

FINANCIAL STATEMENT RELEASE for 1 January – 31 December 2016: Sales and profit grew, quarterly dividend proposed

Verkkokauppa.com Oyj – Financial statement release (unaudited) 10 February 2017, 8:00 a.m.

1 October – 31 December 2016 in brief

- Revenue 115.3 million euros (10–12/2015: 107.6), growth of 7%
- Gross profit 17.6 million euros (16.3), growth of 8%
- Gross margin 15.3% of revenue (15.2%)
- Operating profit 5.5 million euros (4.9)
- Operating margin 4.8% of revenue (4.5%)
- Net profit 4.4 million euros (4.2)
- Earnings per share 0.10 euros (0.09)

KEY RATIOS	10-12/2016	10-12/2015	Change%	1-12/2016	1-12/2015	Change%
Revenue, € thousands	115,315	107,573	7%	371,495	343,682	8%
Gross profit, € thousands	17,619	16,298	8%	57,420	51,783	11%
Gross margin, % of revenue	15.3%	15.2%		15.5%	15.1%	
Comparable EBITDA, € thousands	5,860	5,159	14%	14,096	12,258	15%
Comparable EBITDA, %	5.1%	4.8%		3.8%	3.6%	
Comparable operating profit, € thousands	5,490	4,855	13%	12,800	11,087	15%
Comparable operating margin, % of revenue	4.8%	4.5%		3.4%	3.2%	
Net profit, € thousands	4,390	4,203	4%	9,769	5,354	82%
Comparable net profit, € thousands	4,390	3,759	17%	10,248	8,814	16%

1 January – 31 December 2016 in brief

- Revenue 371 million euros (1–12/2015: 344), growth of 8%
- Gross profit 57.4 million euros (51.8), growth of 11%
- Gross margin 15.5% of revenue (15.1%)
- Operating profit 12.2 million euros (7.7)
- Comparable operating profit 12.8 million euros (11.1)
- Operating margin 3.3% of revenue (2.2%)
- Comparable operating margin 3.4% of revenue (3.2%)
- Net profit 9.8 million euros (5.4)
- Comparable net profit 10.2 million euros (8.8)
- Earnings per share 0.22 euros (0.12)
- Comparable earnings per share 0.23 euros (0.20)
- The Board of Directors proposes to the annual general meeting that dividend would be paid quarterly in 2017
- The Board of Directors proposes to the annual general meeting that a dividend of 0.166 euro per share will be distributed for the financial year 2016

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

Competition remained tough throughout Q4 and Verkkokauppa.com focused more on profitability during this important quarter, which typically contributes a significant part of the annual profit. In the reporting period, sales grew by +7%, with an even more significant EBITDA gain of +14%, while mostly maintaining product category market shares. In this hectic season, the company continued to provide quick deliveries from local warehouses and good customer experience. An estimated 1% of all retail business in Finland went online in 2016.

Verkkokauppa.com is seeking more aggressive growth in 2017, boosted by the launch of two new main categories, revised category strategies and major marketing campaigns. The DIY-category will be discontinued due to insufficient profitability and revenue contribution. The Finnish consumer electronics retail market will likely continue to consolidate in 2017, and we will continue to see major changes in the retail sector, as well.

During 2017, Pirkkala store will be relocated and expanded within the same shopping centre, and Oulu store will also be expanded. In addition, one or two completely new stores and a new logistics and distribution centre to support future growth are being planned.

Since its IPO, the company has paid a growing annual dividend. The Board has now decided on a policy of growing dividend and proposes to the Annual General Meeting to start paying a quarterly dividend. This proposed revision of dividend policy reflects Verkkokauppa.com's long-term growth strategy and determination to be an investor-friendly company. The investor website will be fully renewed in the first half of 2017.

The company will continue to invest in new categories and cost-saving technologies while retail continues going strongly online. Revenue is expected to continue to grow in 2017 and in the medium term, supported by positive retail market signals in Finland.

KEY RATIOS AND PERFORMANCE INDICATORS	10-12/2016	10-12/2015	1-12/2016	1-12/2015
Revenue, € thousands	115,315	107,573	371,495	343,682
Gross profit, € thousands	17,619	16,298	57,420	51,783
Gross margin, % of revenue	15.3%	15.2%	15.5%	15.1%
EBITDA, € thousands	5,860	5,159	13,497	8,846
EBITDA, %	5.1%	4.8%	3.6%	2.6%
Comparable EBITDA, € thousands	5,860	5,159	14,096	12,258
Comparable EBITDA, %	5.1%	4.8%	3.8%	3.6%
Operating profit, € thousands	5,490	4,855	12,201	7,676
Operating margin, % of revenue	4.8%	4.5%	3.3%	2.2%
Comparable operating profit, € thousands	5,490	4,855	12,800	11,087
Comparable operating margin, % of revenue	4.8%	4.5%	3.4%	3.2%
Net profit, € thousands	4,390	4,203	9,769	5,354
Comparable net profit, € thousands	4,390	3,759	10,248	8,814
Equity ratio, %	39.5%	45.2%	39.5%	45.2%
Return on investment, % rolling 12 months	33.0%	20.9%	33.0%	20.9%
Net gearing, %	-108.0%	-86.5%	-108.0%	-86.5%
Earnings per share (EPS) revised by share split, €	0.10	0.09	0.22	0.12
Comparable earnings per share (EPS) revised by share split, €	0.10	0.08	0.23	0.20
Earnings per share (EPS) revised by share split (diluted), €	0.10	0.09	0.22	0.12
Comparable earnings per share (EPS) revised by share split (diluted), €	0.10	0.08	0.23	0.20
Number of shares at end of period	45,065,130	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	45,065,130
Number of shares at end of period revised by share split	45,065,130	45,065,130	45,065,130	45,065,130
Number of personnel* at end of period	563	561	563	561

*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

October–December 2016

In October–December, Verkkokauppa.com Oyj's revenue grew by 7% year on year. Revenue grew by 7.7 million euros, totalling 115.3 million euros (107.6). Revenue increased particularly in televisions, small domestic appliances (SDA), gaming, toys and audio/hi-fi.

According to GfK, the demand for consumer electronics increased by 1.7% during October–December in Finland.

As in the previous quarter and in the comparison period, a part of the sales increase was due to large wholesale volumes to customers who export the goods, as well as B2B sales. This part of sales decreased 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.

Personnel costs decreased in October–December by 1.3% to 6.1 million euros (6.2), although opening hours expanded.

During the fourth quarter, other expenses increased by 0.7 million euros to 5.7 million euros (5.0). The increase came mainly from the utilization of an outsourced service warehouse.

Operating profit in October–December 2016 was 5.5 million euros (4.9) and net profit 4.4 million euros (4.2). The company has taken the preliminary ruling received from Finnish Tax administration regarding the Teosto compensation payment as fully deductible in its taxation during the comparison period. This lowers the taxes for the comparison period by 0.4 million euros. Sufficient prudence has been applied in recording the tax impact of the Teosto compensation in the interim report.

Earnings per share were 0.10 euros (0.08).

January–December 2016

In January–December, Verkkokauppa.com Oyj's revenue grew by 8.1% year on year. Revenue grew by 27.8 million euros, totalling 371 million euros (344). Revenue increased particularly in televisions, computers, computer peripherals and both small (SDA) and major (MDA) domestic appliances.

According to GfK, the demand for consumer electronics increased by 2.9% during January–December in Finland.

Personnel costs increased by 9.0% to 24.4 million euros (22.4). Personnel costs include a holiday pay compensation of 0.6 million euros affecting comparability, which resulted from the company's internal audit identifying technical errors in the company's holiday pay accounting. Comparable personnel costs grew by 6.3% to 23.8 million euros (22.4). The number of personnel grew at a slower rate than revenue.

During the reporting period, other expenses decreased, totalling 19.6 million euros (20.6). Comparable other expenses grew by 13.8% and were 19.6 million euros (17.2). Other expenses in the comparison period affecting comparability included a compensation of 3.4 million euros paid to Teosto.

Operating profit in January–December 2016 was 12.2 million euros (7.7) and net profit 9.8 million euros (5.4). Comparable operating profit in January–December 2016 was 12.8 million euros (11.1) and net profit 10.2 million euros (8.8).

Earnings per share were 0.22 euros (0.12).

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

Comparable earnings per share were 0.23 euros (0.20)

FINANCE AND INVESTMENTS

Operating cash flow was 18.6 million euros (5.1) in January–December 2016. In the reporting period, the improvement of the operating cash flow mainly resulted from the positive development of operations. In addition, the comparability in the cash flow of the comparison period was affected by 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.

During the reporting period the company invested in the development of new ERP features, which resulted in the capitalization of 0.6 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 0.9 million euros (1.3) in January–December 2016.

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

On 31 December 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 December 2016.

Over the reporting period 4,092,299 shares were exchanged on the NASDAQ OMX First North Finland market, representing 9.1% of all shares in the company. The highest share price was 8.20 euros and the lowest 6.10 euros. The average price in share trading was 6.87 euros. The total of the share trading was 28.1 million euros. The closing price was 7.38 euros, and the market value of all shares was 332.6 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 2, and the total number of employees was 563 (561) at the end of December 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.

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 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 in 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. Antti Tiitola resigned from the Board of Directors as of 2 May 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, 10 February 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, 10 February 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 Sijoittajat > Esitykset. For both press conferences, a LiveStream is available at www.verklive.com.

COMPANY RELEASES IN 2017

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

- Interim report January – March on Friday 28 April 2017
- Interim report January – June on Friday 14 July 2017
- Interim report January – September on Friday 20 October 2017

Helsinki, Finland, 10 February 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 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	10-12/2016	10-12/2015	Change%	1-12/2016	1-12/2015	Change%
REVENUE	115,315	107,573	7.2%	371,495	343,682	8.1%
Other income	23	33	-31.1%	95	96	-1.4%
Cost of goods and services	-97,696	-91,275	7.0%	-314,075	-291,899	7.6%
Personnel expenses	-6,110	-6,189	-1.3%	-24,420	-22,402	9.0%
Depreciation and amortization	-369	-304	21.5%	-1,296	-1,171	10.7%
Other operating expenses	-5,671	-4,983	13.8%	-19,598	-20,630	-5.0%
OPERATING PROFIT	5,490	4,855	13.1%	12,201	7,676	59.0%
Financial income and expenses	-9	-54	-83.7%	1	-882	-100.1%
PROFIT BEFORE APPROPRIATIONS AND TAXES	5,481	4,801	14.2%	12,202	6,794	79.6%
Appropriations	7	-82		7	-82	
Income taxes	-1,098	-515	113.0%	-2,440	-1,358	79.7%
NET PROFIT	4,390	4,203	4.4%	9,769	5,354	82.5%

BALANCE SHEET

€ thousands	31.12.2016	31.12.2015
ASSETS		
NON-CURRENT ASSETS		
Intangible assets total	1,222	1,179
Tangible assets total	1,397	1,788
Investments total	251	251
NON-CURRENT ASSETS TOTAL	2,871	3,218
CURRENT ASSETS		
Inventories	44,044	38,742
Receivables		
Non-current receivables	352	111
Trade receivables	231	0
Other receivables	121	111
Current receivables	11,867	8,484
Trade receivables	7,475	5,037
Other receivables	517	601
Receivables carried forward	3,875	2,847
Cash and cash equivalents	41,692	30,770
CURRENT ASSETS TOTAL	97,956	78,108
TOTAL ASSETS	100,826	81,325
LIABILITIES		
EQUITY		
Shareholders' capital		
Share capital	100	100
Other funds		
Invested non-restricted equity fund	25,493	25,493
Retained earnings	3,239	4,645
Profit (loss) for the period	9,769	5,354
EQUITY TOTAL	38,600	35,591
Depreciation reserve	75	82
Provisions	810	810
LIABILITIES		
Current liabilities total	61,341	44,842
Advances received	3,065	2,501
Accounts payables	42,087	27,736
Other liabilities	3,496	4,450
Accrued expenses	12,693	10,156
LIABILITIES TOTAL	61,341	44,842
TOTAL LIABILITIES	100,826	81,325

CASH FLOW

€ thousands	1-12/2016	1-12/2015
Cash flow from operating activities		
Profit before appropriations and taxes	12,202	6,794
Depreciation and amortization	1,296	1,171
Change in provisions	0	95
Interest paid and received	-1	882
Non-current receivables, increase (-), decrease (+)	-241	2
Current receivables, increase (-), decrease (+)	-3,383	-490
Inventory increase (-), decrease (+)	-5,302	-7,884
Non-interest-bearing debt, increase (+), decrease (-)	15,770	6,492
NET CASH FROM OPERATING ACTIVITIES BEFORE FINANCING AND TAXES	20,341	7,061
Interest paid and other operational financial expenses	-39	-1,050
Interest received from operations	44	168
Taxes paid	-1,715	-1,084
NET CASH FLOW FROM OPERATING ACTIVITIES	18,631	5,096
Investments		
Intangible and tangible investments	-949	-1,075
Other investments	0	-201
NET CASH FLOW FROM INVESTMENTS	-949	-1,276
Cash flows from financing activities		
Current interest-bearing debt, increase (+), decrease (-)	0	-879
Non-current interest-bearing debt, increase (+), decrease (-)	0	-1,099
Dividends paid	-6,760	-6,384
NET CASH FLOW FROM FINANCING ACTIVITIES	-6,760	-8,362
NET INCREASE (+) / DECREASE (-) IN CASH AND CASH EQUIVALENTS	10,922	-4,543
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	30,770	35,312
CASH AND CASH EQUIVALENTS AT THE PERIOD END	41,692	30,770

STATEMENT OF EQUITY CHANGES

€, thousand	Share capital	Invested unrestricted equity fund	Retained earnings	Profit (loss) of the period	Total
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
EQUITY 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
EQUITY 31.12.2015	100	25,493	4,645	5,354	35,591

ITEMS AFFECTING COMPARABILITY

€, thousands	10-12/ 2016	7-9/ 2016	4-6/ 2016	1-3/ 2016	1-12/ 2016	10-12/ 2015	7-9/ 2015	4-6/ 2015	1-3/ 2015	1-12/ 2015
Items affecting comparability in operating profit	0	0	0	-599	-599	0	0	0	-3,412	-3,412
Items affecting comparability in financial items	0	0	0	0	0	0	0	0	-913	-913
Items affecting comparability in taxes	0	0	0	120	120	444	-177	-267	865	865
Items affecting comparability, total	0	0	0	-479	-479	444	-177	-267	-3,460	-3,460

Items affecting comparability in year 2015 relate to a legal dispute lost against Teosto ry.
Items affecting comparability 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