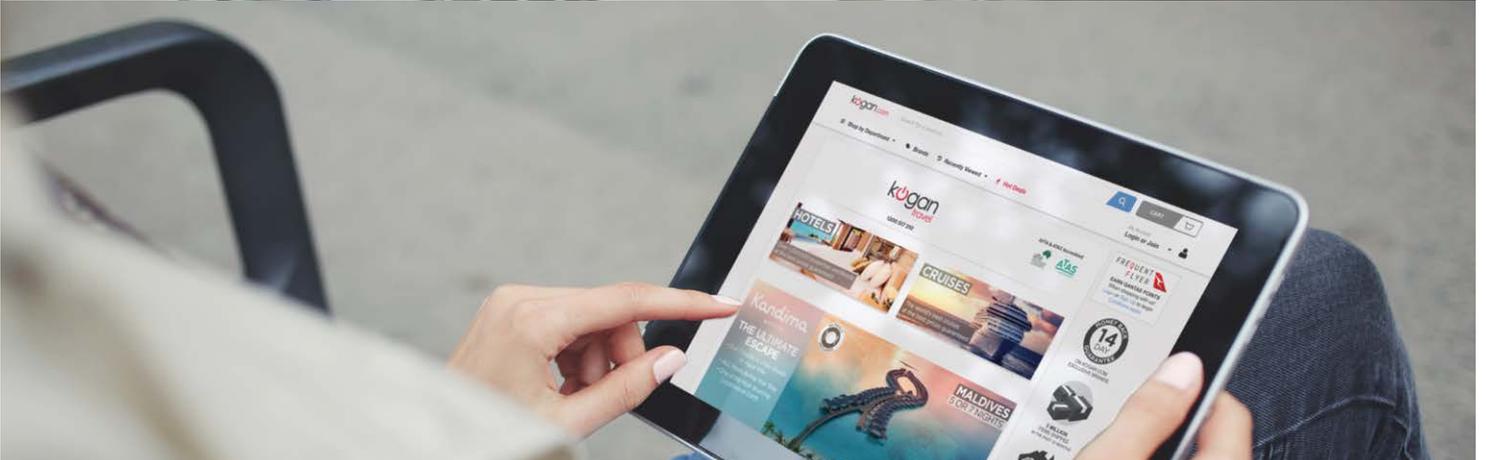


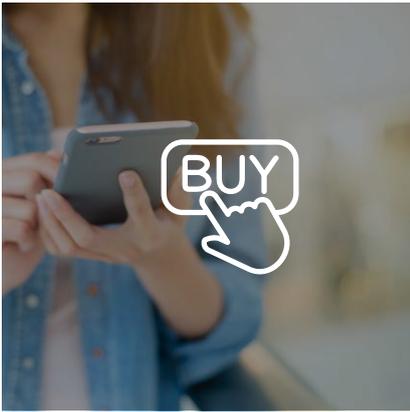
Greg Ridder
Chairman



kogan.com

Half Year Report 2017/18

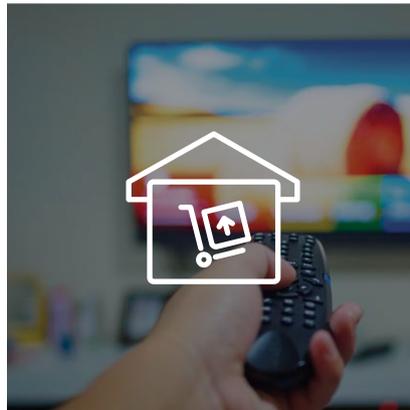
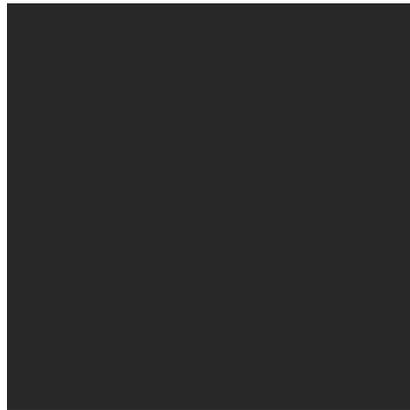




\$14.1m
Trading EBITDA



45.7%
YoY revenue
growth



57.1%
YoY increase
in Gross Profit



**Interim dividend
of 6.9 cents
per share
(fully franked)**



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DIRECTORS' REPORT

The directors of Kogan.com Limited (Kogan.com) and its controlled entities (“the Group”) present their report together with the consolidated financial report of the Group for the half-year¹ ended 31 December 2017 and the review report thereon.

DIRECTORS

The following persons were directors of the Group at any time during the half-year and up to the date of signing this report.

Greg Ridder - Independent, Non-Executive Chairman

Ruslan Kogan - Chief Executive Officer and Executive Director

David Shafer - Chief Financial Officer, Chief Operating Officer and Executive Director

Harry Debney - Independent, Non-Executive Director

PRINCIPAL ACTIVITIES

Founded in 2006, Kogan.com is a portfolio of retail and services businesses that include Kogan Retail, Kogan Marketplace, Kogan Mobile, Kogan Internet, Kogan Insurance, Kogan Travel, Kogan Health, Kogan Pet and Kogan Life. Kogan is a leading Australian consumer brand renowned for price leadership through digital efficiency. The company is focused on making in-demand products and services more affordable and accessible.

Kogan.com earns the majority of its revenue and profit through the sale of goods and services to Australian consumers. Its offering comprises products released under Kogan.com's in-house brands, such as Kogan, Ovela, Fortis and Vostok (“Exclusive Brands”), and third party products sourced from imported (“Global Brands”) and domestic (“Partner Brands”) such as Apple, Canon, Samsung, DJI and Swann. In addition to product offerings, Kogan.com earns revenue and profit from Kogan Travel, Kogan Mobile and Kogan Insurance, which offer travel packages, prepaid mobile phone plans and insurance products online, respectively.

No significant change in the nature of these activities occurred during the period.

REVIEW OF OPERATIONS

TRADING PERFORMANCE

Kogan.com has delivered a strong performance in the half year ended 31 December 2017 with revenue and gross profit up \$65.7 million and \$14.8 million on the prior corresponding period, respectively.

Kogan.com recorded statutory profit after tax attributable to members of \$8.3 million (2016: \$1.5 million), which includes \$0.3 million of unrealised foreign exchange gains. The prior period comparative includes \$3.0 million of costs associated with the group's Initial Public Offering (“IPO”) and \$0.7 million of unrealised foreign exchange gains as at the prior period. After adjusting for the impact of the one-off/non-trading items, Trading net profit after tax attributable to members was \$8.1 million in 1HFY18 (Pro Forma 1HFY17: \$3.7 million).

The Group achieved statutory EBITDA of \$14.4 million in 1HFY18 (1HFY17: \$5.1 million). Excluding the impacts of the one-off and non-trading items, mentioned above in relation to net profit after tax attributable to members, the Group achieved Trading EBITDA of \$14.1 million in the half-year to 31 December 2017 (1HFY17: Pro Forma EBITDA \$7.3 million). This represents an increase of 93.2% on the prior corresponding period. The Group also outperformed the full year FY17 Pro Forma EBITDA of \$13.2 million in the six months to 31 December 2017.

¹ Pursuant to ASIC relief granted on 26 September 2016, the previous corresponding interim reporting period represents the period from 19 May 2016 to 31 December 2016. As Kogan.com Ltd acquired the Kogan group of companies just prior to the date of listing on the Australian Stock Exchange on 7 July 2016, and was previously non-operational, the prior reporting period represents the trading results of the Kogan group of companies for the six months ended 31 December 2016.

The key drivers of performance in the half year to 31 December 2017 were:

- **Revenue growth:** the increase in revenue was predominantly driven by active customer growth and investments in inventory and marketing.
- **Investment in inventory:** since the IPO in July 2016, the business has invested in inventory across all product divisions to expand the product offering and drive revenue growth. Exclusive Brands, Global Brands and Partner Brands all achieved significant YoY growth in 1HFY18.
- **Brand growth:** in the six months to December, the business achieved solid growth in active customers of 211,000 (22.1%). Following better than expected ROI, the business continued to invest in marketing in 1HFY18. Strong NPS and effective, targeted marketing helped drive revenue growth in the half and build our customer base.
- **Improved gross margin:** rapid growth in New Verticals and acceleration of the Partner Brands Product Division were the primary drivers of improved gross margin. Kogan Mobile increased as a % of overall gross profit from 7.0% in FY17 to 11.9% in 1HFY18.
- **Kogan Mobile:** in the six months to December, Kogan Mobile achieved YoY revenue growth of 340.9% with commission of \$4.8 million. Kogan Mobile continues to bring a compelling offering to the market, combined with Kogan.com's branding and marketing engine driving customer growth and retention.

The effective tax rate in the 2017 half year was 30% (2016: 56%). The 2016 tax rate was driven by the impact of non-deductible IPO costs and IP amortisation.

OUTLOOK

At Kogan.com we are relentless in our mission to both continue to grow our existing businesses and to expand our portfolio. With that in mind, the pace continues into the second half of the financial year. The second half of FY18 will see the launch of Kogan Health, Kogan Internet, Kogan Life and Kogan Pet. In addition, we expect Kogan Mobile to continue its strong growth trajectory and the investments in marketing and inventory to drive further growth in our product divisions.

We are looking to the future with confidence and are excited about the opportunities that lie ahead.

The Group has started the second half of FY18 well with unaudited management accounts showing a further acceleration in revenue than that achieved in 1HFY18 versus 1HFY17.

SUBSEQUENT EVENTS

No matters or circumstances have occurred subsequent to period end that have 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 subsequent financial years.

DIVIDENDS

In line with the Dividend Policy, the Directors have declared an interim dividend of 6.9 cents per ordinary share, fully franked, representing 80% of Trading NPAT. The record date of the dividend is 1 March 2018 and the dividend will be paid on 13 March 2018. The dividend was not determined until after the balance sheet date and accordingly no provision has been recognised as at 31 December 2017.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the half-year ended 31 December 2017 can be found on page 6 of the financial report and forms part of the Directors' Report.

Signed in accordance with a resolution of the Directors



Greg Ridder
Non-Executive Chairman

Melbourne, 22 February 2018

NON IFRS MEASURES

Throughout this report, Kogan.com has included certain non-IFRS financial information, including EBITDA, Pro Forma EBITDA, Trading EBITDA and Gross Sales. Kogan.com believes that these non-IFRS measures provide useful information to recipients for measuring the underlying operating performance of Kogan.com's business. Non-IFRS measures have not been subject to audit, or review.

The table below provides details of the Non-IFRS measures used in this report.

EBITDA	Earnings before interest, tax, depreciation and amortisation.
Pro Forma EBITDA	EBITDA excluding the impact of costs associated with the IPO, consistent with the Prospectus Pro Forma financials.
Trading EBITDA	Statutory EBITDA excluding the impact of non-trading items. In the half year to 31 December 2017, the \$0.3 million unrealised foreign exchange gain has been adjusted (\$0.7 million gain in the prior corresponding period).
Gross Sales	Gross Sales represents sales on a cash basis and prior to cancellations and refunds. Gross Sales is a key measure which management uses to track financial performance and to make management decisions at a product group level.

AUDITOR'S INDEPENDENCE DECLARATION



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Kogan.com Ltd

I declare that, to the best of my knowledge and belief, in relation to the review of Kogan.com Ltd for the half-year ended 31 December 2017 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.


KPMG



BW Szentirmay
Partner

Melbourne
22 February 2018

INTERIM FINANCIAL STATEMENTS

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CONDENSED CONSOLIDATED INCOME STATEMENT AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF-YEAR¹ ENDED 31 DECEMBER 2017

		CONSOLIDATED GROUP	
	Note	31 December 2017 \$	31 December 2016 \$
Revenue	1.1	209,621,823	143,858,678
Cost of sales	1.2	(168,890,484)	(117,954,916)
Gross profit		40,731,339	25,903,762
Selling and distribution expenses		(12,263,494)	(7,941,480)
Warehouse expenses		(4,131,306)	(2,826,984)
Administrative expenses		(11,634,136)	(12,340,828)
Other expenses		(655,054)	(568,131)
Results from operating activities		12,047,349	2,226,339
Finance income		154,363	484,227
Finance costs		(502,718)	(93,459)
Unrealised foreign exchange gain		274,736	734,933
Net finance (loss)/income		(73,619)	1,125,701
Profit before income tax		11,973,730	3,352,040
Tax expense		(3,647,124)	(1,891,693)
Net profit for the period attributable to the members of company		8,326,606	1,460,347
Basic earnings per share	3.4	0.09	0.02
Diluted earnings per share	3.4	0.09	0.02

The accompanying notes form part of these condensed consolidated financial statements.

¹ Pursuant to ASIC relief granted on 26 September 2016, the previous corresponding interim reporting period represents the period from 19 May 2016 to 31 December 2016. As Kogan.com Ltd acquired the Kogan group of companies just prior to the date of listing on the Australian Stock Exchange on 7 July 2016, and was previously non-operational, the previous reporting period represents the trading results of the Kogan group of companies for the six months ended 31 December 2016.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	31 December 2017 \$	30 June 2017 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		28,177,744	32,027,680
Trade and other receivables		4,010,416	2,045,324
Inventories		69,778,061	39,741,987
Prepayments and other current assets		744,736	625,517
TOTAL CURRENT ASSETS		102,710,957	74,440,508
NON-CURRENT ASSETS			
Plant and equipment		480,801	489,372
Intangible assets		5,588,239	4,480,040
Deferred tax assets		352,528	913,936
TOTAL NON-CURRENT ASSETS		6,421,568	5,883,348
TOTAL ASSETS		109,132,525	80,323,856
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		50,324,499	28,504,597
Financial liabilities		452,529	727,265
Current tax liabilities		3,521,469	2,163,197
Employee benefits		609,625	508,188
Provisions		428,845	488,337
Deferred income		6,063,260	5,165,416
TOTAL CURRENT LIABILITIES		61,400,227	37,557,000
NON-CURRENT LIABILITIES			
Employee benefits		81,967	65,614
Provisions		29,471	29,557
TOTAL NON-CURRENT LIABILITIES		111,438	95,171
TOTAL LIABILITIES		61,511,665	37,652,171
NET ASSETS		47,620,860	42,671,685
EQUITY			
Issued capital	3.3.1	167,154,565	167,100,702
Merger reserve		(131,816,250)	(131,816,250)
Other reserves		46,827	(73,547)
Retained earnings		12,235,718	7,460,780
TOTAL EQUITY		47,620,860	42,671,685

The accompanying notes form part of these condensed consolidated financial statements

**CONDENSED CONSOLIDATED
STATEMENT OF CHANGES IN EQUITY**
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

CONSOLIDATED GROUP							
	Note	Share Capital \$	Retained Earnings \$	Merger Reserve \$	Translation Reserve \$	Perfor- mance Rights Reserve \$	Total Equity \$
Balance at 1 July 2016		343	7,361,042		(290,645)	-	7,070,740
Comprehensive income							
Profit for the half-year		-	1,460,347	-	-	-	1,460,347
Total comprehensive income for the half year		-	1,460,347	-	-	-	1,460,347
Transactions with owners, in their capacity as owners, and other transfers							
Issue of ordinary shares, net of issue costs	3.3.1 b	167,100,359	-	-	-	-	167,100,359
Kogan Group restructure		-	-	(131,816,250)	-	-	(131,816,250)
Equity-settled share-based payments	5.1	-	-	-	-	49,303	49,303
Total transactions with owners, in their capacity as owners		167,100,359	-	(131,816,250)	-	49,303	35,333,412
Balance at 31 December 2016		167,100,702	8,821,389	(131,816,250)	(290,645)	49,303	43,864,499
Balance at 1 July 2017		167,100,702	7,460,780	(131,816,250)	(290,645)	217,098	42,671,685
Comprehensive income							
Profit for the half-year		-	8,326,606	-	-	-	8,326,606
Total comprehensive income for the half-year		-	8,326,606	-	-	-	8,326,606
Transactions with owners, in their capacity as owners, and other transfers							
Issue of ordinary shares under performance plans	3.3.1 b	53,863	-	-	-	(53,863)	-
Dividends paid	3.3.2	-	(3,551,668)	-	-	-	(3,551,668)
Equity-settled share-based payments	5.1	-	-	-	-	174,237	174,237
Total transactions with owners and other transfers		53,863	(3,551,668)	-	-	120,374	(3,377,431)
Balance at 31 December 2017		167,154,565	12,235,718	(131,816,250)	(290,645)	337,472	47,620,860

The accompanying notes form part of these condensed consolidated financial statements.

**CONDENSED CONSOLIDATED
STATEMENT OF CASH FLOWS**
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

CONSOLIDATED GROUP			
	Note	31 December 2017 \$	31 December 2016 Restated \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		225,106,010	155,351,044 ¹
Payments to suppliers and employees		(220,183,539)	(154,804,902) ¹
Interest received		154,363	248,169
Finance costs paid		(50,694)	(93,459)
Income tax paid		(1,727,445)	(721,683)
Net cash provided by/(used in) operating activities		3,298,695	(20,831)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(77,309)	(35,253)
Purchase of intangible assets	2.1	(3,519,654)	(1,694,921)
Net cash used in investing activities		(3,596,963)	(1,730,174)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of shares		-	34,999,999
Transaction costs related to the issue of shares		-	(3,624,346)
Repayment of borrowings		-	(4,900,000)
Dividends paid	3.3.2	(3,551,668)	-
Net cash (used in)/provided by financing activities		(3,551,668)	26,475,653
Net (decrease)/increase in cash held		(3,849,936)	24,724,648
Cash and cash equivalents at beginning of half-year		32,027,680	1,808,301
Cash and cash equivalents at end of half-year		28,177,744	26,532,949

1. Prior period information has been restated. Refer to the accompanying notes, Basis of Preparation, Note C, for further detail.

The accompanying notes form part of these condensed consolidated financial statements.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

BASIS OF PREPARATION

The financial report of Kogan.com Ltd and its controlled entities (“the Group”) for the year ended 31 December 2017 was authorised for issue in accordance with a resolution of the Directors on 22 February 2018.

Pursuant to ASIC relief granted on 26 September 2016, the previous corresponding interim reporting period represents the period from 19 May 2016 to 31 December 2016. As Kogan.com Ltd acquired the Kogan group of companies just prior to the date of listing on the Australian Stock Exchange on 7 July 2016, and was previously non-operational, the previous reporting period represents the trading results of the Kogan group of companies for the six months ended 31 December 2016.

The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards and the nature of its operations and principal activities are described in the Directors’ Report.

These interim general purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, and with AASB 134 *Interim Financial Reporting*.

They do not include all of the information required for a complete set of annual financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to gain an understanding of the changes in the Group’s financial position and performance since the last annual consolidated financial statements of Kogan.com Ltd and its subsidiaries as at and for the year ended 30 June 2017.

The accounting policies applied in these interim financial statements are the same as those applied in the Group’s consolidated financial statements as at and for the year ended 30 June 2017.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

A. SEGMENT INFORMATION

The Group’s operations consist primarily of selling goods and services online to Australian customers. The Group has considered the requirements of AASB 8 *Operating Segments* and assessed that the Group has one operating segment, representing the consolidated results, as this is the only segment which meets the requirements of AASB 8.

B. USES OF JUDGEMENTS AND ESTIMATES

In preparing these interim financial statements management have made judgements, estimates and assumptions that affect the application of the Company’s accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Estimates and judgments that have the most significant effect on the amounts recognised in the interim financial statements are:

- The provisions for warranties and sales returns are based on estimates from historical warranty and sales returns data associated with similar products and services. The Group expects to incur most of the liability over this next year.
- The assessment of the carrying value of non-current assets, including intangible assets, is based on management’s assessment of the nature of the capitalised costs and their expected continued contribution of economic benefit to the Group, having regard to actual and forecast performance and profitability.
- The provision for slow moving and obsolete inventory is based on estimates of net realisable value of aged items over 365 days.

Key estimates and judgements have not changed from those disclosed in the Group financial report for the year ended 30 June 2017.

C. PRIOR PERIOD RESTATEMENT

In the Consolidated Statement of Cash Flows, the prior period Receipts from customers and Payments to suppliers and employees have been restated to reflect the amounts gross of GST received/paid. This has increased the corresponding captions by \$10,636,499. The net impact of this restatement on Net cash provided by (used in) operating activities is nil.

SECTION 1: BUSINESS PERFORMANCE

1.1 REVENUE

Seasonality of operations:

The Group experiences certain seasonality impacts due to the Christmas trading period. However, management expects the benefits of investments in marketing and inventory to continue to drive growth in the business.

	CONSOLIDATED GROUP	
	31 December 2017 \$	31 December 2016 \$
Revenue		
Sales revenue:		
- sale of goods	199,349,361	138,575,600
- rendering of services	8,856,585	3,953,230
	208,205,946	142,528,830
Other revenue:		
- marketing subsidies	112,758	584,908
- other revenue	1,303,119	744,940
	1,415,877	1,329,848
Total revenue	209,621,823	143,858,678

1.2 EXPENSES

	31 December 2017 \$	31 December 2016 \$
Cost of sales	165,487,489	115,482,608
Cost of services	3,402,995	2,472,308
Total Cost of sales	168,890,484	117,954,916
Employee benefit expense	6,076,517	5,989,490 ¹
Depreciation and amortisation expense	2,534,419	1,929,019
Costs associated with the group's Initial Public Offering not eligible to be offset against share capital issued	-	1,799,602

1. Includes \$1,183,748 of bonus shares issued to certain senior management (excluding Ruslan Kogan and David Shafer) upon the company's IPO.

1.3 TAX BALANCES

Tax expense is recognised based on Management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim reporting period.

The Group's consolidated effective tax rate for the six months ended 31 December 2017 was 30% (for the six months ended 31 December 2016: 56%).

Effective tax is impacted by the differences between when an amount of revenue or expense is recognised for accounting purposes and when income and deductions are recognised under the tax laws. The most significant tax timing differences that caused a decrease in effective tax rate were the decrease of amortisation of intangible assets and the non-deductible IPO related costs in December 2016.

SECTION 2: OPERATING ASSETS AND LIABILITIES

2.1 INTANGIBLE ASSETS

The Group acquired a total amount of \$3,519,654 of intangible assets during the six months ended 31 December 2017. A total of \$1,662,745 was acquired during the six months ended 31 December 2016.

There were no disposals or impairment loss recognised during the half-year.

SECTION 3: CAPITAL STRUCTURE AND FINANCING

3.1 LOAN AND BORROWINGS

The group's interest-bearing loans and borrowings are measured at amortised cost.

On 31 May 2016, the Group signed a multi-option facility agreement with Westpac Banking Corporation, maturing on 31 May 2019. The Facility includes a Cash Advance Facility, Trade Finance Facility and LC Facility with a total limit of \$10.0 million.

There were no amounts drawn down under the facility at period end (2016: nil).

3.2 CAPITAL AND FINANCIAL RISK MANAGEMENT

The Group held the following financial assets and liabilities at reporting date:

	CONSOLIDATED GROUP	
	31 December 2017 \$	30 June 2017 \$
Financial assets		
Cash and cash equivalents	28,177,744	32,027,680
Loans and receivables	4,010,416	2,045,324
Total financial assets	32,188,160	34,073,004
Financial liabilities		
Financial liabilities at amortised cost:		
- trade and other payables	50,324,499	28,504,597
Financial liabilities at fair value:		
- Foreign exchange contracts	452,529	727,265
Total financial liabilities	50,777,028	29,231,862

Fair Value Measurements

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis after initial recognition:

- Cash and cash equivalents; and
- Foreign exchange forward contracts.

The Group does not subsequently measure any liabilities at fair value on a non-recurring basis.

a. Fair Value Hierarchy

AASB 13: *Fair Value Measurement* requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Cash and cash equivalents are level 1 measurements, whilst foreign exchange contracts are level 2. The fair value of foreign exchange contracts at 31 December 2017 totalled \$452,529 (2016: \$727,265). This represented the amount 'in the money' on outstanding forward foreign exchange contracts as at period end.

b. Disclosed Fair Value Measurements

The carrying amounts of assets and liabilities are the same as their carrying values.

The group enters into forward exchange contracts to manage the foreign exchange risk attached to inventory purchased in foreign currency. The group has elected not to adopt hedge accounting, with any period movements in the fair value of the derivative contract taken to the income statement when material.

The fair value of forward exchange contracts is determined based on an external valuation report using forward exchange rates at the balance sheet date.

3.3.1 ISSUED CAPITAL AND RESERVES

a. Ordinary Shares

	CONSOLIDATED GROUP			
	31 December 2017 \$	30 June 2017 \$	31 December 2017 No.	30 June 2017 No.
Fully paid ordinary shares	167,154,565	167,100,702	93,464,938	93,336,581

Ordinary shares participate in dividends and the proceeds on winding-up of the parent entity in proportion to the number of shares held. At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

b. Movements in ordinary share capital

Details	Date	Shares No.	Issue price	\$
Balance	1 July 2016	343	\$1.00	343
Shares cancelled as part of the Kogan purchase	7 July 2016	(343)	\$-	-
Shares issued at IPO	7 July 2016	27,777,786	\$1.80	50,000,015
Shares issued to senior managers under an IPO bonus schemes	7 July 2016	657,638	\$1.80	1,183,748
Shares issued to the previous owners for the purchase of Kogan Operations Holdings Pty Ltd	7 July 2016	64,897,910	\$1.80	116,816,238
Transaction cost arising on IPO offset against share capital, net of tax	7 July 2016	-	\$-	(904,642)
Shares issued to employees under an incentive plan	29 September 2016	3,247	\$1.54	5,000
Shares issued to employees under an incentive plan (performance rights)	3 July 2017	128,357	\$0.42	53,863
Balance	31 December 2017	93,464,938		167,154,565

c. Merger reserve

The acquisition of Kogan Operations Holdings Pty Ltd by Kogan.com Ltd in the previous financial period has been treated as a common control transaction at book value for accounting purposes, and no fair value adjustments have been made. Consequently, the difference between the fair value of issued capital and the book value of net assets acquired is recorded within a merger reserve.

d. Performance Rights reserve

The reserve is used to recognise the value of equity benefits provided to employees as part of their remuneration. Kogan Group measures the cost of equity-settled transactions with employees by reference to the fair value of the ordinary shares at the date at which they are granted. The fair value is determined using Black Scholes simulation valuation techniques, taking into account the terms and conditions upon which the equity instruments were granted, as discussed in Note 5.1. The cumulative fair value of performance rights are transferred to issued share capital once they are fully vested and shares issued to the plan participant.

3.3.2 DIVIDENDS

	CONSOLIDATED GROUP	
	31 December 2017 \$	31 December 2016 \$
Dividends paid during the half-year	3,551,668	-

3.4 EARNINGS PER SHARE

a. Net profit or loss for the reporting period used as the numerator

	CONSOLIDATED GROUP	
	31 December 2017 \$	31 December 2016 \$
Net profit for the reporting period	8,326,606	1,460,347

b. Weighted average number of ordinary shares of the entity used as the denominator

	CONSOLIDATED GROUP	
	31 December 2017 Number	31 December 2016 Number
Weighted average number of ordinary shares of the entity	93,463,543	90,291,513
Diluted weighted average number of ordinary shares of the entity	831,239	135,956

	CONSOLIDATED GROUP	
	31 December 2017 \$	31 December 2016 \$
Basic earnings per share	0.09	0.02
Diluted earnings per share	0.09	0.02

SECTION 4: GROUP STRUCTURE

4.1 RELATED PARTIES

There have been no material changes to the Group's related party arrangements during the period, which are detailed in the Group's financial report for the year ended 30 June 2017.

SECTION 5: EMPLOYEE REWARD AND RECOGNITION

5.1 INCENTIVE PLANS

Kogan.com Ltd has adopted an equity incentive plan to assist in the motivation and retention of management and selected employees.

The Group has established incentive arrangements subsequent to listing on the ASX to assist in the attraction, motivation and retention of the executive team and other selected employees. To align the interests of its employees and the goals of the Group, the Directors have decided the remuneration packages of the executive team and other selected employees will consist of the following components:

- Fixed remuneration (inclusive of superannuation); and
- Equity based long-term incentives.

The Group has established an Equity Incentive Plan (EIP), which is designed to align the interests of eligible employees more closely with the interests of Shareholders. Under the EIP, eligible employees may be offered Restricted Shares, Options or Rights which may be subject to vesting conditions. The Group may offer additional long-term incentive schemes to senior management and other employees over time.

Following the successful listing on 7 July 2016, certain senior management and other employees received one-off bonuses in the form of shares in the previous period. The aggregate amount of bonuses is \$1,183,748 worth of shares at the offer price of \$1.80. This offer made to relevant employees was for nil consideration and the shares vested immediately. No Directors received an IPO bonus.

Performance rights under the Equity Incentive Plan (EIP)

Kogan.com Ltd has adopted the EIP in order to assist in the motivation and retention of senior management and other selected employees of Kogan.com. The EIP is designed to align the interests of eligible employees more closely with the interests of Shareholders, by providing an opportunity for eligible employees to receive an equity interest in Kogan.com. Current grants under Kogan.com’s long-term incentive plan are shown below.

Consideration	Nil.
Eligibility	Offers of Incentive Securities may be made to any employee of the Kogan Group (including a director employed in an executive capacity) or any other person who is declared by the Board to be eligible to receive a grant of incentive Securities under the EIP.
Amount payable & Entitlement	No amount is payable upon the exercise of a Performance Right that has vested, with each Performance Right entitling the holder to one fully paid ordinary share on exercise.
Service condition on vesting	Individual must be employed by the Kogan Group at time of vesting.
Restrictions on dealing	Shares allocated upon exercise of Performance Rights will rank equally with all existing ordinary shares from the date of issue (subject only to the requirements of Kogan’s Securities Trading Policy). Upon vesting, there will be no disposal restrictions placed on the Shares issued to participants (subject only to the requirements of Kogan.com’s Securities Trading Policy).

The following table details the total movement in performance rights issued by the Group during the period:

	LONG TERM INCENTIVE PLANS PERFORMANCE RIGHTS	
	No. 2017	No. 2016
Six months to 31 December		
Outstanding at beginning of period	2,809,450	-
Granted during the period	105,674	2,162,606
Exercised during the period	(128,356)	-
Forfeited during the period	(95,784)	(31,945)
Outstanding at the end of the period	2,690,984	2,130,661
Exercisable at the end of the period	7,407	-

The following inputs were used in the measurement of the fair values of performance rights issued, at grant date:

Grant Dates	LONG TERM INCENTIVE PLANS			
	29 July 2016	29 September 2016	20 December 2016	20 December 2016
Number	495,140	178,573	1,451,856	37,037
Fair value at grant date	\$282,518	\$109,492	\$716,488	\$20,417
Share price at grant date	\$1.49	\$1.52	\$1.34	\$1.34
Offer price	\$1.80	\$1.54	\$1.35	\$1.35
Expected volatility (weighted average volatility) ¹	53%	49%	49%	49%
Option life (expected weighted average life)	5 years	5 years	3 & 4 years	5 years
Vesting dates	30 June 2021	30 June 2021	31 Dec 2019 & 2020	31 Dec 2021
Expected dividends	Nil	Nil	Nil	Nil
Risk-free interest rate (based on corporate bonds)	1.59%	1.73%	2.22%	2.35%

1. For performance rights granted before 1 July 2017, expected volatility was estimated by taking into account historic average share price volatility of similar entities. The Group was a newly listed entity and therefore had little historical data on the volatility of its share price.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS CONTINUED

LONG TERM INCENTIVE PLANS				
Grant Dates	29 June 2017	29 June 2017	29 June 2017	29 June 2017
Number	436,365	12,121	18,182	212,121
Fair value at grant date	\$318,545	\$7,879	\$10,364	\$137,879
Share price at grant date	\$1.70	\$1.70	\$1.70	\$1.70
Offer price	\$1.65	\$1.65	\$1.65	\$1.65
Expected volatility (weighted average volatility) ¹	45%	45%	45%	45%
Option life (expected weighted average life)	5 years	4 years	3 years	3 & 4 years
Vesting dates	30 June 2022	30 June 2021	30 June 2020	30 June 2020 & 2021
Dividend Yield	Nil	Nil	Nil	Nil
Risk-free interest rate (based on corporate bonds)	2.16%	2.03%	1.86%	2.03%

1. For performance rights granted before 1 July 2017, expected volatility was estimated by taking into account historic average share price volatility of similar entities. The Group was a newly listed entity and therefore had little historical data on the volatility of its share price.

LONG TERM INCENTIVE PLANS			
Grant Dates	28 September 2017	22 December 2017	22 December 2017
Number	19,231	55,633	30,810
Fair value at grant date	\$25,066	\$130,101	\$77,631
Share price at grant date	\$3.78	\$6.20	\$6.20
Offer price	\$3.90	\$5.68	\$5.68
Expected volatility (weighted average volatility) ¹	45%	49%	49%
Option life (expected weighted average life)	5 years	4 years	5 years
Vesting dates	30 June 2022	31 Dec 2021	30 June 2022
Dividend Yield	2%	2%	2%
Risk-free interest rate (based on corporate bonds)	2.46%	2.33%	2.42%

1. For performance rights granted before 1 July 2017, expected volatility was estimated by taking into account historic average share price volatility of similar entities. The Group was a newly listed entity and therefore had little historical data on the volatility of its share price.

For performance rights granted on or after 1 July 2017, the expected volatility was estimated by calculating the average share price volatility of Kogan.com Limited for the past 18 months.

During the period the Group recognised a share-based payment expense of \$174,237 (2016: \$49,303).

SECTION 6: OTHER

6.1 SUBSEQUENT EVENTS

The Directors have declared a dividend of 6.9 cents per ordinary share, fully franked. The dividend was not determined until after the balance sheet date and accordingly no provision has been recognised at 31 December 2017.

DIRECTORS' DECLARATION

1. In the opinion of the directors of Kogan.com Ltd ('the Company'):
 - (a) the consolidated interim financial statements and notes that are set out on pages 8 to 20 in the Directors' report, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance and its cash flows, for the half-year ended on that date; and
 - (ii) complying with Accounting Standards AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001 and other mandatory professional requirements; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



David Shafer
Director

Melbourne, 22 February 2018



Independent Auditor's Review Report

To the members of Kogan.com Ltd

Report on the Half-year Financial Report

Conclusion

We have reviewed the accompanying **Half-year Financial Report** of Kogan.com Ltd.

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 Kogan.com Ltd 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 2017 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Half-year Financial Report** comprises:

- Condensed consolidated statement of financial position as at 31 December 2017;
- Condensed consolidated income statement and consolidated statement of comprehensive income, Condensed consolidated statement of changes in equity and Condensed consolidated statement of cash flows for the Half-year ended on that date;
- Notes 1.1 to 6.1 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The **Group** comprises Kogan.com Ltd (the Company) and the entities it controlled at the Half year's end or from time to time during the Half-year.

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*
- for such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility 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. 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 Group's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Kogan.com Ltd, *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.

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG

KPMG



BW Szentirmay
Partner

Melbourne
22 February 2018

CORPORATE DIRECTORY

COMPANY SECRETARY

Mark Licciardo and Adam Sutherland, Mertons Corporate Services

PRINCIPAL REGISTERED OFFICE

KOGAN.COM LIMITED

7/330 Collins Street
Melbourne VIC 3000

LOCATION OF SHARE REGISTRY

COMPUTERSHARE

Yarra Falls
452 Johnston Street
Abbotsford VIC 3067
+61 3 9415 4000

STOCK EXCHANGE LISTING

Kogan.com Limited (KGN) shares are listed on the ASX.

AUDITORS

KPMG

727 Collins Street
Melbourne Victoria 3008

kogan.com

