

INTERIM REPORT for 1 January – 31 March 2017: Strong 20% revenue growth in Q1

Verkkokauppa.com Oyj – Interim report (unaudited) 28 April 2017, 8:00 a.m.

1 January – 31 March 2017 in brief

- Revenue 100.1 million euros (1–3/2016: 83.5), growth of 20%
- Gross profit 14.7 million euros (13.1), growth of 12%
- Gross margin 14.7% of revenue (15.6%)
- Operating profit 3.1 million euros (1.8)
- Comparable operating profit 3.1 million euros (2.4)
- Operating margin 3.1% of revenue (2.1%)
- Comparable operating margin 3.1% of revenue (2.8%)
- Net profit 2.5 million euros (1.4)
- Comparable net profit 2.5 million euros (1.9)
- Earnings per share 0.06 euros (0.03)
- Comparable earnings per share 0.06 euros (0.04)
- The Board of Directors has approved 0.041 euros per share quarterly dividend

KEY RATIOS	1-3/2017	1-3/2016	Change%	1-12/2016
Revenue, € thousands	100,134	83,496	20%	371,495
Gross profit, € thousands	14,694	13,062	12%	57,420
Gross margin, % of revenue	14.7%	15.6%		15.5%
Comparable EBITDA, € thousands	3,395	2,678	27%	14,096
Comparable EBITDA, %	3.4%	3.2%		3.8%
Comparable operating profit, € thousands	3,094	2,371	30%	12,800
Comparable operating margin, % of revenue	3.1%	2.8%		3.4%
Net profit, € thousands	2,494	1,427	75%	9,769
Comparable net profit, € thousands	2,494	1,906	31%	10,248

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 22 December 2016 that the Finnish GDP will grow by 0.9% during 2017.

FINANCIAL GUIDANCE

In 2017, the company's revenue and comparable operating profit are expected to exceed the level of 2016.

CEO SAMULI SEPPÄLÄ'S REVIEW

While competition remained tough throughout the first quarter, Verkkokauppa.com achieved strong 20% revenue growth by focusing on top-line growth during the period, boosted by our updated strategy for 2017. Furthermore, Verkkokauppa.com was able to realize a significant +27% EBITDA improvement, largely supported by the growing popularity of the Apuraha payment method. Apuraha's penetration in consumer sales has grown steadily, especially in online sales. During the first quarter, Verkkokauppa.com continued to grow its market share in almost all categories, while retail continued going strongly online in Finland.

The Company's Board of Directors has decided that a quarterly dividend of 0.041 euros per share will be paid for Q1, in line with our policy of growing dividends. The dividend grew from previous quarter.

The new Home and Lighting category will be officially launched today, with over 2,000 articles available for purchase and additional articles and vendors to be added in the future. Another new category will be launched later this year, and more new categories suitable for business model are in the planning stages.

The expansion work at the Oulu store and relocation of Pirkkala store continues. Work also continues on the plans to open one or more new stores. Expansions of both Oulu and Pirkkala stores will be fully operational by the end of the summer. C2C market place's development strategy focuses on working together with other existing market places, where Verkkokauppa.com would provide best possible product, price and other product relevant information to both buyers and sellers.

Vesa Järveläinen has been appointed as the new Purchasing Director. In his new position, Järveläinen will join the company's management team. Purchasing Director is a key position and has until this nomination been held by the CEO of Verkkokauppa.com. An Extraordinary General Meeting will be held later today to discuss a proposal on an extra dividend of 0.02 euros per share and to elect two new Board members to strengthen the Board's competence and provide independence from major shareholders.

The company will continue to invest in new categories and cost-saving technologies. An estimated one per cent or 400 million euros of retail sales goes online every year in Finland, with the current level being approximately 10%. The Company's revenue is expected to continue to grow in 2017 and in the medium term, supported by positive retail market signals in Finland and the Company's aggressive strategy.

KEY RATIOS AND PERFORMANCE INDICATORS	1-3/2017	1-3/2016	1-12/2016
Revenue, € thousands	100,134	83,496	371,495
Gross profit, € thousands	14,694	13,062	57,420
Gross margin, % of revenue	14.7%	15.6%	15.5%
EBITDA, € thousands	3,395	2,079	13,497
EBITDA, %	3.4%	2.5%	3.6%
Comparable EBITDA, € thousands	3,395	2,678	14,096
Comparable EBITDA, %	3.4%	3.2%	3.8%
Operating profit, € thousands	3,094	1,772	12,201
Operating margin, % of revenue	3.1%	2.1%	3.3%
Comparable operating profit, € thousands	3,094	2,371	12,800
Comparable operating margin, % of revenue	3.1%	2.8%	3.4%
Net profit, € thousands	2,494	1,427	9,769
Comparable net profit, € thousands	2,494	1,906	10,248
Equity ratio, %	43.9%	44.3%	39.5%
Return on investment, % rolling 12 months	39.1%	36.8%	33.0%
Net gearing, %	-77.8%	-68.8%	-108.0%
Earnings per share (EPS) revised by share split, €	0.06	0.03	0.22
Comparable earnings per share (EPS) revised by share split, €	0.06	0.04	0.23
Earnings per share (EPS) revised by share split (diluted), €	0.06	0.03	0.22
Comparable earnings per share (EPS) revised by share split (diluted), €	0.06	0.04	0.23
Number of shares at end of period	45,065,130	45,065,130	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	561	557	563

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

Verkkokauppa.com Oyj will change its reporting terminology in accordance with the guidelines issued by the European Securities and Markets Authority (ESMA) concerning Alternative Performance Measures. Verkkokauppa.com has replaced the previously used term “excluding non-recurring items” with the term “comparable”.

Verkkokauppa.com presents Alternative Performance Measures to reflect the underlying business performance and to enhance comparability between financial periods. Comparable performance measures exclude the income statement impact of certain non-operational items affecting comparability. Items affecting comparability are presented in the financial table section.

An item affecting comparability is an income or expense arising from non-recurring or rare events. Items affecting comparability are recognised in the profit and loss statement within the corresponding income or expense group.

REVENUE AND PROFITABILITY DEVELOPMENT

January–March 2017

In January–March, Verkkokauppa.com Oyj's revenue grew by 20% year on year. Revenue grew by 16.6 million euros, totalling 100.1 million euros (83.5). Revenue increased particularly in mobile phones, televisions, cameras, gaming and small domestic appliances (SDA).

According to GfK, the demand for consumer electronics increased by 9.3% during January–March in Finland.

A notable part of the sales increase was due to large wholesale volumes. This part of sales increased year on year. The volume of these sales is typically difficult to estimate and their profitability is low. However, these sales contribute to overall purchasing volumes, thus improving the company's position in relation to its suppliers. B2B sales also developed favourably.

Personnel costs decreased in January–March by 8.0% to 6.1 million euros (6.6). The comparison period included items affecting comparability of 0.6 million euros, which resulted from the company's internal audit in 2016 identifying technical errors in the company's holiday pay accounting. Comparable personnel costs grew by 1.1% to 6.1 million euros (6.0). The number of personnel grew at a slower rate than revenue.

During the first quarter, other expenses increased by 0.8 million euros to 5.2 million euros (4.4). The increase came mainly from the utilization of an outsourced warehouse services.

Operating profit in January–March 2017 was 3.1 million euros (1.8) and net profit 2.5 million euros (1.4).

Earnings per share were 0.06 euros (0.03).

FINANCE AND INVESTMENTS

Operating cash flow was -9.4 million euros (-4.2) in January–March 2017. In the reporting period, the deterioration of the operating cash flow mainly resulted from a clear increase in Apuraha accounts receivables and prepayment of pension costs. The Company paid its pension costs for 2017 in advance, as interest is more attractive than with corresponding bank deposits.

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.

During the reporting period the company invested in the development of new ERP features, which resulted in the capitalization 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 (0.2) in January–March 2017, of which 0.03 million euros is an investment in Vitvaruexperten AB's shares. Previously the company has invested 0.25 million euros in the shares of Vitvaruexperten AB.

On 31 March 2017, 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 2017.

Over the reporting period 2,345,802 shares were exchanged on the NASDAQ OMX First North Finland market, representing 5.2% of all shares in the company. The highest share price was 7.87 euros and the lowest 6.81 euros. The average price in share trading was 7.19 euros. The total of the share trading was 16.9 million euros. The closing price was 7.28 euros, and the market value of all shares was 328 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 4, and the total number of employees was 561 (557) at the end of March 2017. 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 2017.

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 2016.

LITIGATION

Verkkokauppa.com has no open litigation issues.

ANNUAL GENERAL MEETING 2017

The Annual General Meeting was held in Helsinki on 15 March 2017. The financial statements for the year 2016 were approved and the Board Members and the CEO were discharged from liability with respect to financial year 2016. It was decided to pay a dividend of 0.04 euros per share, totalling 1,802,605.20 euros.

The Annual General Meeting authorized the Board of Directors to decide in its discretion on the distribution of dividends as follows:

The total amount of the dividend distribution based on this authorization shall not exceed EUR 0.126 per share (the instalments can differ from each other), in total not exceeding EUR 5,678,206.38. The authorization is valid until the opening of the next Annual General Meeting.

Unless the Board of Directors decides otherwise, the authorization will be used to distribute dividend three times during the period of validity of the authorization and the payment dates of the dividends will be on May 10, 2017, August 28, 2017 and October 31, 2017. The Board of Directors will decide on the record date in connection with each dividend payment decision and the Company will make separate announcements of Board resolutions. Before the Board of Directors implements the resolution regarding the distribution of dividend, it must assess, from the viewpoint of Company's solvency and/or financial position, whether the requirements in the Finnish Companies Act for dividend distribution are fulfilled.

At the Annual General Meeting held on 15 March 2017, the following Board members were re-elected: Christoffer Häggblom, Mikael Hagman, Minna Kurunsaari, Kai Seikku, 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 re-elected as the auditor, with Authorized Public Accountant Ylva Eriksson acting as the Principal Auditor.

DIVIDEND

Annual General Meeting 2017 resolved to pay 0.04 euros (total 1.8 million euros) per share. This dividend was paid out in March 24, 2017.

The Board of the Directors resolved based on the authorisation of the Annual General Meeting, to pay a dividend 0.041 euros per share. The record date for the dividend distribution is May 3, 2017 and the dividend payment date is May 10, 2017.

OTHER EVENTS DURING THE REPORTING PERIOD

On 10 February 2017, the Board of Directors resolved to update the Company's dividend policy by introducing the goal of paying out an increasing dividend. The Company will evaluate annually the preconditions for the distribution of profits, while ensuring that such dividend distribution will not endanger the growth targets set out in the Company's strategy or other financial targets of the Company.

SUBSEQUENT EVENTS

The Company's Board of Directors decided to convene an Extraordinary General Meeting on 28 April 2017 to resolve on an extra dividend of 0.02 euros per share and to elect two new members of the Board of Directors: Panu Porkka and Robert Burén.

April 28, 2017 the company has appointed Vesa Järveläinen as the Purchasing Director and a member of the management team. At the same time, CEO Samuli Seppälä has given up his role as purchasing director.

There are no other 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, 28 April 2017, 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, 28 April 2017 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 Investors > Presentations. For both press conferences, a LiveStream is available at www.verklive.com.

COMPANY RELEASES IN 2017

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

- Half year financial report January – June on Friday 14 July 2017
- Interim report January – September on Friday 20 October 2017

Helsinki, Finland, 28 April 2017

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 2016. 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	1-3/2017	1-3/2016	Change%	1-12/2016
REVENUE	100,134	83,496	19.9%	371,495
Other income	19	24	-17.7%	95
Cost of goods and services	-85,440	-70,434	21.3%	-314,075
Personnel expenses	-6,105	-6,638	-8.0%	-24,420
Depreciation and amortization	-302	-306	-1.6%	-1,296
Other operating expenses	-5,214	-4,369	19.3%	-19,598
OPERATING PROFIT	3,094	1,772	74.6%	12,201
Financial income and expenses	23	11	112.2%	1
PROFIT BEFORE APPROPRIATIONS AND TAXES	3,117	1,783	74.8%	12,202
Appropriations	0	0		7
Income taxes	-623	-357	74.8%	-2,440
NET PROFIT	2,494	1,427	74.8%	9,769

BALANCE SHEET

€ thousands	31.3.2017	31.3.2016	31.12.2016
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	1,173	1,185	1,222
Tangible assets	1,309	1,691	1,397
Investments	282	251	251
NON-CURRENT ASSETS TOTAL	2,764	3,128	2,871
CURRENT ASSETS			
Inventories	43,365	39,272	44,044
Receivables			
Non-current receivables	474	111	352
Trade receivables	255	0	231
Other receivables	219	111	121
Current receivables	15,363	7,314	11,867
Trade receivables	6,609	4,571	7,475
Other receivables	1,230	579	517
Receivables carried forward	7,524	2,164	3,875
Cash and cash equivalents	30,557	20,823	41,692
CURRENT ASSETS TOTAL	89,759	67,520	97,956
TOTAL ASSETS	92,522	70,647	100,826
LIABILITIES			
EQUITY			
Shareholders' capital			
Share capital	100	100	100
Other funds			
Invested non-restricted equity fund	25,493	25,493	25,493
Retained earnings	11,205	3,239	3,239
Profit (loss) for the period	2,494	1,427	9,769
EQUITY TOTAL	39,291	30,258	38,600
Depreciation reserve	75	82	75
Provisions	810	810	810
LIABILITIES			
Current liabilities total	52,346	39,497	61,341
Advances received	2,862	2,129	3,065
Accounts payables	36,443	21,773	42,087
Other liabilities	1,059	4,223	3,496
Accrued expenses	11,982	11,372	12,693
LIABILITIES TOTAL	52,346	39,497	61,341
TOTAL LIABILITIES	92,522	70,647	100,826

CASH FLOW

€ thousands	1-3/2017	1-3/2016	2016
Cash flow from operating activities			
Profit before appropriations and taxes	3,117	1,783	12,202
Depreciation and amortization	302	306	1,296
Gains/losses on sales or disposals of tangible and intangible assets	13	0	0
Interest paid and received	-23	-11	-1
Non-current receivables, increase (-), decrease (+)	-122	0	-241
Current receivables, increase (-), decrease (+)	-3,496	1,171	-3,383
Inventory increase (-), decrease (+)	680	-530	-5,302
Non-interest-bearing debt, increase (+), decrease (-)	-8,492	-6,582	15,770
NET CASH FROM OPERATING ACTIVITIES BEFORE FINANCING AND TAXES	-8,022	-3,863	20,341
Interest paid and other operational financial expenses	-8	-8	-39
Interest received from operations	31	21	44
Taxes paid	-1,418	-304	-1,715
NET CASH FLOW FROM OPERATING ACTIVITIES	-9,417	-4,154	18,631
Investments			
Intangible and tangible investments	-177	-194	-949
Other investments	-30	0	0
NET CASH FLOW FROM INVESTMENTS	-208	-194	-949
Cash flows from financing activities			
Dividends paid	-1,511	-5,600	-6,760
NET CASH FLOW FROM FINANCING ACTIVITIES	-1,511	-5,600	-6,760
NET INCREASE (+) / DECREASE (-) IN CASH AND CASH EQUIVALENTS	-11,135	-9,947	10,922
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	41,692	30,770	30,770
CASH AND CASH EQUIVALENTS AT THE PERIOD END	30,557	20,823	41,692

STATEMENT OF EQUITY CHANGES

€, thousand	Share capital	Invested unrestricted equity fund	Retained earnings	Profit (loss) for the period	Total
EQUITY 1.1.2017	100	25,493	13,008	0	38,600
Dividends	0	0	-1,803	0	-1,803
Profit (loss) of the period	0	0	0	2,494	2,494
EQUITY 31.3.2017	100	25,493	11,205	2,494	39,291
EQUITY 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
EQUITY 31.3.2016	100	25,493	3,239	1,427	30,258
EQUITY 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	9,769	9,769
EQUITY 31.12.2016	100	25,493	3,239	9,769	38,600

ITEMS AFFECTING COMPARABILITY

€, thousands	1-3/2017	1-3/2016
Items affecting comparability in operating profit	0	-599
Items affecting comparability in financial items	0	0
Items affecting comparability in taxes	0	120
Items affecting comparability, total	0	-479

Items affecting comparability in January-March in year 2016 relate to a holiday pay compensation.

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) Comparable operating margin, % = Comparable operating result / 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) Comparable earnings per share = Comparable profit for the financial period / 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) Comparable earnings per share (diluted) = Comparable profit for the financial period / 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