

FINANCIAL STATEMENTS RELEASE for 1 January – 31 December 2015: Record year closed with best ever quarter at Verkkokauppa.com

Verkkokauppa.com Oyj – Financial statements release (unaudited) 12 February 2016, 8:00 a.m.

1 October – 31 December 2015 in brief

- Revenue 107.6 million euros (10–12/2014 86.6), growth of 24%
- Gross profit 16.3 million euros (13.2), growth of 24%
- Gross margin 15.2% of revenue (15.2%)
- Operating profit 4.9 million euros (2.7), growth of 78%
- Operating profit excluding non-recurring items 4.9 million euros (2.7), growth of 78%
- Operating margin 4.5% of revenue (3.2%)
- Operating margin excluding non-recurring items 4.5% of revenue (3.2%)
- Net profit 4.2 million euros (2.1)
- Net profit excluding non-recurring items 3.8 million euros (2.1)
- Earnings per share 0.09 euros (0.05)
- Earnings per share excluding non-recurring items 0.08 euros (0.05)

KEY RATIOS	10–12/2015	10–12/2014	Change%	1–12/2015	1–12/2014	Change%
Revenue, € thousands	107,573	86,622	24%	343,682	275,784	25%
Gross profit, € thousands	16,298	13,171	24%	51,783	42,596	22%
Gross margin, % of revenue	15.2%	15.2%		15.1%	15.4%	
EBITDA excluding non-recurring items, € thousands	5,159	2,985	73%	12,258	8,427	45%
EBITDA excluding non-recurring items,%	4.8%	3.4%		3.6%	3.1%	
Operating profit excluding non-recurring items, € thousands	4,855	2,735	78%	11,087	7,468	48%
Operating margin excluding non-recurring items, % of revenue	4.5%	3.2%		3.2%	2.7%	
Net profit excluding non-recurring items, € thousands	3,759	2,134	76%	8,814	5,985	47%

1 January – 31 December 2015 in brief

- Revenue 344 million euros (1–12/2014: 276), growth of 25%
- Gross profit 51.8 million euros (42.6), growth of 22%
- Gross margin 15.1% of revenue (15.4%)
- Operating profit 7.7 million euros (7.5)
- Operating profit excluding non-recurring items 11.1 million euros (7.5)
- Operating margin 2.2% of revenue (2.7%)
- Operating margin excluding non-recurring items 3.2% of revenue (2.7%)
- Net profit 5.4 million euros (4.5)
- Net profit excluding non-recurring items 8.8 million euros (6.0)
- Earnings per share 0.12 euros (0.10)
- Earnings per share excluding non-recurring items 0.20 euros (0.14)
- Non-recurring items paid in March, related to the legal dispute lost against Teosto on levies for private copying regarding years 2006–2010, had a negative impact of 4.3 million euros on net profit before taxes.
- The board of directors proposes to the annual general meeting that a dividend of 0.15 euro per share will be distributed for the financial year 2015

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 development. The Finnish Ministry of Finance estimated on 18 December 2015 that the Finnish GDP will grow by 1.2% during 2016.

FINANCIAL GUIDANCE

In 2016 revenue and operating profit excluding non-recurring items are expected to exceed the level of 2015.

CEO SAMULI SEPPÄLÄ'S REVIEW

Verkkokauppa.com continued to have good sales and profit growth during the important last quarter of the year. Sales grew by 24% - again well above the 10% target. Inventory grew more than sales, but it is important to have the right amount of stock for the important after Christmas sales period. The company continued to have good wholesale trade and B2B sales development – suggesting a need for a more well-defined B2B -concept in the future. As a result of favourable development, the company's board proposes a dividend of 15 cents per share.

In the fourth quarter, EBITDA excluding non-recurring items grew by 73% to 4.8% of revenue. The company expects to improve its EBITDA margin in the medium term by increasing the share of higher margin categories and private labels in the sales mix and the increasing the share of the Apuraha consumer financing services.

While retail continues going online, the company needs to prepare better for the future growth. The use of the current Bunkkeri warehouse adjacent to the Helsinki megastore will end in the next 1-2 years, and the company is investigating alternative warehousing solutions in the Helsinki region. Although Verkkokauppa.com has very efficient and low cost operation, the company is continuously looking for new ways to strengthen its purchasing power. Purchasing co-operation and last year's investment in the Swedish Vitvaruexperten.com were steps in this direction.

The company will continue its efforts with major projects such as Apuraha, the C2C marketplace and private label offering, as well as the evaluation of export/wholesale opportunities. The company will also start to use its cash reserves to finance the Apuraha consumer financing service in few months' time. The C2C marketplace will see new features such as linking buyers of old and new products, as well as a price estimation tool. The company will continue investigating opportunities within new product categories and will also extend the opening hours of its stores. However, this will be done with caution – it is important to keep the focus on low costs and prices. While growth and profitability are important, continuous improvement of both customer and employee satisfaction are key to sustained success and trust.

Verkkokauppa.com's revenue will continue to grow during 2016 and in the medium term, even though the general situation and demand in the retail business will remain very weak in Finland.

KEY RATIOS AND PERFORMANCE INDICATORS	10-12/2015	10-12/2014	1-12/2015	1-12/2014
Revenue, € thousands	107,573	86,622	343,682	275,784
Gross profit, € thousands	16,298	13,171	51,783	42,596
Gross margin, % of revenue	15.2%	15.2%	15.1%	15.4%
EBITDA, € thousands	5,159	2,985	8,846	8,427
EBITDA, %	4.8%	3.4%	2.6%	3.1%
EBITDA excluding non-recurring items, € thousands	5,159	2,985	12,258	8,427
EBITDA excluding non-recurring items, %	4.8%	3.4%	3.6%	3.1%
Operating profit, € thousands	4,855	2,735	7,676	7,468
Operating margin, % of revenue	4.5%	3.2%	2.2%	2.7%
Operating profit excluding non-recurring items, € thousands	4,855	2,735	11,087	7,468
Operating margin excluding non-recurring items, % of revenue	4.5%	3.2%	3.2%	2.7%
Net profit, € thousands	4,203	2,134	5,354	4,488
Net profit excluding non-recurring items, € thousands	3,759	2,134	8,814	5,985
Equity ratio, %	45.2%	48.7%	45.2%	48.7%
Return on investment, % rolling 12 months	20.9%	29.2%	20.9%	29.2%
Net gearing, %	-86.5%	-91.0%	-86.5%	-91.0%
Earnings per share (EPS) revised by share split, €	0.09	0.05	0.12	0.11
Earnings per share (EPS) revised by share split excluding non-recurring items, €	0.08	0.05	0.20	0.14
Earnings per share (EPS) revised by share split (diluted), €	0.09	0.05	0.12	0.10
Earnings per share (EPS) revised by share split excluding non-recurring items (diluted), €	0.08	0.05	0.20	0.14
Number of shares at end of period	45,065,130	7,510,855	45,065,130	7,510,855
Average number of shares at end of period revised by share split	45,065,130	45,065,130	45,065,130	42,399,765
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	561	527	561	527

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

REVENUE AND PROFITABILITY DEVELOPMENT

October–December 2015

In October–December, Verkkokauppa.com Oyj's revenue grew by 24.2% year on year. Revenue grew by 21 million euros, totalling 107.6 million euros (86.6). Revenue increased particularly in mobile phones, televisions, watches both small (SDA) and major (MDA) domestic appliances.

According to GfK, the demand for consumer electronics increased by 3.9% during October–December in Finland.

As in the previous quarter part of the sales increase was due to good wholesale trade to abroad and B2B sales. These volumes are typically difficult to estimate and their profitability is usually low. However these sales increase the company's purchasing volumes and thus improve the company's position in relation to its suppliers.

Personnel costs increased by 9.3% to 6.2 million euros (5.7). The number of personnel in both stores and logistics grew along with the volume growth. Otherwise the number of personnel grew at a slower rate than revenue.

During the fourth quarter, other expenses grew by 9.6%, totalling 5.0 million euros (4.5).

Operating profit in October–December 2015 was 4.9 million euros (2.7) and net profit 4.2 million euros (2.1).

Operating profit excluding non-recurring items in October–December 2015 was 4.9 million euros (2.7) and net profit for the period was 3.8 million euros (2.1).

Earnings per share were 0.09 euros (0.05).

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 reporting period. This lowers the taxes for the

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 excluding non-recurring items were 0.08 (0.05) euros.

January–December 2015

In January–December, Verkkokauppa.com Oyj's revenue grew by 25% year on year. Revenue grew by 67.9 million euros, totalling 344 million euros (276). Revenue increased particularly in mobile phones, both small (SDA) and major (MDA) domestic appliances and televisions.

According to GfK, the demand for consumer electronics increased by 0.9% during January–December in Finland.

Personnel costs increased by 19.4% to 22.4 million euros (18.8). The number of personnel in both stores and logistics grew along with the volume growth. Otherwise the number of personnel grew at a slower rate than revenue.

During the reporting period other expenses grew, totalling 20.6 million euros (15.5). Other expenses include a non-recurring compensation of 3.4 million euros paid to Teosto. Other expenses excluding non-recurring items grew by 10.9% and were 17.2 million euros (15.5).

Operating profit in January–December 2015 was 7.7 million euros (7.5) and net profit 5.3 million euros (4.5).

Operating profit excluding non-recurring items in January–December 2015 was 11.1 million euros (7.5) and net profit 8.8 million euros (6.0).

Earnings per share were 0.12 euros (0.11).

Non-recurring items of 4.3 million euros in the reporting period related to a legal dispute lost against Teosto ry regarding levies for private copying. Of the non-recurring items, 3.4 million euros is included in other expenses and the interest of 0.9 million euros in financing expenses. The comparison period included non-recurring items of 1.9 million euros related to preparations for listing. Earnings per share excluding non-recurring items were 0.20 (0.14) euros. The preliminary ruling related to the tax treatment of the Teosto compensation was received. The Teosto compensation is fully tax deductible in the company's income taxation.

FINANCE AND INVESTMENTS

Operating cash flow was 5.1 million euros (-5.7) in January–December 2015. In the reporting period, the positive operating cash flow mainly resulted from good operative business development. The positive cash flow was offset by an inventory increase, utilizing the maximum amount of cash discounts, and non-recurring 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 aimed to utilize the maximum amount of cash discounts.

Verkkokauppa.com made a strategic investment of approximately 0.2 million euros in the Swedish e-commerce start-up Vitvaruexperten.com Nordic AB in July 2015. Vitvaruexperten.com focuses on selling home appliances online to Swedish consumers. Verkkokauppa.com will be a minority owner of the company together with the founders and other investors. The investment is related to Verkkokauppa.com's purchasing cooperation strategy.

In addition, during the reporting period the company invested in the development of new ERP features, which resulted in the activation 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 1.3 million euros (0.7) in January–December 2015.

Financing expenses included 0.9 million euros of non-recurring penalty interest relating to the Teosto legal dispute. The comparison period included non-recurring items of 1.9 million euros related to preparations for listing.

On 31 December 2015, 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 2015.

A share issue without payment (share split) was decided upon in the Extraordinary General Meeting held on 19 August 2015. The number of shares was increased by issuing new shares without payment to the shareholders in proportion to their holdings so that five (5) new shares were issued per each currently existing share. The new shares were admitted to trading on 24 August 2015. The company's total number of the shares is 45,065,130 after the share issue without payment.

Over the reporting period 7,600,519 shares revised by share split were exchanged on the NASDAQ OMX First North Finland market, representing 16.9% of all shares in the company. The highest share price was 7.23 euros, and the lowest 4.91 euros. The average price in share trading was 6.04 euros. The total of the share trading was 45.9 million euros. The closing price was 7.20 euros, and the market value of all shares was 324.5 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 34, and the total number of employees was 561 (527) at the end of December 2015. The number of employees includes both full- and part-time employees.

At the Annual General Meeting held on 18 March 2015 the following board members were re-elected: Christoffer Häggblom, Mikael Hagman, Kai Seikku, Antti Tiitola, Henrik Weckström and Samuli Seppälä. Christoffer Häggblom was elected as the Chairman of the Board. Samuli Seppälä is the company's Chief Executive Officer. Minna Kurunsaari was elected as a new member of the Board of Directors in an Extraordinary General Meeting held on 19 August 2015.

Authorized Public Accountant firm KPMG Oy Ab was re-elected as auditor with Authorized Public Accountant Mauri Eskelinen as Principal Auditor in an Annual General Meeting held on 18 March 2015.

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 and 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 Annual Report.

The Supreme Court made a ruling on the dispute with Teosto ry regarding levies for private copying compensation on 9 March 2015. The Supreme Court held the ruling by the Court of Appeal. Information on the legal case is presented in the Offering document published on 21 March 2014, in the Financial Statements of 31 December 2014 and in the company release of 9 March 2015.

Verkkokauppa.com has received permission to appeal to the Supreme Court regarding the use of the domain name venelija.verkkokauppa.com on 3 September 2014.

OTHER EVENTS DURING THE REPORTING PERIOD

In January 2015 three new main product categories were launched: Baby and Family, Tools, and Luggage and Travel. In April 2015 another new main product category, Watches, was launched. It consists mainly of smart watches, sports watches and activity trackers.

Verkkokauppa.com launched its own consumer financing service, Apuraha on 22 September 2015. Apuraha consumer financing provides Verkkokauppa.com's customers an opportunity to purchase goods with instalments. Verkkokauppa.com provides the service in cooperation with the credit control and debt-related administrative services provider Lindorff.

Verkkokauppa.com has decided to evaluate the opportunity of leasing additional low-cost retail and logistics premises to support future growth.

In October, Verkkokauppa.com agreed on a revolving credit facility of 15 million euros for general corporate financing purposes. At the same time the company paid back its interest-bearing debt.

On 17 December 2015, Verkkokauppa.com updated its financial guidance. According to the revised guidance, revenue and operating profit excluding non-recurring items are expected to grow significantly in 2015 when compared to the previous year. According to the previous guidance, revenue and operating profit excluding non-recurring items were expected to grow in 2015 when compared to the previous year.

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 premises in Helsinki at Tyynenmerenkatu 11, 6th floor, at 10:00 a.m. on Friday, 12 February 2016, 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, 12 February 2016 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 2016

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

- Interim report January – March (Q1) on Friday, 22 April 2016
- Interim report January – March (Q2) on Friday, 5 August 2016
- Interim report January – March (Q3) on Friday, 21 October 2016

Helsinki, Finland, 12 February 2016

Verkkokauppa.com Oyj

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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 2014. This 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	10-12/2015	10-12/2014	Change%	1-12/2015	1-12/2014	Change%
REVENUE	107,573	86,622	24.2%	343,682	275,784	24.6%
Other income	33	21	60.0%	96	119	-19.2%
Cost of goods and services	-91,275	-73,451	24.3%	-291,899	-233,189	25.2%
Personnel expenses	-6,189	-5,660	9.3%	-22,402	-18,762	19.4%
Depreciation and amortization	-304	-250	21.5%	-1,171	-959	22.1%
Other operating expenses	-4,983	-4,546	9.6%	-20,630	-15,525	32.9%
OPERATING PROFIT	4,855	2,735	77.5%	7,676	7,468	2.8%
Financial income and expenses	-54	-3	1,480.4%	-882	-1,935	-54.4%
PROFIT BEFORE APPROPRIATIONS AND TAXES	4,801	2,731	75.8%	6,794	5,534	22.8%
Appropriations	-82	0	0.0%	-82	187	-143.9%
Income taxes	-515	-597	-13.6%	-1,358	-1,232	10.2%
NET PROFIT	4,203	2,134	96.9%	5,354	4,488	19.3%

BALANCE SHEET

€ thousands	31.12.2015	31.12.2014
ASSETS		
NON-CURRENT ASSETS		
Intangible assets total	1,179	949
Tangible assets total	1,788	2,113
Investments total	251	50
NON-CURRENT ASSETS TOTAL	3,218	3,113
CURRENT ASSETS		
Inventories	38,742	30,858
Receivables		
Non-current receivables	111	113
Current receivables	8,484	8,031
Trade receivables	5,037	4,705
Other receivables	601	668
Receivables carried forward	2,847	2,659
Cash and cash equivalents	30,770	35,312
CURRENT ASSETS TOTAL	78,108	74,314
TOTAL ASSETS	81,325	77,427
LIABILITIES		
EQUITY		
Shareholders' capital		
Share capital	100	100
Other funds		
Invested non-restricted equity fund	25,493	25,493
Retained earnings	4,645	6,541
Profit (loss) for the period	5,354	4,488
EQUITY TOTAL	35,591	36,622
Depreciation reserve	82	0
Provisions	810	715
LIABILITIES		
Non-current liabilities	0	1,099
Interest-bearing debt	0	1,099
Current liabilities total	44,842	38,991
Interest-bearing debt	0	879
Advances received	2,501	2,280
Accounts payables	27,736	22,717
Other liabilities	4,450	6,508
Accrued expenses	10,156	6,607
LIABILITIES TOTAL	44,842	40,090
TOTAL LIABILITIES	81,325	77,427

CASH FLOW

€ thousands	1-12/2015	1-12/2014
Cash flow from operating activities		
Profit before appropriations and taxes	6,794	5,534
Depreciation and amortization	1,171	959
Change in provisions	95	320
Interest paid and received	882	1,935
Non-current receivables, increase (-), decrease (+)	2	-98
Current receivables, increase (-), decrease (+)	-490	-229
Inventory increase (-), decrease (+)	-7,884	-7,687
Non-interest-bearing debt, increase (+), decrease (-)	6,492	-2,852
NET CASH FROM OPERATING ACTIVITIES BEFORE FINANCING AND TAXES	7,061	-2,119
Interest paid and other operational financial expenses	-1,050	-2,118
Interest received from operations	168	183
Taxes paid	-1,084	-1,688
NET CASH FLOW FROM OPERATING ACTIVITIES	5,096	-5,742
Investments		
Intangible and tangible investments	-1,075	-637
Other investments	-201	-50
NET CASH FLOW FROM INVESTMENTS	-1,276	-687
Cash flows from financing activities		
Proceeds from share issue	0	24,472
Current interest-bearing debt, increase (+), decrease (-)	-879	-15
Non-current interest-bearing debt, increase (+), decrease (-)	-1,099	-5,183
Dividends paid	-6,384	-210
NET CASH FLOW FROM FINANCING ACTIVITIES	-8,362	19,064
NET INCREASE (+) / DECREASE (-) IN CASH AND CASH EQUIVALENTS	-4,543	12,635
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	35,312	22,677
CASH AND CASH EQUIVALENTS AT THE PERIOD END	30,770	35,312

STATEMENT OF EQUITY CHANGES

€, thousand	Share capital	Invested unrestricted equity fund	Retained earnings (loss)	Profit (loss) of the period	Total
SHARE CAPITAL 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
SHARE CAPITAL 31.12.2015	100	25,493	4,645	5,354	35,591
SHARE CAPITAL 1.1.2014	100	1,021	6,751	0	7,872
Dividends	0	0	-210	0	-210
Share issue	0	24,472	0	0	24,472
Profit (loss) of the period	0	0	0	4,488	4,488
SHARE CAPITAL 31.12.2014	100	25,493	6,541	4,488	36,622

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) Operating margin excluding non-recurring items, % = Operating result excluding non-recurring items / 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) Earnings per share excluding non-recurring items = Profit for the financial period excluding non-recurring items / 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) Earnings per share excluding non-recurring items (diluted) = Profit for the financial period excluding non-recurring items / 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