

INTERIM REPORT for 1 January – 31 March 2016: Steady 15% sales growth in Q1 in a tough retail market

Verkkokauppa.com Oyj – Interim report (unaudited) 22 April 2016, 8:00 a.m.

1 January – 31 March 2016 in brief

- Revenue 83.5 million euros (1–3/2015 72.9), growth of 15%
- Gross profit 13.1 million euros (11.7), growth of 11%
- Gross margin 15.6% of revenue (16.1%)
- Operating profit 1.8 million euros (-1.5)
- Operating profit excluding non-recurring items 2.4 million euros (1.9), growth of 26%
- Operating margin 2.1% of revenue (-2.1%)
- Operating margin excluding non-recurring items 2.8% of revenue (2.6%)
- Net profit 1.4 million euros (-2.4)
- Net profit excluding non-recurring items 1.9 million euros (1.1)
- Earnings per share 0.03 euros (-0.05)
- Earnings per share excluding non-recurring items 0.04 euros (0.02)

KEY RATIOS	1-3/2016	1-3/2015	Change%	1–12/2015
Revenue, € thousands	83,496	72,856	15 %	343,682
Gross profit, € thousands	13,062	11,747	11 %	51,783
Gross margin, % of revenue	15.6 %	16.1 %		15.1 %
EBITDA excluding non-recurring items, € thousands	2,678	2,144	25 %	12,258
EBITDA excluding non-recurring items, %	3.2 %	2.9 %		3.6 %
Operating profit excluding non-recurring items, € thousands	2,371	1,882	26 %	11,087
Operating margin excluding non-recurring items, % of revenue	2.8 %	2.6 %		3.2 %
Net profit excluding non-recurring items, € thousands	1,906	1,058	80 %	8,814

BUSINESS OUTLOOK

Verkkokauppa.com Oyj's business operations are estimated to develop positively within a medium term time frame. The management believes that the company will succeed in further growing its market share in its chosen segments. The strong balance sheet enables the company to continue expanding its operations in accordance with its strategy. Nevertheless, the business outlook includes uncertainties, especially due to macroeconomic developments. The Finnish Ministry of Finance estimated on 18 December 2015 that the Finnish GDP will grow by 1.2% during 2016.

FINANCIAL GUIDANCE

In 2016 the company revenue and operating profit excluding non-recurring items are expected to exceed the level of 2015.

CEO SAMULI SEPPÄLÄ'S REVIEW

Verkkokauppa.com continued to have steady sales and profit growth during the first quarter of the year. While the retail market remains tough, the company will continue to look for additional sales growth opportunities especially in recently launched categories, while also launching new categories and developing B2B and wholesale businesses. Nearly 80% of all Finns have already conducted online purchases based on TNS Gallup's latest release. This development supports the company's growth plans.

In the first quarter, EBITDA excluding non-recurring item grew by 25 percent to 3.2 percent of revenue. If needed, the company is willing to accept a slightly lower EBITDA in short term to maintain suitable sales growth and to match competitors' prices, thereby offer even lower prices for its customers. However, the company expects to improve its EBITDA margin in the medium term by increasing the share of higher margin categories and private label products in the sales mix as well as the penetration of the Apuraha consumer financing services.

The company continues to investigate new retail and logistics opportunities within Helsinki, Vantaa, Turku and Oulu regions to support sales growth. Efforts with major projects such as the C2C marketplace and the responsive (mobile) website, both essential for the full customer journey, will be continued.

Verkkokauppa.com's revenue will continue to grow during 2016 and in the medium term, even though the general situation and demand in the retail business remains very weak in Finland.

KEY RATIOS AND PERFORMANCE INDICATORS	1-3/2016	1-3/2015	1-12/2015
Revenue, € thousands	83,496	72,856	343,682
Gross profit, € thousands	13,062	11,747	51,783
Gross margin, % of revenue	15.6%	16.1%	15.1%
EBITDA, € thousands	2,079	-1,268	8,846
EBITDA, %	2.5%	-1.7%	2.6%
EBITDA excluding non-recurring items, € thousands	2,678	2,144	12,258
EBITDA excluding non-recurring items, %	3.2%	2.9%	3.6%
Operating profit, € thousands	1,772	-1,530	7,676
Operating margin, % of revenue	2.1%	-2.1%	2.2%
Operating profit excluding non-recurring items, € thousands	2,371	1,882	11,087
Operating margin excluding non-recurring items, % of revenue	2.8%	2.6%	3.2%
Net profit, € thousands	1,427	-2,402	5,354
Net profit excluding non-recurring items, € thousands	1,906	1,058	8,814
Equity ratio, %	44.3%	43.5%	45.2%
Return on investment, % rolling 12 months	36.8%	18.1%	20.9%
Net gearing, %	-68.8%	-50.3%	-86.5%
Earnings per share (EPS) revised by share split, €	0.03	-0.05	0.12
Earnings per share (EPS) revised by share split excluding non-recurring items, €	0.04	0.02	0.20
Earnings per share (EPS) revised by share split (diluted), €	0.03	-0.05	0.12
Earnings per share (EPS) revised by share split excluding non-recurring items (diluted), €	0.04	0.02	0.20
Number of shares at end of period	45,065,130	7,510,855	45,065,130
Average number of shares at end of period revised by share split	45,065,130	45,065,130	45,065,130
Number of shares at end of period revised by share split	45,065,130	45,065,130	45,065,130
Number of personnel* at end of period	557	516	561

*The number of personnel includes both full- and part-time employees.

REVENUE AND PROFITABILITY DEVELOPMENT

January–March 2016

In January–March, Verkkokauppa.com Oyj's revenue grew by 15% year on year. Revenue grew by 10.6 million euros, totalling 83.5 million euros (72.9). Revenue increased particularly in mobile phones, computers, televisions, smart watches and small (SDA) domestic appliances.

According to GfK, the demand for consumer electronics declined by 4.5% during January–February in Finland.

As in the previous quarter, a part of the sales increase was due to good wholesale to customers who export the goods, as well as B2B sales. This development in sales mix decreased the gross margin year on year. The volumes of these sales are typically difficult to estimate and their profitability is usually low. However, these sales increase the company's purchasing volumes and thus improve the company's position in relation to its suppliers.

Personnel costs increased by 22.7% to 6.6 million euros (5.4). Personnel costs include a 0.6 million euros non-recurring holiday pay accrual, which resulted from the company's internal audit identifying technical errors in the company's holiday pay accounting. Headcount grew at a slower rate than revenue. Personnel costs excluding non-recurring items grew by 12.0% to 6.0 million euros (5.4).

During the reporting period, other expenses decreased to 4.4 million euros (7.6). Other expenses in the comparison period included a non-recurring compensation of 3.4 million euros paid to Teosto. Other expenses excluding non-recurring items grew by 3.8% to 4.4 million euros (4.2).

Operating profit in January–March 2016 was 1.8 million euros (-1.5) and net profit 1.4 million euros (-2.4).

Operating profit excluding non-recurring items in January–March 2016 was 2.4 million euros (1.9) and net profit 1.9 million euros (1.1).

Earnings per share were 0.03 euros (-0.05).

The comparison period included non-recurring items of 4.3 million euros related to a legal dispute lost against Teosto ry regarding levies for private copying. Of these non-recurring items, 3.4 million euros is included in other expenses and the interest of 0.9 million euros in financing expenses.

Earnings per share excluding non-recurring items were 0.04 (0.02) euros.

FINANCE AND INVESTMENTS

Operating cash flow was -4.2 million euros (-12.5) in January–March 2016. In the reporting period, the improvement of the operating cash flow mainly resulted from the positive development of operations. In addition, the cash flow of the comparison period was affected by non-recurring items related to the Teosto legal dispute.

Ordinary seasonal fluctuations are reflected in cash and cash equivalents, cash flow and accounts payable, which usually reach the highest point at year-end and the lowest point at the end of the second quarter. Verkkokauppa.com has utilized the maximum amount of cash discounts.

In addition, during the reporting period the company invested in the development of new ERP features, which resulted in the activation of 0.1 million euros in the IT department's salary expenses and external technology consulting fees. The company also invested in ordinary store equipment and furniture. The net capital expenditures were 0.2 million euros (0.4) in January–March 2016.

The comparison period included financing expenses totalling 0.9 million euros of non-recurring penalty interest relating to the Teosto legal dispute.

On 31 March 2016, Verkkokauppa.com had a revolving credit facility of 15 million euros, which had not been utilized.

FINANCIAL TARGETS

The company strives to grow faster than its operating market and targets an annual revenue growth of over 10 per cent in the medium term. The company's objective is to improve its EBITDA margin in the medium term when compared to the level of 2013. The company strives to secure a sufficient equity ratio to finance the growth of its business and aims to maintain an equity ratio of over 25 per cent taking into consideration the nature and seasonality of the company's business.

SHARES AND SHARE TRADING

The total number of shares in the company was 45,065,130 on 31 March 2016.

Over the reporting period 786,290 shares were exchanged on the NASDAQ OMX First North Finland market, representing 1.7% of all shares in the company. The highest share price was 8.20 euros and the lowest 6.60 euros. The average price in share trading was 7.20 euros. The total of the share trading was 5.7 million euros. The closing price was 7.74 euros, and the market value of all shares was 348.8 million euros at the end of the period.

The company does not own any of its own shares.

PERSONNEL, THE BOARD AND ADMINISTRATION

During the reporting period, the number of employees increased by 41, and the total number of employees was 557 (516) at the end of March 2016. The number of employees includes both full- and part-time employees.

The election of the Board of Directors is explained below in the section on Annual General Meeting 2016.

Authorized Public Accountant PricewaterhouseCoopers Oy was elected as auditor with Authorized Public Accountant Ylva Eriksson as Principal Auditor in an Annual General Meeting held on 15 March 2016.

RISKS AND UNCERTAINTIES

Verkkokauppa.com Oyj's risks and uncertainties reflect the market and general economic trends, for example, demand for consumer electronics, wholesale trade business, the business environment and competition. The company's business operations are also influenced by risks and uncertainties relating to, for example, business strategy, investments, procurement and logistics, information technology, and other operative aspects of the business. The aforementioned risks and uncertainties may affect the company's operations, financial position and performance both positively and negatively. Risks and uncertainties have been presented in more detail in the Annual Report for year 2015.

LITIGATION

Verkkokauppa.com received a permission to appeal to the Supreme Court regarding the use of the domain name veneilijanverkkokauppa.com on 3 September 2014. The Supreme Court gave its decision on 11 March 2016 regarding the veneilijanverkkokauppa.com trademark issue. The Court of Appeals judgement was overruled and Oy Waltic Ab was denied the use of the veneilijanverkkokauppa.com trademark. Oy Waltic Ab was also obliged to pay 10,000 euros with penalty interest and a total of approximately 60,000 euros in Verkkokauppa.com's legal costs on different court instances.

ANNUAL GENERAL MEETING 2016

The Annual General Meeting was held in Helsinki on 15 March 2016. The financial statements for the year 2015 were approved and the Board Members and the CEO were discharged from liability with respect to financial year 2015. It was decided to pay a dividend of 0.15 euros per share, totalling 6,759,769.50 euros.

At the Annual General Meeting held on 15 March 2016 the following board members were re-elected: Christoffer Häggblom, Mikael Hagman, Minna Kurunsaari, Kai Seikku, Antti Tiitola, Henrik Weckström and Samuli Seppälä. The board elected Christoffer Häggblom as the Chairman of the Board. Samuli Seppälä is the company's Chief Executive Officer.

The Authorized Public Accountant PricewaterhouseCoopers Oy was elected as the auditor, with Authorized Public Accountant Ylva Eriksson acting as the Principal Auditor.

OTHER EVENTS DURING THE REPORTING PERIOD

Corporate sales and export director Matti Harjunen left Verkkokauppa.com on 11 January 2016.

SUBSEQUENT EVENTS

There are no subsequent events that differ from usual business events, after the reporting period.

PRESS CONFERENCES

A press conference for analysts, investors and media will be held in Finnish at the Jätkäsaari premises in Helsinki at Tyynenmerenkatu 11, 6th floor, at 10:00 a.m. (EET) on Friday, 22 April 2016, in which Verkkokauppa.com Oyj's CEO Samuli Seppälä will present the developments in the reporting period.

A press conference in English will be held by LiveStream webcast on Friday, 22 April 2016 at 11:00 a.m. (EET). Questions can be sent beforehand or during the presentation via e-mail to investors@verkkokauppa.com.

Presentation materials for both events are available at www.verkkokauppa.com in the section Sijoittajat > Esitykset. For both press conferences, a LiveStream is available at www.verklive.com.

COMPANY RELEASES IN 2016

Verkkokauppa.com Oyj will publish its quarterly reports as follows:

- Interim report January – June (Q2) on Friday, 5 August 2016
- Interim report January – September (Q3) on Friday, 21 October 2016

Helsinki, Finland, 22 April 2016

Verkkokauppa.com Oyj

Board of Directors

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FINANCIAL INFORMATION

The financial statements release has been prepared in accordance with Finnish Accounting Standards and local legislation, and in compliance with the accounting principles in the financial statements of 31 December 2015. The company applies the new Accounting Act, effective from 1 January 2016, in the preparation of this interim report. The new Accounting Act has had no significant impact on the accounting principles; therefore, figures for the comparison periods have not been adjusted. The quarterly report has not been audited. The financial statements are audited at year-end.

Numbers presented in the quarterly report have been rounded and therefore columns or rows do not necessarily add up to the total amounts presented.

INCOME STATEMENT

€ thousands	1-3/2016	1-3/2015	Change%	1-12/2015
REVENUE	83,496	72,856	14.6%	343,682
Other income	24	18	30.5%	96
Cost of goods and services	-70,434	-61,109	15.3%	-291,899
Personnel expenses	-6,638	-5,411	22.7%	-22,402
Depreciation and amortization	-306	-262	16.8%	-1,171
Other operating expenses	-4,369	-7,621	-42.7%	-20,630
OPERATING PROFIT	1,772	-1,530	-215.8%	7,676
Financial income and expenses	11	-872	-101.3%	-882
PROFIT BEFORE APPROPRIATIONS AND TAXES	1,783	-2,402	-174.2%	6,794
Appropriations	0	0		-82
Income taxes	-357	0		-1,358
NET PROFIT	1,427	-2,402	-159.4%	5,354

BALANCE SHEET

€ thousands	31.3.2016	31.3.2015	31.12.2015
ASSETS			
NON-CURRENT ASSETS			
Intangible assets total	1,185	1,068	1,179
Tangible assets total	1,691	2,123	1,788
Investments total	251	50	251
NON-CURRENT ASSETS TOTAL	3,128	3,241	3,218
CURRENT ASSETS			
Inventories	39,272	36,059	38,742
Receivables			
Non-current receivables	111	111	111
Current receivables	7,314	10,628	8,484
Trade receivables	4,571	4,179	5,037
Other receivables	579	876	601
Receivables carried forward	2,164	5,573	2,847
Cash and cash equivalents	20,823	15,772	30,770
CURRENT ASSETS TOTAL	67,520	62,570	78,108
TOTAL ASSETS	70,647	65,812	81,325
LIABILITIES			
EQUITY			
Shareholders' capital			
Share capital	100	100	100
Other funds			
Invested non-restricted equity fund	25,493	25,493	25,493
Retained earnings	3,239	4,645	4,645
Profit (loss) for the period	1,427	-2,402	5,354
EQUITY TOTAL	30,258	27,835	35,591
Depreciation reserve	82	0	82
Provisions	810	680	810
LIABILITIES			
Non-current liabilities	0	879	0
Interest-bearing debt	0	879	0
Current liabilities total	39,497	36,417	44,842
Interest-bearing debt	0	879	0
Advances received	2,129	1,795	2,501
Accounts payables	21,773	22,746	27,736
Other liabilities	4,223	3,824	4,450
Accrued expenses	11,372	7,174	10,156
LIABILITIES TOTAL	39,497	37,296	44,842
TOTAL LIABILITIES	70,647	65,812	81,325

CASH FLOW

€ thousands	1-3/2016	1-3/2015	2015
Cash flow from operating activities			
Profit before appropriations and taxes	1,783	-2,402	6,794
Depreciation and amortization	306	262	1,171
Change in provisions	0	-35	95
Interest paid and received	-11	872	882
Non-current receivables, increase (-), decrease (+)	0	2	2
Current receivables, increase (-), decrease (+)	1,171	-2,597	-490
Inventory increase (-), decrease (+)	-530	-5,201	-7,884
Non-interest-bearing debt, increase (+), decrease (-)	-6,582	-2,282	6,492
NET CASH FROM OPERATING ACTIVITIES BEFORE FINANCING AND TAXES	-3,863	-11,381	7,061
Interest paid and other operational financial expenses	-8	-955	-1,050
Interest received from operations	21	83	168
Taxes paid	-304	-292	-1,084
NET CASH FLOW FROM OPERATING ACTIVITIES	-4,154	-12,545	5,096
Investments			
Intangible and tangible investments	-194	-391	-1,075
Other investments	0	0	-201
NET CASH FLOW FROM INVESTMENTS	-194	-391	-1,276
Cash flows from financing activities			
Current interest-bearing debt, increase (+), decrease (-)	0	-220	-879
Non-current interest-bearing debt, increase (+), decrease (-)	0	0	-1,099
Dividends paid	-5,600	-6,384	-6,384
NET CASH FLOW FROM FINANCING ACTIVITIES	-5,600	-6,604	-8,362
NET INCREASE (+) / DECREASE (-) IN CASH AND CASH EQUIVALENTS	-9,947	-19,540	-4,543
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	30,770	35,312	35,312
CASH AND CASH EQUIVALENTS AT THE PERIOD END	20,823	15,772	30,770

STATEMENT OF EQUITY CHANGES

€, thousand	Share capital	Invested unrestricted equity fund	Retained earnings	Profit (loss) for the period	Total
SHARE CAPITAL 1.1.2016	100	25,493	9,999	0	35,591
Dividends	0	0	-6,760	0	-6,760
Profit (loss) of the period	0	0	0	1,427	1,427
SHARE CAPITAL 31.3.2016	100	25,493	3,239	1,427	30,258
SHARE CAPITAL 1.1.2015	100	25,493	11,029	0	36,622
Dividends	0	0	-6,384	0	-6,384
Profit (loss) of the period	0	0	0	-2,402	-2,402
SHARE CAPITAL 31.3.2015	100	25,493	4,645	-2,402	27,836
SHARE CAPITAL 1.1.2015	100	25,493	11,029	0	36,622
Dividends	0	0	-6,384	0	-6,384
Profit (loss) of the period	0	0	0	5,354	5,354
SHARE CAPITAL 31.12.2015	100	25,493	4,645	5,354	35,591

CALCULATION PRINCIPLES FOR THE COMPANY'S KEY RATIOS

- 1) Fixed costs = Personnel expenses + other operating expenses
- 2) Fixed costs, % = (Personnel expenses + other operating expenses) / Revenue x 100
- 3) Gross profit = Revenue – Cost of goods and services
- 4) Gross margin, % = (Revenue – Cost of goods and services) / Revenue x 100
- 5) EBITDA = Operating profit before depreciation
- 6) EBITDA, % = Operating profit before depreciation / Revenue x 100
- 7) Operating margin, % = Operating result / Revenue x 100
- 8) Operating margin excluding non-recurring items, % = Operating result excluding non-recurring items / Revenue x 100
- 9) Equity ratio = (Equity + depreciation difference x (1 – tax rate)) / (Total sum of the balance sheet – advances received) x 100
- 10) Return on capital employed (ROCE), rolling 12 months, % = (Net profit + financial expenses + taxes) / (Average equity + interest-bearing debt) x 100
- 11) Net gearing, % = (Interest-bearing debt – cash and cash equivalents – interest-bearing receivables) / Equity x 100
- 12) Earnings per share = Profit for the financial period / Monthly average number of shares adjusted by share issues
- 13) Earnings per share excluding non-recurring items = Profit for the financial period excluding non-recurring items / Monthly average number of shares adjusted by share issues
- 14) Earnings per share (diluted) = Profit for the financial period / Monthly average number of shares adjusted by share issues + number of shares according to subscription rights
- 15) Earnings per share excluding non-recurring items (diluted) = Profit for the financial period excluding non-recurring items / Monthly average number of shares adjusted by share issues + number of shares according to subscription rights
- 16) Average number of shares at end of the period revised by share split = Monthly average number of shares at the end of the period revised by share split
- 17) Number of employees at the end of the period = Average number of employees on the last week of the period