

QUARTERLY REPORT 1.1. – 30.6.2014: VERKKOKAUPPA.COM'S GROWTH ACCELERATED IN Q2: REVENUE GREW BY 24% AND OPERATING PROFIT IMPROVED SIGNIFICANTLY BY 223%

Verkkokauppa.com Oyj – Quarterly report (unaudited) 8 August 2014, 8:00 a.m.

1 April – 30 June 2014 in brief

- Revenue was 60.6 million euros (48.8 million euros in April–June 2013), growth 24.2%
- Operating profit was 1.0 million euros (0.3), growth 222.9%
- Operating profit was 1.6% of net sales (0.6%)
- Net profit (loss) was -0.4 million euros (0.1)
- Earnings per share were -0.05 euros (0.02)
- Non-recurring items relating to the initial public offering decreased net profit by 1.5 million euros.
- Trading in the shares of Verkkokauppa.com Oyj commenced on the NASDAQ OMX First North Finland marketplace on 4 April 2014.

Key ratios	4-6/2014	4-6/2013	Change%
Net sales, € thousands	60,620	48,807	24%
EBITDA, € thousands	1,219	523	133%
EBITDA, %	2.0%	1.1%	
Operating profit, € thousands	982	304	223%
Operating profit, % of net sales	1.6%	0.6%	
Net profit, € thousands	-350	100	

1 January – 30 June 2014 in brief

- Revenue was 121.2 million euros (105.9 million euros in January–June 2013), growth 14.5%
- Operating profit was 3.1 million euros (1.6), growth 91.5%
- Operating profit was 2.6% of net sales (1.5%)
- Net profit was 1.0 million euros (1.1)
- Earnings per share were 0.15 euros (0.21)
- Non-recurring items relating to the initial public offering decreased net profit by 1.9 million euros.

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 grow its market share further. Proceeds received from the share issue have improved the Company's equity ratio and enable it to continue growth projects according to the Company's strategy. Nevertheless, the business prospects include uncertainties, especially due to macroeconomic development. The Finnish Ministry of Finance estimated on 18 June 2014 that Finnish GDP will grow 0.2% during 2014. According to the market research company GfK, the home electronics market has shrunk by -2.9% in the first six months of 2014 in Finland.

CEO SAMULI SEPPÄLÄ'S REVIEW

Verkkokauppa.com's revenue and profitability developed very well during the second quarter due to inexpensive prices, digitalization and retail business moving online. The publicity generated by listing on the First North in April and the PINS loyalty program publication in May also benefited the Company's sales. The Company also increased significantly its brand marketing. Based on these actions sales increased in almost all main product categories, and total revenue grew by 24.2%.

Verkkokauppa.com believes that its lower cost structure compared to other traditional retailers, inexpensive prices, position as the best-known Finnish online retail brand (Taloustutkimus 2013) and own ERP are strengths that secure the Company's position as a winner while retail evolution continues. Verkkokauppa.com's primary target is profitable growth and to increase its market share vs traditional retailers. The Company continues strongly to develop its own ERP to provide new services to customers. At the same time the Company's challenges are in managing growth and ensuring efficient logistics and a good product availability and a good customer experience. The Company is also concerned about current developments in the retail business in Finland and the stagnation in demand which also affect online retail.

The First North listing increased the equity ratio without subordinate loans to 52.5% from 12.4% in the comparison year. The Company's operating cash flow was negative mainly due to the full utilization of accounts payable cash discounts. The Company has a stable financial position and its equity ratio is strong. The increased resources enable the Company to carry out its growth projects.

Towards year-end Verkkokauppa.com will concentrate especially on revenue growth and succeeding in the financial year's busiest sales season. The Company has a positive sentiment towards year-end. To succeed in the peak sales season it is important to co-operate and further develop smooth co-operation with well-known brands and manufacturers. In autumn the Company will also set up a consumer financial services team to develop financial services and a grocery and daily consumer goods specialized purchase team. In addition several new product managers will be employed to manage new product categories. Employees will also be hired for ERP development. A new product crowd-sourcing project known as, "Innovation Aquarium", is being developed and the first new Innovation Aquarium products will be introduced for Christmas sales. The Company is investigating and negotiating purchasing co-operation with possible international partners.

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 compared to the level in 2013. The Company strives to secure a sufficient equity ratio to finance the growth of its business and targets to maintain an equity ratio of over 25 per cent taking into consideration the nature and seasonality of the Company's business.

Key ratios	4-6/2014	4-6/2013	1-6/2014	1-6/2013	1-12/2013
Net sales, € thousands	60,620	48,807	121,178	105,860	238,013
EBITDA, € thousands	1,219	523	3,555	2,060	7,526
EBITDA, %	2.0%	1.1%	2.9%	1.9%	3.2%
Operating profit, € thousands	982	304	3,092	1,615	6,640
Operating profit, % of net sales	1.6%	0.6%	2.6%	1.5%	2.8%
Net profit, € thousands	-350	100	993	1,122	4,204
Equity ratio, %	52.5%	12.4%	52.5%	12.4%	14.6%
Equity ratio, % (including subordinate debt)	52.5%	23.4%	52.5%	23.4%	22.5%
Return on investment, % 12 months rolling	34.2%	31.7%	34.2%	31.7%	48.3%
Net gearing, %	-71.8%	45.2%	-71.8%	45.2%	-196.9%
Earnings per share (EPS) revised by share split, euros	-0.05	0.02	0.15	0.21	0.80
Earnings per share (EPS) revised by share split (diluted), euros	-0.05	0.02	0.14	0.17	0.65
Number of shares at end of period	7 510 855	5 255 490	7 510 855	5 255 490	5 255 490
Average number of shares at end of period revised by share split	7 510 855	5 255 490	6 622 400	5 246 472	5 250 981
Number of shares at end of period revised by share split	7 510 855	5 255 490	7 510 855	5 255 490	5 255 490
Number of personnel* at end of period	474	418	474	418	446

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

REVENUE AND PROFITABILITY DEVELOPMENT

April–June 2014

Verkkokauppa.com Oyj's revenue grew in April–June by 24.2% compared to the same period last year. Revenue grew by 11.8 million euros, totalling 60.6 million euros (48.8). Profit developed positively due to sales increases in TV, computers, and major domestic appliances (MDA's).

Personnel costs increased by 8.8%, being 4.5 million euros (4.1). Personnel costs grew less than revenue and at the same pace as working hours. The company reinforced its growth possibilities by recruiting new employees especially in the purchasing and internal technology departments. Other expenses grew by 18.5% and were 3.8 million euros (3.2).

The operating profit was 1.0 million euros (0.3) in April–June 2014 and net profit was -0.4 million euros (0.1). The operating profit was much smaller than in January–March 2014, when it was 2.1 million euros.

Earnings per share were -0.05 (0.02) euros. Earnings per share in the comparison year have been adjusted to make them comparable to the share issue in May 2013 (i.e. share split).

Non-recurring items related to preparations for listing on the First North marketplace. Financing expenses include 1.5 (0.1) million euros items related to preparations for listing. Earnings per share without non-recurring items were 0.12 (0.03) euros.

January–June 2014

Verkkokauppa.com Oyj's revenue grew by 14.5% in January–June 2014 compared to the same period last year. Revenue growth was 15.3 million euros, being cumulatively 121.2 million euros (105.9) in January–June. Profit developed positively due to sales increases in TV, computers, major domestic appliances (MDA) and gaming (especially consoles).

The demand for home electronic devices has been satisfactory despite the current market development. According to research by GfK, the market decreased by -2.9% in 1–6/2014.

Personnel costs were 8.8 million euros (8.1), growth being 8.8%. Personnel costs grew less than revenue and at the same pace as working hours. The company reinforced its growth possibilities by recruiting new employees especially in purchasing and internal technology departments. Other expenses were 7.2 million euros (6.5) during the period in 2014, with a growth of 10.9%.

The operating profit was 3.1 million euros (1.6) in January–June 2014 and net profit was 1.0 million euros (1.1).

Earnings per share were 0.15 (0.21) euros. Earnings per share in the comparison year have been adjusted to make them comparable to the share issue in May 2013 (i.e. share split). Earnings per share without non-recurring items were 0,35 (0,21) euros.

Financing expenses include 1.9 million euros (0.3) in non-recurring items related to preparations for listing on the First North marketplace.

FINANCE AND INVESTMENTS

Operating cash flow was -15.7 million euros (-6.6) in the 1–6/2014. The negative change in operating cash flow resulted mainly from accounts payable payments and non-recurring items related to preparations for listing. Ordinary seasonal fluctuations are reflected in cash and cash equivalents, cash flow and accounts payable, which usually reaches the highest point at year-end and the lowest point at the end of the second quarter. Due to the low interest level and share issue Verkkokauppa.com has aimed at using the maximum amount of cash rebates.

The Company invested mainly to store and office equipment and furniture and activated 46 thousand euros in the technology department's salary expenses relating to developing new ERP features. Net capital expenditures were 0.3 (0.1) million euros.

Financing expenses include 1.9 million euros (0.3) in non-recurring items relating to the listing.

Rite Internet Ventures Holding AB exercised the option granted to it to subscribe for 1 435 365 new shares in the Company. The proceeds amounted to 5.6 million euros, of which the Company used 3.0 million euros to repay capital loans to Rite Internet Ventures Holding AB. In addition the Company repaid a 1.3 million euros capital loan to Samuli Seppälä.

SHARES AND SHARE TRADING

Trading in the shares of Verkkokauppa.com Oyj commenced on the NASDAQ OMX First North Finland marketplace on 4 April 2014. The final subscription and sale price was set at 23.00 euros per share in the institutional offering and the retail offering. Verkkokauppa.com received proceeds of approximately 18.9 million euros from issuing 820 000 new shares. The share issue improved the equity ratio and liquidity of the Company, and it enables the Company to continue with its growth projects according to the strategy.

The Company had 5 255 490 registered shares on 31 December 2013. The share amounts have changed as follows: Rite Internet Ventures Holding AB subscribed for 1 435 365 new shares on 21 March 2014, after which the Company had 6 690 855 shares. In the share issue, 820 000 new shares were subscribed. The amount of shares is 7 510 855 on 30 June 2014.

Over the reporting period 3.385.221 shares were exchanged, which was 45.1% of all shares. The highest price of share's was 24.99 euros and the lowest 20.10 euros. The average price in share trading was 23.02 euros. The total of share trading was 77.9 million euros. The closing price was 23.90 euros and market value of all shares was 179.5 million euros at the end of the period.

The Company does not own any of its own shares.

PERSONNEL, THE BOARD AND ADMINISTRATION

The number of personnel was 474 (418) at the end of June 2014. The personnel increase was 56 employees compared to the end of June 2013. The number of personnel includes both full- and part-time employees.

The Board members were Christoffer Häggblom, Peter Lindell, Kai Seikku, Henrik Weckström and Samuli Seppälä until the Annual General Meeting held on 13 March 2014. At the Annual General Meeting held on 13 March 2014 the board was re-elected and Mikael Hagman and Antti Tiitola were elected as new members of the Board. Christoffer Häggblom was re-elected as the Chairman of the Board. Samuli Seppälä continues as the company's Chief Executive Officer.

RISKS AND UNCERTAINTIES

Verkkokauppa.com Oyj's risks and uncertainties reflect the market and general economic trends, demand for home electronics, 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 risks. 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 Offering document published on 21 March 2014.

Information on Verkkokauppa.com Oyj's legal dispute with Teosto ry is presented in the financial statements of 31 December 2013 and in the Offering document published on 21 March 2014, there had been no change in the issue by reporting date.

ANNUAL GENERAL MEETING

The Annual General Meeting was held in Helsinki on 13 March 2014. The financial statements for the year 2013 were approved and the Board Members and the CEO were discharged from liability. It was decided to pay a dividend of 0.04 euros per share, totalling 210 000 euros.

The Annual General Meeting authorized the Board to resolve on the share issues. According to the authorization, the Board may issue no more than 1 500 000 new shares in one or more instalments and the Board may resolve upon price-related matters and payment periods. The Board has authorization to decide upon all other share issue-related matters according to the Finnish Limited Liability Companies Act. The authorization is valid for one year, until 13 March 2015. The authorization does not revoke previous other authorizations. The Board exercised its authorization to issue 820 000 new shares in connection with the First North listing.

The board election is explained above in the section personnel, the board and administration.

The Authorized Public Accountant firm KPMG Oy Ab was re-elected as the auditor, with Authorized Public Accountant Mauri Eskelinen acting as the Principal Auditor.

OTHER EVENTS DURING THE REPORTING PERIOD

The Supreme Court granted permission to appeal the Court of Appeal's ruling regarding the dispute between Verkkokauppa.com and Teostory on 24 January 2014. Information on the legal case is presented in the financial statements of 31 December 2013 and in the Offering document published on 21 March 2014.

The Company joined an international customer programme in May. PINS is a joint loyalty program of 300 partners and 400 online stores, in which the customer can collect points when shopping.

In April, the Company started new express door-to-door deliveries in Helsinki capital area; items in stock are delivered within three hours after an order is placed online.

SUBSEQUENT EVENTS

There are no subsequent events after reporting period.

PRESS CONFERENCE

A press conference for analysts, investors and media will be held in Finnish at the Jätkäsaari commercial premises in Helsinki at Tyynenmerenkatu 11 on the 6th floor at 10:00 a.m. on Friday 8 August, in which Verkkokauppa.com Oyj's CEO Samuli Seppälä will present the developments in the reporting period and financial year 2014 prospects.

A press conference in English will be held by phone and LiveStream-webcast at Friday 8.8.2014 3:00 p.m. (CET +1). The English press conference can be attended by phone by calling +358 (0)206 99200 and entering the code 848574#. Questions can be presented beforehand or during the presentation via e-mail at investors@verkkokauppa.com.

Presentation materials for both occasions are available at www.verkkokauppa.com section Sijoittajat > Esitykset. For both press conferences a Livestream is available (<http://verklive.com>).

COMPANY RELEASES IN 2014

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

- Quarterly report 1–9/2014 (Q3 2014) on Friday 24 October 2014
- Financial year 2014 release on Friday 13 February 2015

Helsinki, Finland, 8 August, 2014

Verkkokauppa.com Oyj

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FINANCIAL INFORMATION

This quarterly report has been prepared in accordance with Finnish Accounting Standards and local legislation in compliance with the accounting principles in the financial statements 31 December 2013. This quarterly report has not been audited. The financial statements are audited at year-end.

Sales of mobile phone subscription services and other provision income have increased over time and hence the income is presented as part of revenues in the 2013 financial statements. The comparison information of 2013 has been adjusted accordingly.

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	4-6/2014	4-6/2013	Change%	1-6/2014	1-6/2013	Change%	2013
NET SALES	60,620	48,807	24.2%	121,178	105,860	14.5%	238,013
Other income	34	25	32.3%	79	56	41.0%	106
Cost of goods and services	-51,200	-41,023	24.8%	-101,667	-89,242	13.9%	-200,652
Personnel expenses	-4,450	-4,091	8.8%	-8,823	-8,113	8.8%	-16,397
Depreciation and amortization	-238	-219	8.4%	-463	-444	4.1%	-886
Other operating expenses	-3,785	-3,195	18.5%	-7,212	-6,502	10.9%	-13,543
OPERATING PROFIT	982	304	222.9%	3,092	1,615	91.5%	6,640
Financial income and expenses	-1,571	-198	692.2%	-1,997	-398	401.4%	-1,162
PROFIT BEFORE APPROPRIATIONS AND TAXES	-589	106	-657.5%	1,095	1,217	-10.0%	5,478
Appropriations	157	30	418.3%	187	235	-20.7%	127
Income taxes	82	-36	-327.0%	-288	-330	-12.6%	-1,401
NET PROFIT	-350	100	-451.0%	993	1,122	-11.5%	4,204

Balance Sheet

€ thousands	30.6.2014	30.6.2013	31.12.2013
ASSETS			
NON-CURRENT ASSETS			
Intangible assets total	626	616	670
Tangible assets total	2,502	2,953	2,715
Investments total	50	0	0
NON-CURRENT ASSETS TOTAL	3,178	3,569	3,385
CURRENT ASSETS			
Inventories	28,756	25,645	23,171
Receivables			
Non-current receivables	8	12	15
Current receivables	6,985	5,898	7,801
Trade receivables	4,249	3,920	4,813
Other receivables	817	267	299
Receivables carried forward	1,918	1,711	2,689
Cash and cash equivalents	26,193	5,537	22,677
CURRENT ASSETS TOTAL	61,942	37,091	53,664
TOTAL ASSETS	65,120	40,660	57,049
LIABILITIES			
EQUITY			
Shareholders' capital			
Share capital	100	100	100
Other funds			
Invested non-restricted equity fund	25,493	1,021	1,021
Retained earnings	6,541	2,547	2,547
Profit (loss) for the period	993	1,122	4,204
EQUITY TOTAL	33,127	4,790	7,872
Appropriations	0	78	187
Provisions	595	174	395
LIABILITIES			
Non-current liabilities	1,538	6,473	6,282
Capital loans	0	4,319	4,304
Interest-bearing debt	1,538	2,154	1,978
Current liabilities total	29,859	29,145	42,313
Capital loans	0	0	15
Interest-bearing debt	879	1,231	879
Advances received	1,976	1,540	2,255
Accounts payables	17,539	18,601	27,418
Other liabilities	3,940	3,332	5,365
Accrued expenses	5,524	4,441	6,380
LIABILITIES TOTAL	31,397	35,618	48,595
TOTAL LIABILITIES	65,120	40,660	57,049

Cash flow

€ thousands	1-6/2014	1-6/2013	2013
Cash flow from operating activities			
Profit before appropriations and taxes	1,095	1,217	5,478
Depreciation and amortization	463	444	886
Change in provisions	200	174	395
Interest paid and received	1,997	398	1,162
Non-current receivables, increase (-), decrease (+)	7	0	-3
Current receivables, increase (-), decrease (+)	816	1,950	46
Inventory increase (-), decrease (+)	-5,585	-3,923	-1,449
Non-interest-bearing debt, increase (+), decrease (-)	-12,716	-6,413	6,898
NET CASH FROM OPERATING ACTIVITIES BEFORE FINANCING AND TAXES	-13,723	-6,153	13,414
Interest paid and other operational financial expenses	-2,008	-407	-1,187
Interest received from operations	10	9	24
Taxes paid	-11	0	-878
NET CASH FLOW FROM OPERATING ACTIVITIES	-15,732	-6,552	11,373
Investments			
Intangible and tangible investments	-256	-77	-334
NET CASH FLOW FROM INVESTMENTS	-256	-77	-334
Cash flows from financing activities			
Proceeds from share issue	24,472	270	270
Current interest-bearing debt, increase (+), decrease (-)	-15	-1,239	-1,575
Non-current interest-bearing debt, increase (+), decrease (-)	-4,744	-600	-791
Dividends paid	-210	-110	-110
NET CASH FLOW FROM FINANCING ACTIVITIES	19,503	-1,678	-2,206
NET INCREASE (+) / DECREASE (-) IN CASH AND CASH EQUIVALENTS	3,516	-8,307	8,833
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	22,677	13,844	13,844
CASH AND CASH EQUIVALENTS AT THE PERIOD END	26,193	5,537	22,677

Statement of equity changes

€, thousand	Share capital	Share issue	Invested unrestricted equity fund	Retained earnings (loss)	Profit (loss) of the period	Total
SHARE CAPITAL 1.1.2014	100	0	1,021	6,751	0	7,872
Dividends	0	0		-210	0	-210
Share issue	0	0	24,472	0	0	24,472
Profit (loss) of the period	0	0	0	0	993	993
SHARE CAPITAL 30.6.2014	100	0	25,493	6,541	993	33,127
SHARE CAPITAL 1.1.2013	100	99	651	2,657	0	3,507
Dividends	0	0	0	-110	0	-110
Share issue	0	-99	369	0	0	270
Profit (loss) of the period	0	0	0	0	1,122	1,122
SHARE CAPITAL 30.6.2013	100	0	1,021	2,547	1,122	4,790
SHARE CAPITAL 1.1.2013	100	99	651	2,657	0	3,507
Dividends	0	0	0	-110	0	-110
Share issue	0	-99	369	0	0	270
Profit (loss) of the period	0	0	0	0	4,204	4,204
SHARE CAPITAL 31.12.2013	100	0	1,021	2,547	4,204	7,872

CALCULATION PRINCIPLES FOR THE COMPANY'S KEY RATIOS

- 1) EBITDA = Operating profit before depreciations
- 2) EBITDA, per cent = Operating profit before depreciations / Net turnover x 100
- 3) Operating profit, per cent = Operating result / Net turnover x 100
- 4) Equity ratio (no capital loans) = (capital and reserves + depreciation reserves x (1 – tax rate)) / (Total sum of the balance sheet – advances received) x 100
- 5) Equity ratio (including subordinate loans) = (capital and reserves + capital loans + depreciation reserves x (1 – tax rate)) / (Total sum of the balance sheet – advances received) x 100
- 6) Return on capital employed (ROCE), rolling 12 months, % = (Net profit + financial expenses + taxes) / (Average of equity + interest bearing debt) x 100
- 7) Net gearing, % = (Interest bearing debt – cash and cash equivalents – interest bearing receivables) / Equity x 100
- 8) Earnings per share = Profit for the financial period / Monthly average number of shares adjusted by share issues
- 9) Earnings per share (diluted) = Profit for the financial period / Monthly average number of shares adjusted by share issues + number of shares according to the subscription right
- 10) Average number of shares at end of period revised by share split = Monthly average number of shares at end of period revised by share split
- 11) Number of employees at end of period = Average amount of personnel on the last week of the period