

FINANCIAL STATEMENTS RELEASE for 1.1. – 31.12.2014: Strong Q4 at Verkkokauppa.com: Revenue grew 15%

Verkkokauppa.com Oyj – Financial statements release (unaudited) 13 February 2015, 8:00 a.m.

Figures in parentheses relate to comparison period unless otherwise stated.

1 October – 31 December 2014 in brief

- Revenue was 86.6 million euros (75.1), growth of 15.3%
- Gross profit was 13.2 million euros (11.9), growth of 10.4%
- Gross margin was 15.2% of revenue (15.9%)
- Operating profit was 2.7 million euros (3.3), a decrease of 17.0%
- Operating margin was 3.2% of revenue (4.4%)
- Net profit was 2.1 million euros (2.0)
- Earnings per share were 0.28 euros (0.38)

Key ratios	10-12/2014	10-12/2013	Change%	1-12/2014	1-12/2013	Change%
Revenue, € thousands	86,622	75,145	15%	275,784	238,013	16%
Gross profit, € thousands	13,171	11,930	10%	42,596	37,360	14%
Gross margin, % of revenue	15.2%	15.9%		15.4%	15.7%	
EBITDA, € thousands	2,985	3,520	-15%	8,427	7,526	12%
EBITDA, %	3.4%	4.7%		3.1%	3.2%	
Operating profit, € thousands	2,735	3,296	-17%	7,468	6,640	12%
Operating margin, % of revenue	3.2%	4.4%		2.7%	2.8%	
Net profit, € thousands	2,134	2,017	6%	4,488	4,204	7%

1 January – 31 December 2014 in brief

- Revenue was 275.8 million euros (238.0), growth of 15.9%
- Gross profit 42.6 million euros (37.4), growth of 14.0%
- Gross margin was 15.4% of revenue (15.7%)
- Operating profit was 7.5 million euros (6.6), growth of 12.5%
- Operating margin was 2.7% of revenue (2.8%)
- Net profit was 4.5 million euros (4.2)
- Earnings per share were 0.64 euros (0.80)
- Non-recurring items relating to the initial public offering and booked to financing expenses decreased net profit by 1.9 million euros.
- The board of directors proposes to the annual general meeting that a dividend of 0,85 euro per share will be distributed for the financial year 2014

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 further grow its market share in its operating markets. 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 17 December 2014 that Finnish GDP will grow 0.9% during 2015. According to the market research company GfK, the consumer electronics market has shrunk by 2.8% during 2014 in Finland. The Company expects net sales and operating profit to grow during 2015 compared to previous year.

CEO SAMULI SEPPÄLÄ'S REVIEW

Verkkokauppa.com increased its sales at a good rate in the fourth quarter. The sales increase was mainly a result of competitive pricing and the rapid change in the retail landscape, with more sales going online. In the fourth quarter, revenue grew by 15%, and gross profit by 10%. Best-selling products included domestic appliances, mobile phones and televisions. Sales of low-margin products grew faster than other product categories. This and growth-oriented pricing strategy did decrease the gross margin. For these reasons, EBITDA and the operating profit decreased in the fourth quarter compared to the same period of previous year.

In 2014 the company's revenue increased by 15.9% and the company increased its market share, while the consumer electronics market in Finland decreased by 2.8%. In addition, the company was able to reduce its costs: in 2014, its fixed costs were 12.4% of revenue (12.6%). Its gross margin in 2014 was 15.4% of revenue (15.7%). The company attracted more online and in-store visitors than in 2013. Verkkokauppa.com continued to strengthen its position as the leading online retailer in Finland. The number of visits in Verkkokauppa.com webpages grew faster compared to webpages of other well-known domestic competitors (source: Similarweb.com). Verkkokauppa.com continues to be the most frequently visited and best-known online store in Finland. Its market share grew especially well in December.

According to Ecommerce Europe, ecommerce will be increasing throughout Europe. Its projected growth rate for 2014 is 17.1% in Western Europe and 10.1% in North America compared to 2013. According to the same statistics, ecommerce represented 9.5% of all commerce in Europe in 2013, with consumers spending EUR 1,867 on average online. The company believes that the online business in Finland will follow more developed European and North American markets.

In the fourth quarter, the company focused on ensuring its success in the most important sales season of the year. At the same time, it continued to develop important projects, such as planning the launch of consumer finance and new product categories. In early January 2015, it launched three new main product categories: Baby and Family, Tools, and Luggage and Travel. The GPS and Sport main product category is now known as Sport and Nutrition. The selection in the Food and Drink main product category will be expanded considerably during 2015, with the goal of offering products at significantly lower prices than competitors. As of 1 January 2015, the company has more than 50,000 products in 25 main product categories in total.

The company continues to develop its own proprietary IT-system, which is called Private. Major projects include launching customer financial services, developing an online C2C marketplace and improving the forecasts of product availability and communicating this to customers. The first versions of these projects will be introduced in the first quarter of 2015.

Verkkokauppa.com sees additional opportunities particularly in the new categories, but also in the consumer electronics retail as department stores are discontinuing their sales of consumer electronics in Finland. In addition, stronger price awareness among consumers offers the company new opportunities in areas such as food retail. The company believes that retail going online will continue to be a strong trend also in Finland and that, sales will continue to grow in 2015, even though the general situation and demand in the retail business will remain weak.

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 aims to maintain an equity ratio of over 25 per cent taking into consideration the nature and seasonality of the Company's business.

Key ratios	10–12/2014	10–12/2013	1–12/2014	1–12/2013
Revenue, € thousands	86,622	75,145	275,784	238,013
Gross margin, € thousands	13,171	11,930	42,596	37,360
Gross margin, % of revenue	15.2%	15.9%	15.4%	15.7%
EBITDA, € thousands	2,985	3,520	8 427	7,526
EBITDA, %	3.4%	4.7%	3.1%	3.2%
Operating profit, € thousands	2,735	3,296	7,468	6,640
Operating profit, % of revenue	3.2%	4.4%	2.7%	2.8%
Net profit, € thousands	2,134	2,017	4,488	4,204
Equity ratio, %	48.7%	14.6%	48.7%	14.6%
Equity ratio, % (including subordinate debt)	48.7%	22.5%	48.7%	22.5%
Return on investment, % rolling 12 months	29.2%	48.3%	29.2%	48.3%
Net gearing, %	-91.0%	-196.9%	-91.0%	-196.9%
Earnings per share (EPS) revised by share split, €	0.28	0.38	0.64	0.80
Earnings per share (EPS) revised by share split (diluted), €	0.28	0.31	0.62	0.65
Number of shares at end of period	7 510 855	5 255 490	7 510 855	5 255 490
Average number of shares at end of period revised by share split	7 510 855	5 255 490	7 066 628	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
Number of personnel* at end of period	527	449	527	449

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

REVENUE AND PROFITABILITY DEVELOPMENT

October–December 2014

Verkkokauppa.com Oyj's revenue grew in October–December by 15.3% compared to the same period last year. Revenue grew by 11.5 million euros, totalling 86.6 million euros (75.1). Revenue particularly increased in mobile phones, televisions, and gaming (consoles in particular).

According to GfK the demand of consumer electronics products declined 3.8% during October-December in Finland.

Personnel costs increased by 22.7%, being 5.7 million euros (4.6). Company strengthened its growth capabilities by hiring new personnel to purchasing and IT department. In addition to that the number of personnel in both stores and logistics grew in relation to the volume increase. During fourth quarter other expenses grew by 18.7% and were 4.5 million euros (3.8). Other expenses included increases in brand marketing and premises costs.

The operating profit was 2.7 million euros (3.3) in October–December 2014 and net profit was 2.1 million euros (2.0).

Earnings per share were 0.28 (0.38) 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).

There were non-recurring items related to preparations for listing. Financing expenses included 0.0 (0.4) million euros non-recurring items related to preparations for listing. Earnings per share excluding non-recurring items were 0.28 (0.44) euros.

January–December 2014

Verkkokauppa.com Oyj's revenue grew by 15.9% in January–December 2014 compared to the same period last year. Revenue growth was 37.8 million euros, being cumulatively 275.8 million euros (238.0) in January–December. Relative profitability decreased because the Company grew its market share in low margin product categories such as mobile phones and gaming consoles. Operating profit in euros developed positively due to revenue increases in mobile phones, computers, televisions, gaming (consoles in particular) and major (MDA) and small domestic appliances (SDA).

The demand for home electronic devices has been satisfactory despite the current market situation. According to research by GfK, the market decreased by 2.8% in January-December 2014.

Personnel costs grew by 14.4%, being 18.8 million euros (16.4). The company reinforced its growth opportunities by recruiting new employees, especially in the purchasing, consumer finance and IT departments. The number of logistics personnel grew also along with the volume growth. Other expenses increased by 14.6% and totalled 15.5 million euros (13.5).

The operating profit was 7.5 million euros (6.6) in January–December 2014 and net profit for the period was 4.5 million euros (4.2). Earnings per share were 0.64 (0.80) 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 decreased due to the increase in the number of shares that resulted from share issues in spring 2014. Earnings per share excluding non-recurring items were 0.85 (0.91) euros.

There were non-recurring items related to preparations for listing. Financing expenses included 1.9 million euros (0.8) non-recurring items related to preparations for listing.

FINANCE AND INVESTMENTS

Operating cash flow was -2.6 million euros (13.4) in 1–12/2014. The negative change in operating cash flow mainly resulted from a significant inventory increase, utilizing the maximum amount of cash discounts and non-recurring items related to the 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. Verkkokauppa.com has aimed to utilize the maximum amount of cash discounts.

The Company mainly invested in store equipment and furniture during the period. In addition, the Company activated 0.5 million euros of IT department's salary expenses and external technology consultant fees relating to new ERP features development. Net capital expenditures were 0.7 million euros (0.3) in January–December 2014.

Financing expenses included 1.9 million euros (0.8) 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 in March 2014. 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-euro capital loan to Samuli Seppälä.

Verkkokauppa.com had 7.25 million euros bank overdraft facilities on 31.12.2014, which were not utilized.

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 there were 6 690 855 shares. In the share issue, 820 000 new shares were subscribed. The amount of shares was 7 510 855 on 31 December 2014.

Over the reporting period 3 821 330 shares were exchanged, which was 50.9% of all shares in the Company. The highest share price was 31.70 euros, and the lowest 20.10 euros. The average price in share trading was 23.45 euros. The total of share trading was 89.6 million euros. The closing price was 30.60 euros, and the market value of all shares was 229.8 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 527 (449) at the end of December 2014. The personnel increase was 78 employees compared to the end of December 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 elected as the Chairman of the Board. Samuli Seppälä is 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 consumer 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.

Verkkokauppa.com has received permission to appeal to the Supreme Court regarding the use of the domain name veneilijanverkkokauppa.com. More detailed information on the legal dispute is presented in the Offering document published on 21 March 2014.

Verkkokauppa.com has settled its dispute with Euroline AB. More detailed information on the legal dispute is presented in the Offering document published on 21 March 2014.

ANNUAL GENERAL MEETING 2014

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 210,219.60 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 on 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.

DIVIDEND PROPOSAL

The Board of Directors proposes to the Annual General Meeting, to be held on 18 March 2015 that a dividend of EUR 0.85 per share be paid in respect of the 2014 financial year (EUR 0.04). On 31 December 2014, the distributable funds of the company were EUR 36.5 million.

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 Teosto ry 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.

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

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 August Verkkokauppa.com agreed upon a distribution contract with Electrolux on selling major (MDA) and small domestic appliances (SDA).

SUBSEQUENT EVENTS

There are no subsequent events after the reporting period.

PRESS CONFERENCES

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 13 February, 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 13 February 2015 at 11:00 p.m. (CET +1). 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 in the section Sijoittajat > Esitykset. For both press conferences, a Livestream is available (www.verklive.com).

COMPANY RELEASES IN 2015

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

- Quarterly report 1-3/2015 (Q1 2015) on Friday 24 April 2015
- Quarterly report 1-6/2015 (Q2 2015) on Friday 7 August 2015
- Quarterly report 1-9/2015 (Q3 2015) on Friday 23 October 2015
- Verkkokauppa.com Oyj's Annual Report 2014 will be published during week 9 on company's web site at www.verkkokauppa.com

Helsinki, Finland, 13 February 2015

Verkkokauppa.com Oyj

Board of Directors

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FINANCIAL INFORMATION

Financial statements release has been prepared in accordance with Finnish Accounting Standards and local legislation in compliance with the accounting principles in the financial statements of 31 December 2013. Financial statement release 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	10-12/2014	10-12/2013	Change%	1-12/2014	1-12/2013	Change%
REVENUE	86,622	75,145	15.3%	275,784	238,013	15.9%
Other income	21	32	-34.6%	119	106	12.5%
Cost of goods and services	-73,451	-63,214	16.2%	-233,189	-200,652	16.2%
Personnel expenses	-5,660	-4,612	22.7%	-18,762	-16,397	14.4%
Depreciation and amortization	-250	-224	11.7%	-959	-886	8.3%
Other operating expenses	-4,546	-3,829	18.7%	-15,525	-13,543	14.6%
OPERATING PROFIT	2,735	3,296	-17.0%	7,468	6,640	12.5%
Financial income and expenses	-3	-470	-99.3%	-1,935	-1,162	66.4%
PROFIT BEFORE APPROPRIATIONS AND TAXES	2,731	2,826	-3.4%	5,534	5,478	1.0%
Appropriations	0	-95	-100.0%	187	127	47.0%
Income taxes	-597	-714	-16.5%	-1,232	-1,401	-12.1%
NET PROFIT	2,134	2,017	5.8%	4,488	4,204	6.8%

Balance Sheet

€ thousands	31.12.2014	31.12.2013
ASSETS		
NON-CURRENT ASSETS		
Intangible assets total	949	670
Tangible assets total	2,113	2,715
Investments total	50	0
NON-CURRENT ASSETS TOTAL	3,113	3,385
CURRENT ASSETS		
Inventories	30,858	23,171
Receivables		
Non-current receivables	113	15
Current receivables	8,031	7,801
Trade receivables	4,705	4,813
Other receivables	668	299
Receivables carried forward	2,659	2,689
Cash and cash equivalents	35,312	22,677
CURRENT ASSETS TOTAL	74,314	53,664
TOTAL ASSETS	77,427	57,049
LIABILITIES		
EQUITY		
Shareholders' capital		
Share capital	100	100
Other funds		
Invested non-restricted equity fund	25,493	1,021
Retained earnings	6,541	2,547
Profit (loss) for the period	4,488	4,204
EQUITY TOTAL	36,622	7,872
Appropriations	0	187
Provisions	715	395
LIABILITIES		
Non-current liabilities	1,099	6,282
Capital loans	0	4,304
Interest-bearing debt	1,099	1,978
Current liabilities total	38,991	42,313
Capital loans	0	0
Interest-bearing debt	879	879
Advances received	2,280	2,255
Accounts payables	22,717	27,418
Other liabilities	6,508	5,365
Accrued expenses	6,607	6,380
LIABILITIES TOTAL	40,090	48,595
TOTAL LIABILITIES	77,427	57,049

Cash flow

€ thousands	1-12/2014	1-12/2013
Cash flow from operating activities		
Profit before appropriations and taxes	5,534	5,478
Depreciation and amortization	959	886
Change in provisions	320	395
Interest paid and received	1,935	1,162
Non-current receivables, increase (-), decrease (+)	-98	-3
Current receivables, increase (-), decrease (+)	-229	46
Inventory increase (-), decrease (+)	-7,687	-1,449
Non-interest-bearing debt, increase (+), decrease (-)	-2,852	6,898
NET CASH FROM OPERATING ACTIVITIES BEFORE FINANCING AND TAXES	-2,119	13,414
Interest paid and other operational financial expenses	-2,118	-1,187
Interest received from operations	183	24
Taxes paid	-1,688	-878
NET CASH FLOW FROM OPERATING ACTIVITIES	-5,742	11,373
Investments		
Intangible and tangible investments	-687	-334
NET CASH FLOW FROM INVESTMENTS	-687	-334
Cash flows from financing activities		
Proceeds from share issue	24,472	270
Current interest-bearing debt, increase (+), decrease (-)	-15	-1,575
Non-current interest-bearing debt, increase (+), decrease (-)	-5,183	-791
Dividends paid	-210	-110
NET CASH FLOW FROM FINANCING ACTIVITIES	19,064	-2,206
NET INCREASE (+) / DECREASE (-) IN CASH AND CASH EQUIVALENTS	12,635	8,833
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	22,677	13,844
CASH AND CASH EQUIVALENTS AT THE PERIOD END	35,312	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	0	-210	0	-210
Share issue	0	0	24,472	0	0	24,472
Profit (loss) of the period	0	0	0	0	4,488	4,488
SHARE CAPITAL 31.12.2014	100	0	25,493	6,541	4,488	36,622
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) Fixed costs = Personnel expenses + other operating expenses
- 2) Fixed costs per cent = (Personnel expenses + other operating expenses) / Net turnover x 100
- 3) Gross profit = Net turnover – Cost of goods and services
- 4) Gross margin per cent = (Net turnover – Cost of goods and services) / Net turnover x 100
- 5) EBITDA = Operating profit before depreciation
- 6) EBITDA, per cent = Operating profit before depreciation / Net turnover x 100
- 7) Operating margin, per cent = Operating result / Net turnover x 100
- 8) Equity ratio (no capital loans) = (capital and reserves + depreciation reserves x (1 – tax rate)) / (Total sum of the balance sheet – advances received) x 100
- 9) 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
- 10) Return on capital employed (ROCE), rolling 12 months, % = (Net profit + financial expenses + taxes) / (Average of equity + interest bearing debt) x 100
- 11) Net gearing, % = (Interest bearing debt – cash and cash equivalents – interest bearing receivables) / Equity x 100
- 12) Earnings per share = Profit for the financial period / Monthly average number of shares adjusted by share issues
- 13) Earnings per share (diluted) = Profit for the financial period / Monthly average number of shares adjusted by share issues + number of shares according to the subscription right
- 14) 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
- 15) Number of employees at end of period = Average amount of employees on the last week of the period