

VERKKOKAUPPA.COM OYJ
FINANCIAL STATEMENTS
RELEASE (IFRS)
1 Jan -31 Dec 2018

FINANCIAL STATEMENTS RELEASE for 1 January – 31 December 2018: Revenue grew by 22% during Q4 in a weak market

Verkkokauppa.com Oyj – Financial statements release (unaudited) 15 February 2019, 8:00 a.m.

1 October – 31 December 2018 in brief

- Revenue 156 million euros (10–12/2017: 127), growth of 22%
- Gross profit 22.9 million euros (20.1), growth of 14%
- Gross margin 14.7% of revenue (15.8%)
- Operating profit 5.9 million euros (5.8)
- Operating margin 3.8% of revenue (4.5%)
- Profit for the period 4.4 million euros (4.5)
- Earnings per share 0.10 euros (0.10)

KEY RATIOS (IFRS)	10-12/2018	10-12/2017	Change%	1-12/2018	1-12/2017	Change%
Revenue, € thousands	155,852	127,410	22%	477,833	431,870	11%
Gross profit, € thousands	22,933	20,089	14%	72,020	62,450	15%
Gross margin, % of revenue	14.7%	15.8%	-7%	15.1%	14.5%	4%
EBITDA, € thousands	7,205	7,051	2%	18,414	18,044	2%
EBITDA, %	4.6%	5.5%	-16%	3.9%	4.2%	-8%
Operating profit, € thousands	5,946	5,770	3%	13,324	13,460	-1%
Operating margin, % of revenue	3.8%	4.5%	-16%	2.8%	3.1%	-11%
Net profit, € thousands	4,443	4,508	-1%	9,334	9,449	-1%

1 January – 31 December 2018 in brief

- Revenue 478 million euros (1–12/2017: 432), growth of 11%
- Gross profit 72.0 million euros (62.5), growth of 15%
- Gross margin 15.1% of revenue (14.5%)
- Operating profit 13.3 million euros (13.5)
- Operating margin 2.8% of revenue (3.1%)
- Profit for the period 9.3 million euros (9.4)
- Earnings per share 0.21 euros (0.21)
- The Board of Directors proposes to the annual general meeting that a dividend of 0.198 euro per share in total will be distributed for the financial year 2018 in quarterly instalments
- The Company made a transition to IFRS. The 2018 financial statements release is prepared in accordance with IFRS
- The medium-term targets were recalibrated. Annual revenue growth of 10–20%, a growing operating profit and an operating profit margin of 2.5–4.5%. The dividend policy is to pay out a quarterly growing dividend.

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 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 19 December 2018 that the Finnish GDP will grow by 2.5% during 2018 and by 1.9% during 2019.

FINANCIAL GUIDANCE

In 2019, the Company's revenue is expected to be between 500–550 million euros (2018: 478 million euros) and operating profit to be between 11–17 million euros (13.3 million euros).

CEO PANU PORKKA REVIEW

Verkkokauppa.com's revenue growth accelerated towards the end of the year as expected, growing with 22%, amounting to 156 million euros in Q4. Drivers for the record sales in Q4 were a successful Black Friday campaign and Christmas season. During Black Friday the company broke all its sales records both in the online store and all its stores. Market remained competitive and very tight, growing only by 0.7% in October-December, according to GfK. The company reacted to the market by significantly increasing marketing investments and with aggressive pricing. Thanks to these efforts the company's market share grew significantly in almost all product categories during the last quarter, sales growing over 60% in several product categories.

Gross margin in Q4 was 14.7% while operating margin was 3.8% of revenue. Lower operating margin was mostly due to lower gross margin and significant marketing investments during the end of the year. Costs grew due to additional marketing investments and personnel costs relating to launch of the new store in Raisio.

The revenue for the whole year grew by 11% amounting to 478 million and was in line with our expectations. After lower growth in H1 the company succeeded to increase its revenue significantly in H2 according to its growth strategy. On 12 December 2018 Verkkokauppa.com announced in its company release the transition to IFRS reporting to offer investors comparable financial information. According to IFRS, operating profit for 2018 was 13.3 million euros and profit for the period 9.3 million euros.

The company's initial unaudited comparable EBITDA announced on 17 January 2019 was incorrect and the company announced the corrected figures on 13 February 2019. The error in reporting has been located and corrected.

The implementation of the renewed business plan is proceeding as planned. The company has made many significant improvements to improve its customer experience and personalization on its online store. The new marketing plan is in use and the allocation of marketing investments have been updated. Management team has been strengthened with two new appointments. New HR director Taina Suorsa has started on 1 January 2019 and new Chief Sales Officer Kalle Koutajoki will start on 25 February 2019.

Verkkokauppa.com's development plans and investments are guided by delivering strong growth also in the future. The company's goal is to win market share aggressively on its journey towards a billion-euro company. A new category expansion launch will be announced during the spring. In addition, the company will invest considerably in different marketing channels to attract a larger customer base and continue to further develop its omnichannel customer experience.

In the future, the company's profitability is supported by continuous work in maintaining its low cost-structure, focused streamlining of processes and improved purchasing terms through higher purchasing volumes. The company expects the consumer electronic market to stay competitive and aggressive pricing to continue throughout the year. Verkkokauppa.com will face the competition with firm pricing and by offering better availability and larger assortment than its competitors. The growth in the future will be supported by changing consumer behavior trends and retail going online and mobile. An estimated one per cent, or approximately 400 million euros of retail sales goes online also this year in Finland.

REVENUE AND PROFITABILITY DEVELOPMENT

October–December 2018

In October–December, Verkkokauppa.com Oyj's revenue grew by 22.3% year-on-year. Revenue grew by 28.4 million euros, totaling 155.9 million euros (127.4). Sales increased particularly in televisions, small domestic appliances (SDA), computers, mobile phones and major domestic appliances (MDA).

According to GfK, the demand for consumer electronics increased by 0.7% during October–December in Finland.

A 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 the Company's purchasing volumes and thus improve the Company's position in relation to its suppliers.

Verkkokauppa.com's company-financed customer financing grew in the fourth quarter. Its proceeds totaled 0.9 million euros (0.5) including both interest income and fee income. Verkkokauppa.com terminated at the year-end a shared portfolio, which was used in financing private customers. The portfolio was financed by a partner and there was a profit-sharing model in use. In the future, Verkkokauppa.com's proceeds and accounts receivables are expected to grow due to this change. Verkkokauppa.com sold past due receivables as part of its risk management.

Personnel costs increased in October–December by 10.6% to 8.4 million euros (7.6). The growth was mainly due to increased personnel at the new Raisio store. During the fourth quarter, other operating expenses increased by 2.0 million euros to 7.6 million euros (5.5). The growth resulted mainly from the new store in Raisio and from increased marketing efforts.

The Raisio store has gained market share. The store costs have been slightly higher than expected.

Operating profit in October–December 2018 was 5.9 million euros (5.8) and profit for the period 4.4 million euros (4.5).

Earnings per share were 0.10 euros (0.10).

January–December 2018

In January–December, Verkkokauppa.com Oyj's revenue grew by 10.6% year-on-year. Revenue grew by 46.0 million euros, totaling 477.8 million euros (431.9). Sales increased particularly in televisions, small domestic appliances (SDA), Audio & Hi-Fi, major domestic appliances (MDA), and computers.

According to GfK, the demand for consumer electronics increased by 1.6% during January–December in Finland.

A part of the sales increase was due to large wholesale volumes. This part of sales decreased compared to 2017. The volume of these sales is typically difficult to estimate, and their profitability is low. However, these sales contribute to the Company's purchasing volumes and thus, improve the Company's position in relation to its suppliers.

Company-financed customer financing grew compared to the previous year. Its proceeds were 3.1 million euros (1.5) including both interest income and fee income. Verkkokauppa.com terminated at the year-end a shared portfolio, which was used in financing private customers. The portfolio was financed by a partner and there was a profit-sharing model in use. In the future Verkkokauppa.com's proceeds and accounts receivables are expected to grow due to this change. Verkkokauppa.com sold past due receivables as part of its risk management. Due to this, the credit loss allowance decreased to 0.5 million euros (0.7).

On 8 March 2018 Verkkokauppa.com opened a fourth store in Raisio. The Raisio store has generated slightly higher costs than expected.

Applying IFRS 16 Leases standard has an impact on other operating expenses, depreciations and interest costs. A right-of-use asset and a lease liability is recognized in the statement of financial position. The accounting policies are described in more detail in a separate company release published on 12 February 2019.

In 2018, lease liabilities decreased by 3,0 million euros (3.2). Interest from lease liabilities totaled 1.6 million euros (1.7). Lease liabilities totaled 26.3 million euros (29.3). The decrease in lease liabilities resulted from the fact that the Company did not sign new leases and the lease term of existing leases shortened.

Personnel costs increased in January–December by 16.2% to 30.3 million euros (26.1). The increase resulted mainly from the growing number of personnel in stores, in customer service and in administration. During the reporting period, other operating expenses increased by 5.3 million euros to 23.7 million euros (18.4). The increase resulted from the launch of the new store in Raisio and the increase in the company-financed customer financing, Apuraha, portfolio. Verkkokauppa.com renewed and increased its marketing efforts when compared to the previous year.

Operating profit in January–December 2018 was 13.3 million euros (13.5) and profit for the period 9.3 million euros (9.4).

Earnings per share were 0.21 euros (0.21).

FINANCE AND INVESTMENTS

Operating cash flow was 8.9 million euros (23.2) in January–December 2018. In the reporting period, the weakening of the operating cash flow resulted mainly from an increase in inventory.

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's practice has been to utilize the maximum amount of cash discounts in the current interest rate environment.

During the reporting period, the Company invested in new IT systems and in development of new ERP features, and as a result capitalized 0.4 million euros of the IT department's employee benefit expenses and external technology consulting fees. The Company also invested in the new Raisio store and ordinary store equipment and furniture. Net capital expenditures totaled 1.4 million euros (1.5) in January–December 2018.

FINANCIAL TARGETS

The Company targets an annual revenue growth of 10–20% in the medium term. The Company targets a growing operating profit and an operating profit margin of 2.5–4.5% in the medium-term. The Company's dividend policy is to pay out a quarterly growing dividend.

SHARES AND SHARE TRADING

The total number of shares in the Company was 45,065,130 on 31 December 2018, including the treasury shares.

During the reporting period, 7,062,002 shares were exchanged on the NASDAQ First North Finland market place, representing 15.7% of all shares in the Company. The highest share price was 8.09 euros and the lowest 4.01 euros. The average price in share trading was 5.20 euros. The total of the share trading was 37 million euros. The closing price was 4.10 euros, and the market capitalization of all shares was 185 million euros at the end of the period.

Between 9 May and 8 June 2018, the Company acquired a total of 82,500 own shares. These treasury shares were purchased for the payment of the share component of the annual remuneration of Board members and for fulfilment of obligations related to the Company's Matching Share Plan. In 2018, the company transferred a total of 17,867 treasury shares as part of the remuneration of Board members.

The Company held 64,633 treasury shares on 31 December 2018. These treasury shares accounted for 0.14% of all shares. The treasury shares have no voting rights and no dividend is paid on them.

The Board holds a valid authorization to issue a maximum of 4,506,513 shares on a share issue by one or several decisions (share issue authorization of 2018). The Board has not utilized its share issue authorization.

Share-based incentive plan

On 16 May 2018 Verkkokauppa.com Oyj established a new share-based incentive plan for key employees. The aim of the incentive plan is to increase the value of the Company in the long-term by aligning the objectives of the shareholders and key employees, to encourage key employees to personally invest in the Company's shares, to retain key employees at the Company and to offer them a competitive share-based reward plan.

In the Matching Share Plan, the participant receives a fixed number of matching shares against an investment in Verkkokauppa.com Oyj's shares. The Matching Share Plan includes three matching periods 2018-2020, 2019-2021 and 2020-2022. The Board will resolve annually on the commencement and details of matching periods. The prerequisite for receiving a reward based on this plan is that a person participating in the plan allocates freely transferable Company shares they hold in the plan, or acquires Company shares up to the number determined by the Board of Directors. The payment of reward is based on the participant's employment or service upon reward payment.

PERSONNEL AND MANAGEMENT

During the reporting period, the number of employees increased by 50, and the total number of employees was 683 (633) at the end of December 2018. The number of employees includes both full- and part-time employees.

Verkkokauppa.com Oyj's CEO Panu Porkka assumed his duties as CEO on 22 March 2018.

On 3 April 2018 the Company appointed Tommi Jylhä-Vuorio as Sales Director and Seppo Niemelä as Marketing and Communications Director. Niemelä started in his role on 6 August 2018 and Jylhä-Vuorio started in his role on 13 August 2018. Sales Director Jylhä-Vuorio resigned from his duties on 5 September 2018. As a result of the appointments, the Company also established an Extended Management Team, to which Services Director Timo Halonen, Web Sales Director Esa Hjerppe, and Sales Director, Retail Stores, Markus Pätilä joined from the current Management Team. Taina Suorsa was appointed as HR Director and Extended Management Team member as of 1 October 2018. Suorsa was appointed to the Management Team as of 1 January 2019. Vesa Järveläinen was appointed as Commercial Director as of 1 January 2019. Järveläinen continues as a member of the Management Team. Kalle Koutajoki was appointed as Chief Sales Officer (CSO) and Management Team member on 21 December 2018. Koutajoki starts in his role on 25 February 2019. Teemu Puikkonen was appointed as Sales Director, Retail Stores and as a member of the Extended Management Team as of 1 February 2019.

Verkkokauppa.com Oyj's Management Team:

- Panu Porkka, CEO
- Jussi Tallgren, CFO
- Henrik Weckström, CTO
- Miika Heinonen, Logistics Director

- Vesa Järveläinen, Commercial Director, started on 1 January 2019 and continues as a member of the Management Team
- Seppo Niemelä, Marketing and Communications Director, started on 6 August 2018
- Taina Suorsa, HR Director, started on 1 January 2019
- Kalle Koutajoki, CSO, starting on 25 February 2019

Verkkokauppa.com Oyj's Extended Management Team:

- Panu Porkka, CEO
- Jussi Tallgren, CFO
- Henrik Weckström, CTO
- Miika Heinonen, Logistics Director
- Vesa Järveläinen, Commercial Director, started on 1 January 2019
- Seppo Niemelä, Marketing and Communications Director, started 6 August 2018
- Taina Suorsa, HR Director, started 1 October 2018
- Kalle Koutajoki, CSO, starting on 25 February 2019
- Timo Halonen, Services Director
- Esa Hjerppe, Web Sales Director
- Markus Pätilä, Sales Director, Retail Stores, until 31 January 2019
- Teemu Puikkonen, Sales Director, Retail Stores, started on 1 February 2019

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 2017.

LITIGATION AND DISPUTES

Verkkokauppa.com has no open litigation issues nor any significant disputes.

ANNUAL GENERAL MEETING 2018

The Annual General Meeting was held in Helsinki on 21 March 2018. The financial statements for the year 2017 were approved and the Board members and the CEO were discharged from liability with respect to financial year 2017. It was resolved to pay a dividend of 0.044 euros per share, totaling 1,982,865.72 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 0.138 per share (the instalments may differ from each other), in total not exceeding EUR 6,218,987.94. 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 16

May 2018, 21 August 2018 and 6 November 2018. 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 21 March 2018, all Board members were elected until the end of the next Annual General Meeting. Christoffer Häggblom, Robert Burén, Mikael Hagman, Kai Seikku, Arja Talma and Samuli Seppälä were elected as members of the Board of Directors. The Board elected Christoffer Häggblom as the Chairman of the Board. Panu Porkka is the Company's CEO since 22 March 2018.

The Authorized Public Accountant PricewaterhouseCoopers Oy was re-elected as the auditor, who has notified the Company that Authorized Public Accountant Ylva Eriksson will be acting as the Principal Auditor.

After the Annual General Meeting Verkkokauppa.com Oyj Board of Directors held an organizational meeting, where it resolved on the Board committees. It decided to continue with the following board committees: Audit Committee, Nomination and Remuneration Committee and Strategy Committee. The Audit Committee consists of Board members Kai Seikku (Chairman), Samuli Seppälä, Arja Talma and Christoffer Häggblom. The Nomination and Remuneration Committee consists of Board members Christoffer Häggblom (Chairman), Samuli Seppälä and Kai Seikku. The Strategy Committee consists of Board members Samuli Seppälä (Chairman), Christoffer Häggblom, Robert Burén and Mikael Hagman.

DIVIDEND

Annual General Meeting 2018 resolved to pay 0.044 euros (1,982,865.72 euros in total) per share as dividend. The record date for the dividend distribution was 23 March 2018 and the dividend payment date was 3 April 2018.

Verkkokauppa.com's Annual General Meeting authorized the Board of Directors to decide in its discretion on the distribution of dividends not exceeding 0.138 euro per share to be paid in three instalments during 2018.

The Board has resolved on 4 May 2018 to pay dividend of 0.045 euros per share (2,027,930.85 euros in total). The record date for the dividend distribution was 8 May 2018 and the dividend payment date was 16 May 2018.

The Board has resolved on 10 August 2018 to pay a dividend of 0.046 euros per share (2,069,200.98 euros in total). The record date for the dividend distribution was 14 August 2018 and the dividend payment date was 21 August 2018.

The Board has resolved on 26 October 2018 to pay a dividend of 0.047 euros per share (2,114,706.81 euros in total). The record date for the dividend distribution is 30 October 2018 and the dividend payment date was 6 November 2018.

OTHER EVENTS DURING THE REPORTING PERIOD

On 16 January 2018, Verkkokauppa.com gave preliminary information on the Company's revenue and comparable operating profit for the year 2017.

On 27 January 2018 Verkkokauppa.com ended its cooperation with customer loyalty program PINS.

On 9 May 2018 Verkkokauppa.com started to acquire the Company's own shares and ended the process on 8 June 2018. The Company acquired a total of 82,500 own shares for an average price per share of EUR 6.05.

On 16 May 2018 Verkkokauppa.com resolved on a long-term incentive plan for key employees.

On 1 October 2018 Verkkokauppa.com appointed Taina Suorsa as HR Director and a member of Extended Management Team as of 1 October 2018.

Verkkokauppa.com Oyj decided on 12 December 2018 to make a transition to IFRS. The Company's date of transition to IFRS is 1 January 2017. The Company will publish its year-end financial statements release and financial statements for the financial period ending on 31 December 2018 in accordance with IFRS.

Verkkokauppa.com Oyj appointed on 21 December 2018 Taina Suorsa as a Management Team member as of 1 January 2019 and Kalle Koutajoki as Chief Sales Officer (CSO) and as Management Team member no later than as of 1 March 2019.

SUBSEQUENT EVENTS

Verkkokauppa.com Oyj gave a profit warning on 16 January 2019 and preliminary information on the Company's revenue and comparable EBITDA for the year 2018.

Verkkokauppa.com Oyj gave a profit warning on 13 February 2019 and preliminary information on the Company's comparable EBITDA for the year 2018.

Verkkokauppa.com Oyj published on 12 February 2019 IFRS comparative information.

Verkkokauppa.com Oyj published on 15 February 2019 its medium-term financial targets restated according to IFRS.

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, 15 February 2019, in which Verkkokauppa.com Oyj's CEO Panu Porkka will present the developments in the reporting period.

A press conference in English will be held by LiveStream webcast on Friday, 15 February 2019 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 2019

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

- Interim report January – March on Friday 10 May 2019
- Half-year report January – June on Friday 9 August 2019
- Interim report January – September on Friday 25 October 2019

Helsinki, Finland, 15 February 2019

Verkkokauppa.com Oyj

Board of Directors

More information:

Panu Porkka, CEO

e-mail panu.porkka@verkkokauppa.com

Telephone +358 10 309 5555

Jussi Tallgren, CFO

e-mail jussi.tallgren@verkkokauppa.com

Telephone +358 10 309 5555

Certified Adviser Nordea Bank Plc

Telephone +358 9 5300 6785

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VERKKOKAUPPA.COM OYJ FINANCIAL STATEMENTS RELEASE (IFRS)
31 Dec 2018**1 Jan -**

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1 Accounting policies applied in this financial statements release

This financial statements release contains Verkkokauppa.com Oyj. Verkkokauppa.com Oyj is a public limited company the shares of which are quoted on First North of Nasdaq Helsinki Ltd. The registered address of its head office is Tyynenmerenkatu 11, Helsinki.

This financial statements release is the first financial statements release of Verkkokauppa.com Oyj prepared according to IFRS and in accordance with the requirements of IAS 34 Interim Financial Reporting. The financial information in this release is based on IFRS effective as at 31, December 2018, however so that IFRS 16 Leases has been applied early. Verkkokauppa.com Oyj has adopted IFRS 16 fully retrospectively.

Verkkokauppa.com Oyj published on 12 February 2019 with a separate company release the comparative information according to IFRS compared to Finnish Accounting Standards (FAS). The major changes to accounting policies are also explained in the company release.

The information contained in this financial statements release has not been audited. The figures are rounded, and therefore the sum of individual figures may deviate from the aggregate amount presented.

Use of estimates

The preparation of these financial statements required management to make judgements, estimates assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

2 Primary financial statements

2.1 Income statement (IFRS)

EUR thousand	10-12/ 2018	10-12/ 2017	1-12/ 2018	1-12/ 2017
Revenue	155,852	127,410	477,833	431,870
Other operating income	175	19	389	81
Materials and services	-132,919	-107,321	-405,813	-369,420
Employee benefit expenses	-8,352	-7,552	-30,300	-26,084
Depreciation and amortization	-1,259	-1,281	-5,090	-4,584
Other operating expenses	-7,551	-5,505	-23,696	-18,403
Operating profit	5,946	5,770	13,324	13,460
Finance income	2	30	9	123
Finance costs	-399	-431	-1,670	-1,771
Profit before income taxes	5,550	5,370	11,662	11,812
Income taxes	-1,106	-862	-2,328	-2,363
Profit for the period	4,443	4,508	9,334	9,449
Profit for the period attributable to				
Equity holders of the company	4,443	4,508	9,334	9,449
Earnings per share calculated from the profit attributable to equity holders				
Earnings per share, basic and diluted (EUR)	0.10	0.10	0.21	0.21

2.2 Statement of comprehensive income (IFRS)

EUR thousand	10-12/ 2018	10-12/ 2017	1-12/ 2018	1-12/ 2017
Profit for the period	4,443	4,508	9,334	9,449
Items that will not be reclassified to profit or loss				
Realized changes in fair values of equity investments		308		308
Changes in fair values of equity investments		-19	-15	-19
Other comprehensive income after taxes, total		289	-15	289
Comprehensive income for the period	4,443	4,796	9,319	9,738
Comprehensive income for the period				
Equity holders of the company	4,443	4,796	9,319	9,738

2.3 Statement of financial position (IFRS)

EUR thousand	31 Dec 2018	31 Dec 2017
Non-current assets		
Intangible assets	1,067	970
Property, plant and equipment	1,970	1,976
Right-of-use assets	21,764	24,589
Equity investments	275	294
Deferred tax assets	1,112	1,182
Trade receivables	1,544	1,039
Other non-current receivables	438	437
Non-current assets, total	28,171	30,487
Current assets		
Inventories	65,784	47,012
Trade receivables	15,266	11,396
Other receivables	1,752	1,242
Income tax receivables	199	115
Accrued income	9,823	6,818
Cash and cash equivalents	46,746	51,878
Current assets, total	139,570	118,461
Total assets	167,741	148,948
Equity		
Share capital	100	100
Treasury shares	-502	-
Fair value reserve	-33	-18
Invested non-restricted equity fund	25,585	25,493
Retained earnings	3,082	1,773
Profit for the period	9,334	9,449
Total equity	37,565	36,797
Non-current liabilities		
Lease liabilities	22,753	25,507
Deferred tax liabilities	18	9
Provisions	560	637
Non-current liabilities, total	23,331	26,154
Current liabilities		
Lease liabilities	3,592	3,808
Advance payments received	4,301	2,558
Trade payables	80,695	63,149
Other current liabilities	4,077	4,626
Accrued liabilities	14,181	11,856
Current liabilities, total	106,845	85,997
Total liabilities	130,176	112,151
Total equity and liabilities	167,741	148,948

2.4 Statement of cash flows (IFRS)

EUR thousand	2018	2017
Cash flow from operating activities		
Profit before income taxes	11,662	11,812
Adjustments		
Depreciation and impairment	5,090	4,584
Gain on sales and losses on fixed assets and scrapping	-	57
Finance income and costs	1,630	1,648
Other adjustments	69	-173
Cash flow before change in working capital	18,451	17,928
Change in working capital		
Increase(-) / decrease(+) in non-current non-interest-bearing trade receivables	-506	-1,124
Increase(-) / decrease(+) in trade and other receivables	-7,384	-6,559
Increase(-) / decrease(+) in inventories	-18,772	-3,710
Increase(+) / decrease(-) in current liabilities	21,276	21,866
Cash flow before financial items and taxes	13,065	28,402
Interest paid	-38	-51
Interest received	9	123
Interest of lease liabilities	-1,632	-1,720
Income tax paid	-2,543	-3,521
Cash flow from operating activities	8,861	23,233
Cash flow from investing activities		
Purchases of property, plant and equipment	-582	-1,360
Purchases of intangible assets	-774	-376
Purchases of equity investments	-	-297
Proceeds from equity investments	-	543
Cash flow from investing activities	-1,356	-1,490
Cash flow from financing activities		
Decrease (-) / increase (+) in lease liabilities	-3,939	-3,175
Dividends paid	-8,195	-8,382
Acquisition of treasury shares	-502	-
Cash flow from financing activities	-12,636	-11,557
Increase(+) / decrease(-) in cash and cash equivalents	-5,131	10,186
Cash and cash equivalents at beginning of financial year	51,878	41,692
Cash and cash equivalents at end of financial year	46,746	51,878

2.5 Statement of changes in equity (IFRS)

A	Share capital	E	Retained earnings
B	Treasury shares	F	Company shareholders' equity
C	Invested non-restricted equity fund	G	Total equity
D	Fair value reserve		

EUR thousand	A	B	C	D	E	F	G
Equity 1 Jan 2017 (FAS)	100	-	25,493	-	13,857	39,450	39,450
Impact of adoption of IFRS	-	-	-	1	-4,009	-4,008	-4,008
Equity 1 Jan 2017 (IFRS)	100	-	25,493	1	9,848	35,441	35,441
Profit for the period	-	-	-	-	9,449	9,449	9,449
Realized changes in fair values of equity investments	-	-	-	308	-	308	308
Changes in fair values of equity investments	-	-	-	-19	-	-19	-19
Comprehensive income for the period, total	-	-	-	289	9,449	9,738	9,738
Reclassification of disposed equity investment from fair value reserve to retained earnings	-	-	-	-308	308	-	-
Reclassifications between items	-	-	-	-308	308	-	-
Dividend distribution	-	-	-	-	-8,382	-8,382	-8,382
Transactions with owners, total	-	-	-	-	-8,382	-8,382	-8,382
Equity 31 Dec 2017 (IFRS)	100	-	25,493	-18	11,222	36,797	36,797
EUR thousand	A	B	C	D	E	F	G
Equity 1 Jan 2018 (IFRS)	100	-	25,493	-18	11,222	36,797	36,797
Profit for the period	-	-	-	-	9,334	9,334	9,334
Changes in fair values of equity investments	-	-	-	-15	-	-15	-15
Comprehensive income for the period, total	-	-	-	-15	9,334	9,319	9,319
Dividend distribution	-	-	-	-	-8,195	-8,195	-8,195
Acquisition of treasury shares	-	-502	-	-	-	-502	-502
Disposal of treasury shares -Board fees	-	-	92	-	-	92	92
Share-based incentives	-	-	-	-	54	54	54
Transactions with owners, total	-	-502	92	-	-8,141	-8,551	-8,551
Equity 31 Dec 2018 (IFRS)	100	-502	25,585	-33	12,416	37,565	37,565

3 Notes

3.1 Segment reporting

Verkkokauppa.com Oyj has one reportable segment. The management of Verkkokauppa.com Oyj has exercised judgement when it has applied the aggregation criteria to aggregate the operating segments into one reportable segment. The customers are the same across all operating segments, which offer the same goods and services in uniform conditions in one main market i.e. Finland. At the core of the Company's business model is a strong integration of webstore and stores, common support functions serving the entire business as well as the volume benefits enabled by centralized business.

3.2 Revenue from contracts with customers

The revenue streams of the Company consist of the sale of goods and services. There are over 65.000 products in 26 different main product categories which the Company sells to consumers through its own webstore and four retail stores in Finland. The sale of services rendered by the Company includes, for example, installation and maintenance services, subscription sales and visibility sales. Revenue is accumulated geographically mainly from Finland.

Revenue from sales of products is recognized at a point in time when the control has been transferred. The revenue from services is recognized mainly over time.

Disaggregation of revenue

	10-12/ 2018	10-12/ 2017	1-12/ 2018	1-12/ 2017
EUR thousand				
At a point in time	153,997	124,479	470,971	424,061
Over time	1,855	2,931	6,862	7,810
Revenue, total	155,852	127,410	477,833	431,870

Income recognized from customer financing

The Company presents all income from customer financing as part of revenue in the primary financial statements.

The table below presents the income recognized from company-financed Apuraha customer financing divided into income recognized using the effective interest rate method and other income. Other income consists of other fees.

	10-12/ 2018	10-12/ 2017	1-12/ 2018	1-12/ 2017
EUR thousand				
Interest income recognized using effective interest rate method	330	167	1,123	414
Other income from company-financed customer financing	562	365	2,019	1,075
Income from company-financed Apuraha, total	892	532	3,142	1,489

3.3 Seasonality of business

The nature of the business of the Company includes seasonality. 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.

3.4 Quarterly income statement

EUR thousand	10-12/ 2018	7-9/ 2018	4-6/ 2018	1-3/ 2018	10-12/ 2017
Revenue	155,852	116,874	102,414	102,693	127,410
Other operating income	175	121	73	20	19
Materials and services	-132,919	-99,517	-87,390	-85,987	-107,321
Employee benefit expenses	-8,352	-7,043	-7,545	-7,359	-7,552
Depreciation and amortization	-1,259	-1,261	-1,279	-1,291	-1,281
Other operating expenses	-7,551	-5,474	-5,260	-5,412	-5,505
Operating profit	5,946	3,702	1,012	2,663	5,770
Finance income	2	1	2	4	30
Finance costs	-399	-410	-426	-436	-431
Profit before income taxes	5,550	3,293	588	2,232	5,370
Income taxes	-1,106	-678	-125	-418	-862
Profit for the period	4,443	2,615	462	1,813	4,508
Profit for the period attributable to					
Equity holders	4,443	2,615	462	1,813	4,508
Earnings per share calculated from the profit attributable to equity holders					
Earnings per share, basic and diluted (EUR)	0.10	0.06	0.01	0.04	0.10

3.5 Right-of-use assets

EUR Thousand	2018	2017
Carrying amount 1.1.	24,589	22,023
Increases	284	5,784
Increase/decrease due to remeasurement	716	14
Depreciation	-3,825	-3,232
Carrying amount at the end of period	21,764	24,589

The remeasurements done during 2018 relate to index adjustments and a change to the Jätkäsaari lease agreement based on the original contract terms. The additions made in 2017 relate to the new lease contracts of the stores in Raisio, Oulu and Pirkkala.

3.6 Trade receivables

EUR thousand	2018		2017	
	Trade receivables	Loss allowance	Trade receivables	Loss allowance
Not due	12,553	212	9,951	43
Past due 1-60 days	4,305	173	2,607	228
Past due 61-120 days	455	136	346	198
Past due over 121 days	33	14	250	250
Total	17,345	535	13,154	719

3.7 Financial assets and liabilities by measurement category

2018, EUR thousand

Measurement category	Recognized at fair value through other comprehensive income	At amortized cost	Lease liabilities	Carrying amount
Non-current financial assets				
Equity investments (level 2)	9			9
Equity investments (level 3)	266			266
Trade receivables and other financial receivables		1,982		1,982
Non-current financial assets, total	275	1,982		2,257
Current financial assets				
Trade receivables		15,266		15,266
Cash and cash equivalents		46,746		46,746
Current financial assets, total		62,012		62,012
Financial liabilities by measurement category, total	275	63,994		64,269
Non-current financial liabilities				
Lease liabilities			22,753	22,753
Non-current financial liabilities, total			22,753	22,753
Current financial liabilities				
Lease liabilities			3,592	3,592
Trade payables		80,695		80,695
Current financial liabilities, total		80,695	3,592	84,287
Financial liabilities by measurement category, total		80,695	26,344	107,039

2017, EUR thousand

Measurement category	Recognized at fair value through other comprehensive income	At amortized cost	Lease liabilities	Carrying amount
Non-current financial assets				
Equity investments (level 2)	27			27
Equity investments (level 3)	266			266
Trade receivables and other financial receivables		1,476		1,476
Non-current financial assets, total	294	1,476		1,769
Current financial assets				
Trade receivables		11,396		11,396

Cash and cash equivalents	51,878		51,878
Current financial assets, total	63,274		63,274
Financial liabilities by measurement category, total			
	294	64,750	65,044
Non-current financial liabilities			
Lease liabilities		25,507	25,507
Non-current financial liabilities, total		25,507	25,507
Current financial liabilities			
Lease liabilities		3,808	3,808
Trade payables	63,149		63,149
Current financial liabilities, total	63,149	3,808	66,957
Financial liabilities by measurement category, total			
	63,149	29,315	92,464

Determining fair values

Level 1: Fair values are based on the (unadjusted) quoted prices of identical assets or liabilities publicly traded in active markets.

Level 2: Financial instruments are not traded in active and liquid markets but their fair values are calculable based on market data.

Level 3: Measuring of financial instruments is not based on verifiable market data, nor are other factors influencing the fair value of the instruments available or verifiable.

The equity investments in level 3 contain unquoted shares. According to the assessments of the management, measurement at cost is closest to fair value. There have been no changes in the carrying amounts during the financial year 2018. There have been no transfers between measurement categories during the financial year or the comparative year.

3.8 Dividends

Dividends paid

2018

For the previous year	Date of payment	Dividend per share, EUR
	3.4.2018	0.044
	16.5.2018	0.045
	21.8.2018	0.046
	6.11.2018	0.047
Total dividends, EUR thousand		8,195

2017

For the previous year	Date of payment	Dividend per share, EUR
	24.3.2017	0.040
	10.5.2017	0.020
	10.5.2017	0.041
	25.7.2017	0.042
	31.10.2017	0.043
Total dividends, EUR thousand		8,382

3.9 Transactions with related parties

Verkkokauppa.com Oyj's related parties comprise the Board of Directors, the CEO as well as the other members of the Management Team and the close members of the family of said persons as well as their controlled entities. Transactions with related parties have been carried out on usual commercial terms.

3.10 Guarantees and commitments

EUR Thousand	2018	2017
Collateral given for own commitments		
Mortgages		27,001
Guarantees	2,850	2,428
Other commitments and contingent liabilities	14	14

4 Additional information

4.1 IFRS Standards not yet effective

There are no IFRS, IFRIC interpretations, annual improvements or amendments to IFRS that are not yet effective that would be expected to have a material impact on the Company's financial statements.

4.2 Financial and share-specific information

In this release, Verkkokauppa.com Oyj presents certain key figures that are not accounting measures defined under IFRS and therefore are considered as Alternative Performance Measures (APM). Verkkokauppa.com Oyj applies in the reporting of alternative performance measures the guidelines issued by the European Securities and Market Authority (ESMA).

Verkkokauppa.com Oyj uses alternative performance measures to reflect the underlying business performance and to enhance comparability between financial periods. The Company's management believes that these key figures provide supplementing information on the income statement and financial position.

Alternative performance measures do not substitute the IFRS key ratios.

	10-12/ 2018	10-12/ 2017	1-12/ 2018	1-12/ 2017
Revenue, thousand euros	155,852	127,410	477,833	431,870
Gross profit, thousand euros	22,933	20,089	72,020	62,450
Gross margin-%	14.7%	15.8%	15.1%	14.5%
EBITDA, thousand euros	7,205	7,051	18,414	18,044
EBITDA-%	4.6%	5.5%	3.9%	4.2%
Operating profit, thousand euros	5,946	5,770	13,324	13,460
Operating profit-%	3.8%	4.5%	2.8%	3.1%
Profit for the period, thousand euros	4,443	4,508	9,334	9,449
Equity ratio, %	23.0%	25.1%	23.0%	25.1%
Gearing, %	-54.3%	-61.3%	-54.3%	-61.3%
Personnel at the end of period*	683	633	683	633
Basic earnings per share, euros	0.10	0.10	0.21	0.21
Diluted earnings per share, euros	0.10	0.10	0.21	0.21
Number of issued shares	45,065,130	45,065,130	45,065,130	45,065,130
Number of treasury shares	64,633	0	64,633	0
Weighted average number of shares outstanding	45,042,616	45,065,130	45,042,616	45,065,130
Diluted weighted average number of shares outstanding	45,092,616		45,092,616	

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

4.3 Formulas for key ratios

KEY RATIO	DEFINITIONS		BASIS OF ALTERNATIVE PERFORMANCE MEASURES ADOPTED
GROSS PROFIT	Revenue – materials and services		Gross profit shows the profitability of the sales
GROSS MARGIN, %	$(\text{Revenue} - \text{materials and services}) / \text{Revenue}$	x 100	Gross margin measures the profitability of the sales of Verkkokauppa.com
EBITDA	Operating profit + depreciation + amortization		EBITDA shows the operational profitability
EBITDA, %	$(\text{Operating profit} + \text{depreciation} + \text{amortization}) / \text{Revenue}$	x 100	EBITDA measures the operational profitability of Verkkokauppa.com
OPERATING PROFIT	Result for the period before income taxes and net finance income and costs		Operating profit shows result generated by operating activities
OPERATING MARGIN, %	$\text{Operating profit} / \text{Revenue}$	x 100	Operating margin measures operational efficiency of Verkkokauppa.com
EQUITY RATIO, %	$\text{Total equity} / \text{Balance sheet total} - \text{advance payments received}$		Equity ratio measures Verkkokauppa.com's solvency, ability to bear losses and ability to meet commitments in the long run
GEARING, %	$\frac{\text{Interest bearing liabilities} + \text{lease liabilities} - \text{cash and cash equivalents} - \text{interest bearing receivables}}{\text{Total equity}}$	x 100	Gearing measures the relation of equity and interest-bearing net debt of Verkkokauppa.com and shows the indebtedness of the company
EARNINGS PER SHARE, BASIC	$\frac{\text{Profit for the period attributable to equity holders of the company}}{\text{Weighted average number of shares outstanding}}$		
EARNINGS PER SHARE, DILUTED	$\frac{\text{Profit for the period attributable to equity holders of the company}}{\text{Weighted average number of shares outstanding} + \text{dilutive potential shares}}$		