

VERKKOKAUPPA.COM OYJ
HALF-YEAR REPORT
January 1 – June 30 2020

HALF-YEAR REPORT for 1 January – 30 June 2020: Strong sales and record profit in an exceptional environment

Verkkokauppa.com Oyj – Half-Year Report (unaudited) 24 July 2020, 8:00 a.m.

1 April – 30 June 2020 in brief

- Revenue 123 million euros (4–6/2019: 108), growth of 14.1%
- Gross profit 21.4 million euros (15.3), growth of 39.7%
- Gross margin 17.4% of revenue (14.2%)
- Operating profit 4.4 million euros (0.2)
- Operating margin 3.5% of revenue (0.2%)
- Comparable operating profit 4.8 million euros (0.2)
- Comparable operating margin 3.9% (0.2%)
- Profit for the period 3.3 million euros (-0.2)
- Earnings per share 0.07 euros (0.00)
- Investments 0.4 million euros (0.8)
- Operating cash flow -2.6 million euros (-2.2)
- The company provided preliminary information on its second-quarter revenue and comparable operating profit and issued a positive profit warning after the reporting period
- The Board of Directors has resolved to pay a quarterly dividend of 0.054 euros per share after the reporting period

KEY RATIOS	4-6/2020	4-6/2019	Change%	1-6/2020	1-6/2019	Change%	1-12/2019
Revenue, € thousands	123,050	107,848	14.1%	248,305	223,645	11.0%	504,113
Gross profit, € thousands	21,405	15,327	39.7%	40,825	32,727	24.7%	73,874
Gross margin, % of revenue	17.4%	14.2%	22.4%	16.4%	14.6%	12.4%	14.7%
EBITDA, € thousands	5,602	1,448	286.9%	10,250	5,029	103.8%	16,330
EBITDA, %	4.6%	1.3%	239.1%	4.1%	2.2%	83.6%	3.2%
Operating profit, € thousands	4,356	190	2,198.6%	7,773	2,490	212.2%	11,290
Operating margin, % of revenue	3.5%	0.2%	1,914.6%	3.1%	1.1%	181.1%	2.2%
Comparable operating profit, € thousands	4,826	190	2,446.8%	8,580	2,490	244.6%	11,290
Comparable operating margin, % of revenue	3.9%	0.2%	2,132.2%	3.5%	1.1%	210.3%	2.2%
Net profit, € thousands	3,298	-154	2,243.4%	5,742	1,371	318.7%	7,810
Investments	396	750	-47.2%	662	845	-21.7%	1,245
Operating cash flow	-2,605	-2,210	-17.9%	1,033	-13,394	107.7%	9,690

1 January – 30 June 2020 in brief

- Revenue 248 million euros (1–6/2019: 224), growth of 11.0%
- Gross profit 40.8 million euros (32.7), growth of 24.7%
- Gross margin 16.4% of revenue (14.6%)
- Operating profit 7.8 million euros (2.5)
- Operating margin 3.1% of revenue (1.1%)
- Comparable operating profit 8.6 million euros (2.5)
- Comparable operating margin 3.5% (1.1%)
- Profit for the period 5.7 million euros (1.4)
- Earnings per share 0.13 euros (0.03)
- Investments 0.7 million euros (0.8)
- Operating cash flow 1.0 million euros (-13.4)

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 the chosen segments. The strong balance sheet enables the company to continue expanding its operations in accordance with its strategy. The Company believes that the impact of the COVID-19 pandemic on the demand may not be as large as previously anticipated and that as a result the consumer demand may continue or not significantly decrease during the second half of the year, supported partly by shifting consumption patterns and shifting consumer behavior. Nevertheless, the uncertainties included in the business outlook have increased significantly especially due to macroeconomic developments. Although conditions surrounding the COVID-19 pandemic have currently improved in Finland, it is still early and difficult to estimate its impact on the economy as well as consumer behavior, B2B sales and wholesale. As the implications of forecasted development in economy and consumer behavior remain uncertain, the company expects the second half of the year to possibly be more challenging and unpredictable.

FINANCIAL GUIDANCE

On 21 July 2020, the company updated its guidance for revenue and comparable operating profit for 2020. The Company estimates the revenue to be between 520-545 million euros (2019: 504 million euros) and comparable operating profit to be between 13-18 million euros (2019: 11.3 million euros) for 2020. Earlier, the company estimated the revenue to be between 510-530 million euros and comparable operating profit to be between 12-15 million euros for 2020.

CEO PANU PORKKA'S REVIEW

Verkkokauppa.com's revenue grew by 14% in Q2, amounting to 123 million euros, exceeding our expectations. Drivers for growth in Q2 were strong online sales, positive performance in mid-sized and evolving categories, and successful marketing that resulted in increased online traffic. According to GfK, the Finnish consumer electronics market grew by 9.1% while consumer behavior kept changing as retail moved online at a rapid pace. The COVID-19 pandemic had an impact on the market, and remote working and changes in consumer behavior increased demand in several categories. During Q2, Verkkokauppa.com was able to utilize its omnichannel business model to outperform the market and meet the changing customer behavior and needs. The wide assortment, excellent availability and multiple delivery options resulted to the increased customer traffic. Revenue was up by +40% or more in several evolving categories.

Gross margin in Q2 stood at 17.4% and was higher than last year (Q2/2019 14.2%), due to good sales improvement in higher margin categories, improvements in category management and declining sales in lower margin wholesale. The company achieved a record-high comparable second quarter operating profit of 4.8 million euros (Q2/2019 0.2 million euros), mostly due to higher sales and better margins. Operating profit in Q2 was 4.4 million euros (Q2/2019 0.2 million euros) including advisory costs related to entering to the official list of Helsinki Nasdaq on 5 June 2020.

To further improve profitability, the company focused on category management and marketing performance during Q2. Utilizing its wide assortment and interesting offering in seasonal product categories, Verkkokauppa.com was able to attract new customers to its website. By introducing new products and brands the company succeeded in improving its brand awareness, according to BrandIndex. As part of the efforts to improve customer experience, Verkkokauppa.com will continue to enhance the usability of the website, for example, by improving product information, as well as offering best possible delivery options.

The consumer electronics market is expected to remain competitive and specialty retail store closings to continue. Measures to ensure safety of staff and customers during the COVID-19 pandemic have been adequate, and the company continues to follow the situation closely for any changes. Verkkokauppa.com is determined to enhance superior product availability, brand recognition, multiple delivery options, and a larger assortment than its main competitors as key competitive advantages in the future. The company will remain a low-cost operator with the goal of becoming the leader of the Finnish consumer electronics market. Thanks to its low cost structure, the company is well-positioned to deliver on its customer promise of "Probably always cheaper".

After a strong and favorable first half of the year, the uncertainties regarding short-term development in macroeconomics, consumer behavior and purchasing power remain. Similarly, in the exceptional business environment, the risk for volatility in B2B sales and wholesale has increased. High demand in many categories, such as computers, in Q2 could as well imply a lower demand in Q3. As the implications of forecasted development in economy and consumer behavior remain uncertain, the company expects the second half of the year to possibly be more challenging and unpredictable. It is likely that the current annual pace of one percent of brick-and-mortar retail sales going online in Finland will accelerate in the future due to the disruption and rapid development of digital tools. The current share of e-commerce of the total retail market in Finland is approximately 12–13%, which is still lower than the average in Europe or Nordics.

REVENUE AND PROFITABILITY DEVELOPMENT

April–June 2020

In April–June 2020, Verkkokauppa.com Oyj's revenue grew by 14.1% year on year. Revenue grew by 15.2 million euros, totaling 123.1 million euros (107.8). Sales increased particularly in major domestic appliances (MDA), sports, Audio & Hi-Fi, BBQ and cooking, components and computers.

The company-financed customer financing proceeds were 0.9 million euros (0.8) including both interest income and fee income. To reflect the prevailing uncertainty related to customers' payment behavior and changes in continues debt sales pricing, the credit loss allowance was increased by 0.5 million euros (-0.2) in the second quarter. As of April 2019, Verkkokauppa.com has been selling past due receivables in a so-called continuous debt sales model, where receivables overdue more than 60 days will be sold to third parties. This decreases company's accounts receivable risk.

Personnel costs increased in April–June by 3.7% to 8.4 million euros (8.1). The increase resulted mainly from the growing personnel costs in IT, customer service and purchasing. During the reporting period, other operating expenses increased by 27.5% to 7.5 million euros (5.9). The increase resulted mainly from increased credit loss allowance, external logistics service costs and 0.5 million euros advisory costs related to transferring to the official list of Nasdaq Helsinki.

Operating profit in April–June 2020 was 4.4 million euros (0.2), comparable operating profit was 4.8 (0.2) and profit for the period 3.3 million euros (-0.2). Items affecting to comparable operating profit totaled 0.5 million euro (0.0).

EUR thousand	4-6/2020	4-6/2019	1-6/2020	1-6/2019	1-12/2019
Operating profit	4,356	190	7,773	2,490	11,290
- advisory costs related to transfer to official list of Nasdaq Helsinki	470	-	807	-	-
Comparable operating profit	4,826	190	8,580	2,490	11,290

Earnings per share were 0.07 euros (0.00) in April–June 2020. In January–June 2020 earnings per share were 0.13 euros (0.03).

January–June 2020

In January–June 2020, Verkkokauppa.com Oyj's revenue grew by 11.0% year on year. Revenue grew by 24.7 million euros, totaling 248.3 million euros (223.6). Sales increased particularly in sports, Audio & Hi-Fi, TV and video, BBQ and cooking, computers and major domestic appliances (MDA).

The company-financed customer financing proceeds were 1.8 million euros (1.6) including both interest income and fee income. To reflect the prevailing uncertainty related to customers' payment behavior and changes in continues debt sales pricing the credit loss allowance was increased compared to the end of 2019 and totaled 1.1 million euros (0.5). As of April 2019, Verkkokauppa.com has been selling past due receivables in a so-called continuous debt sales model, where receivables overdue more than 60 days will be sold to third parties. This decreases company's accounts receivable risk.

Personnel costs increased in January–June by 7.4% to 17.0 million euros (15.9). The increase resulted mainly from the growing personnel costs in IT, customer service and purchasing. During the reporting period, other operating expenses increased by 13.8% to 13.8 million euros (12.1). The increase was mainly driven by

increased credit loss allowance, external logistics service costs, IT related costs and 0.8 million euros advisory costs related to transferring to the official list of Nasdaq Helsinki.

Operating profit in January–June 2020 was 7.8 million euros (2.5), comparable operating profit was 8.6 (2.5) and profit for the period 5.7 million euros (1.4). Items affecting to comparable operating profit totaled 0.8 million euro (0.0)

FINANCE AND INVESTMENTS

Operating cash flow was 1.0 million euros (-13.4) in January–June 2020. In the reporting period, the relative improvement of the operating cash flow resulted from improved sales margin and working capital.

Ordinary seasonal fluctuations are reflected in cash and cash equivalents, cash flow and accounts payable, which usually reach the highest point at the end of the fourth quarter and the lowest point at the end of the second quarter.

During the reporting period, the company invested in new IT systems and in the development of new ERP features, and as a result capitalized 0.4 million euros (0.1) in related salary costs and external technology consulting fees. The company also invested in ordinary store equipment and furniture. Capital expenditures totaled 0.4 million euros (0.8) in April–June 2020. Investments totaled 0.7 million euros (0.8) in January–June 2020.

Verkkokauppa.com has revolving credit facilities totaling 20 million euros, which have not been utilized. Of these credit facilities, 15 million euros are for three years, and 5 million euros for five years as of 1 July 2019.

SHARE TRADING AND SHARES

During the reporting period, 8,766,185 shares were exchanged until 4 June on the First North Growth Market of Nasdaq Helsinki Ltd marketplace and on 5 June onwards on the official list of Nasdaq Helsinki Ltd, representing 19.5% of all shares in the company. The highest share price was 5.74 euros and the lowest 2.49 euros. The average price in share trading was 4.00 euros. The total of the share trading was 35 million euros. The closing price was 5.20 euros, and the market capitalization of all shares was 232.5 million euros at the end of the period.

The total number of shares in the company was 45,065,130 on 30 June 2020, including treasury shares. In 2020, the company has transferred a total of 15,370 treasury shares as part of the remuneration of Board members. The company held 353,151 treasury shares on 30 June 2020. These treasury shares accounted for 0.78% of all shares. The treasury shares have no voting rights and no dividend is paid on them.

The Board holds a valid authorization to issue a maximum of 4,506,513 shares on a share issue by one or several decisions (share issue authorization of 2020). The Board has utilized its share issue authorization solely for transferring shares as part of the remuneration of Board members.

LONG-TERM INCENTIVE PLANS

Verkkokauppa.com has two share-based incentive plans that are targeted to the CEO and members of the Management Team, the Matching Share Plan 2018-2020 and the Performance Matching Share Plan 2020-2022. The plans aim is to align the objectives of the shareholders and the management in order to increase the value of the company in the long term, to encourage the management to personally invest in the company

shares, to retain the members of the Management Team at the company and to offer them a competitive reward plan that is based on acquiring, earning and accumulating the company's shares.

In the Matching Share Plan 2018–2020, the participant may earn a number of matching shares, determined by the Board of Directors, based on their investment in Verkkokauppa.com Oyj's shares. The Matching Share Plan has two matching periods: 2018–2020 and 2019–2021. The rewards to be paid on the basis of the matching period 2018–2020 correspond to the value of maximum total of 50,000 Verkkokauppa.com Oyj's shares, and on the basis of the matching period 2019–2021 to the value of maximum total of 45,000 Verkkokauppa.com Oyj's shares, including also the proportions to be paid in cash.

In the new Performance Matching Share Plan 2020–2022, a person may earn a number of matching shares based on their investment in Verkkokauppa.com Oyj's shares and the Total Shareholder Return (TSR) of the share. The Performance Matching Share Plan includes one performance period, calendar years 2020–2022. The reward to be paid to participants is based on the achievement of the required TSR levels set by the Board of Directors. A maximum of three performance-based matching shares is paid for each allocated share. The rewards to be paid on the basis of the plan correspond to the value of approximately 540,000 Verkkokauppa.com Oyj shares in total (gross amount).

PERSONNEL

During the reporting period, the number of employees increased by 2.2%, and the total number of employees was 747 (731) at the end of June 2020. The number of employees includes both full- and part-time employees.

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 2019.

Uncertainty in the development of the economy and the financial markets in Finland, Europe and the world may have a negative impact on the business and growth opportunities of Verkkokauppa.com. The COVID-19 pandemic has affected and continues to affect people's lives and the operation of businesses in Finland and globally alike. The COVID-19 pandemic is still on-going, and its resulting impacts are difficult to assess at this point.

LITIGATION AND DISPUTES

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

ANNUAL GENERAL MEETING 2020

The Annual General Meeting was held in Helsinki on 31 March 2020. The financial statements for the year 2019 were approved, the Remuneration Policy was considered, and the Board members and the CEO were discharged from liability with respect to financial year 2019. It was resolved to pay a dividend of 0.052 euros per share, totaling 2,339,612.96 euros.

The Annual General Meeting authorized the Board of Directors to decide in its discretion on the distribution of dividends as follows: The total amount of the dividend distribution based on this authorization shall not exceed EUR 0.162 per share (the instalments may differ from another). The authorization is valid until the opening of the next Annual General Meeting. Unless the Board of Directors decides otherwise, the authorization will be used to distribute dividend three times during the period of validity of the authorization and the payment dates of the dividends will be on 6 May 2020, 4 August 2020 and 3 November 2020. The Board of Directors will decide on the record date in connection with each dividend payment decision and the company will make separate announcements of Board resolutions.

The number of Board members was confirmed as six. All the current Board members Christoffer Häggblom, Robert Burén, Mikael Hagman, Kai Seikku, Arja Talma and Samuli Seppälä were re-elected. After the meeting, the Board elected Christoffer Häggblom as the Chair of the Board and resolved to continue with an Audit Committee and Remuneration Committee. The Audit Committee consists of Board members Kai Seikku (Chair), Samuli Seppälä, Arja Talma (Vice Chair) and Christoffer Häggblom. The Remuneration Committee consists of Board members Christoffer Häggblom (Chair), Samuli Seppälä and Kai Seikku.

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

The Annual General Meeting authorized the Board to decide on the repurchase of a maximum of 4,506,513 shares in one or several instalments using the unrestricted equity of the Company, however taking into account the provisions of the Finnish Limited Liability Companies Act on the maximum number of the treasury shares held by the company or its subsidiaries. The proposed number of shares represents a maximum of ten (10) per cent of the total number of shares in the company.

The authorization is valid until the close of the following Annual General Meeting, however, no longer than until 30 June 2021. The authorization revokes previous unused authorizations for the repurchase of the company's own shares.

The Annual General Meeting authorized the Board of Directors to decide on a share issue by one or several decisions. A maximum of 4,506,513 shares may be issued on the basis of the authorization. The proposed maximum authorized number represents ten (10) percent of the company's entire share capital. The authorization is valid until the close of the following Annual General Meeting, however, no longer than until 30 June 2021. The authorization revokes previous unused share issue authorizations.

In addition, the Annual General Meeting resolved to establish a Shareholders' Nomination Board, to prepare proposals on the election and remuneration of the members of the Board of Directors for the Annual General Meeting as well as confirm the charter of the Shareholders' Nomination Board. The Nomination Board consists of four members, three of which represent the Company's three largest shareholders, or the representatives nominated by such shareholders. The Chairperson of the Board of Directors shall be the fourth member of the Nomination Board. The right to nominate members to represent shareholders rests with three shareholders who are registered in the shareholders' register maintained by Euroclear Finland Ltd or another operator on the last business day of May in the year preceding the Annual General Meeting and who hold the largest number of votes conferred by shares according to the shareholder register.

DIVIDEND

The Annual General Meeting 2020 resolved to pay 0.052 euros (2,339,612.96 euros in total) per share as dividend. The dividend payment date was 9 April 2020.

The Board resolved on 24 April 2020 to pay a dividend of 0.053 euros per share (2,384,605.52 euros in total). The dividend payment date was 6 May 2020.

The Board resolved on 24 July 2020 to pay a dividend of 0.054 euros per share (2,433,517.02 euros in total).

Verkkokauppa.com's Annual General Meeting authorized the Board of Directors to decide in its discretion on the distribution of dividends not exceeding 0.162 euro per share to be paid in three instalments during 2020.

OTHER EVENTS DURING THE REPORTING PERIOD

On 24 April 2020 Verkkokauppa.com announced that it will start purchasing the company's own shares.

Between 14 May and 30 June 2020 Verkkokauppa.com announced several (25) daily share repurchase announcements.

On 28 May 2020 Verkkokauppa.com announced that it will apply for its shares to be listed on the official list of Nasdaq Helsinki Ltd.

On 29 May 2020 Verkkokauppa.com announced that the Finnish Financial Supervisory Authority has approved Verkkokauppa.com Oyj's Finnish-language prospectus.

On 4 June 2020 Verkkokauppa.com announced that Verkkokauppa.com Oyj's listing application has been approved and trading of the company's shares on the official list of Nasdaq Helsinki Ltd will commence on 5 June 2020.

SUBSEQUENT EVENTS

On 1 July 2020 Verkkokauppa.com announced daily share repurchase.

On 2 July 2020 Verkkokauppa.com announced that it has completed the repurchase of company's own shares.

On 21 July 2020 Verkkokauppa.com provided preliminary information on its second-quarter revenue and comparable operating profit and issued a positive profit warning.

There are no other subsequent events that differ from usual business events, after the reporting period.

PRESS CONFERENCES

A press conference for analysts, investors and media will be held in Finnish by LiveStream webcast on Friday, 24 July 2020 at 10:00 a.m., in which Verkkokauppa.com Oyj's CEO Panu Porkka will present the developments in the reporting period.

A press conference in English will be held by LiveStream webcast on Friday, 24 July 2020 at 11:00 a.m. (EET). Questions can be sent beforehand or during the presentation via e-mail to investors@verkkokauppa.com.

Presentation materials for both events are available at www.verkkokauppa.com in the section Investors > Presentations. For both press conferences, a LiveStream is available at www.verklive.com.

COMPANY RELEASES IN 2020

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

- Interim Report January–September 2020, Friday 23 October 2020

Helsinki, Finland, 24 July 2020

Verkkokauppa.com Oyj

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VERKKOKAUPPA.COM OYJ HALF-YEAR FINANCIAL INFORMATION 1 Jan – 30 Jun 2020
Income statement

EUR thousand	Note	4-6/ 2020	4-6/ 2019	1-6/ 2020	1-6/ 2019	1-12/ 2019
Revenue	1.3.	123,050	107,848	248,305	223,645	504,113
Other operating income		116	119	243	283	555
Materials and services		-101,645	-92,521	-207,480	-190,919	-430,239
Employee benefit expenses		-8,417	-8,114	-17,036	-15,866	-32,595
Depreciation and amortization		-1,246	-1,258	-2,476	-2,539	-5,040
Other operating expenses		-7,503	-5,884	-13,782	-12,115	-25,504
Operating profit		4,356	190	7,773	2,490	11,290
Finance income		2	1	3	4	64
Finance costs		-359	-382	-720	-779	-1,591
Profit before income taxes		3,999	-191	7,056	1,715	9,763
Income taxes		-701	37	-1,315	-344	-1,953
Profit for the period		3,298	-154	5,742	1,371	7,810
Profit for the period attributable to						
Equity holders of the company		3,298	-154	5,742	1,371	7,810
Earnings per share calculated from the profit attributable to equity holders						
Earnings per share, basic and diluted (EUR)		0.07	0.00	0.13	0.03	0.17

Statement of comprehensive income

EUR thousand	4-6/ 2020	4-6/ 2019	1-6/ 2020	1-6/ 2019	1-12/ 2019
Profit for the period	3,298	-154	5,742	1,371	7,810
Comprehensive income for the period	3,298	-154	5,742	1,371	7,810
Comprehensive income for the period					
Equity holders of the company	3,298	-154	5,742	1,371	7,810

Statement of financial position

EUR thousand	Note	30 Jun 2020	31 Dec 2019
Non-current assets			
Intangible assets		856	592
Property, plant and equipment		2,187	2,381
Right-of-use assets	1.5	17,235	18,770
Equity investments		266	266
Deferred tax assets		1,308	1,195
Trade receivables	1.6/1.7	2,302	1,882
Other non-current receivables		425	435
Non-current assets, total		24,579	25,521
Current assets			
Inventories		56,659	66,702
Trade receivables	1.6/1.7	11,890	14,620
Other receivables		1,421	1,143
Income tax receivables		-	278
Accrued income		7,495	9,424
Cash and cash equivalents	1.7	34,898	42,495
Current assets, total		112,364	134,662
Total assets		136,943	160,183
Equity			
Share capital		100	100
Treasury shares		-2,156	-701
Invested non-restricted equity fund		25,764	25,707
Retained earnings		6,923	3,647
Profit for the period		5,742	7,810
Total equity		36,373	36,563
Non-current liabilities			
Lease liabilities	1.7	17,975	19,676
Deferred tax liabilities		7	7
Provisions		740	660
Non-current liabilities, total		18,722	20,343
Current liabilities			
Lease liabilities	1.7	3,899	3,758
Advance payments received		4,144	3,819
Trade payables	1.7	52,132	73,068
Other current liabilities		7,334	7,892
Accrued liabilities		14,311	14,741
Income tax liabilities		29	-
Current liabilities, total		81,848	103,277
Total liabilities		100,570	123,620
Total equity and liabilities		136,943	160,183

Statement of cash flows

EUR thousand	1-6/ 2020	1-6/ 2019	1-12/ 2019
Cash flow from operating activities			
Profit before income taxes	7,056	1,715	9,763
Adjustments			
Depreciation and impairment	2,476	2,539	5,040
Finance income and costs	716	775	1,527
Other adjustments	213	236	476
Cash flow before change in working capital	10,461	5,265	16,806
Change in working capital			
Increase (-) / decrease (+) in non-current non-interest-bearing trade receivables	-410	175	-335
Increase (-) / decrease (+) in trade and other receivables	4,380	6,538	1,653
Increase (-) / decrease (+) in inventories	10,043	12,881	-918
Increase (+) / decrease (-) in current liabilities	-21,601	-36,510	-3,650
Cash flow before financial items and taxes	2,874	-11,652	13,557
Interest paid	-40	-19	-59
Interest received	3	4	7
Interest of lease liabilities	-679	-760	-1,483
Income tax paid	-1,124	-967	-2,333
Cash flow from operating activities	1,033	-13,394	9,690
Cash flow from investing activities			
Purchases of property, plant and equipment	-222	-716	-1,016
Purchases of intangible assets	-440	-87	-186
Proceeds from equity investments	-	-	57
Cash flow from investing activities	-662	-802	-1,145
Cash flow from financing activities			
Decrease (-) in lease liabilities	-1,909	-1,864	-3,690
Dividends paid	-4,724	-4,366	-8,908
Acquisition of treasury shares	-1,335	-198	-198
Cash flow from financing activities	-7,968	-6,428	-12,796
Increase (+) / decrease (-) in cash and cash equivalents	-7,597	-20,625	-4,251
Cash and cash equivalents at beginning of financial year	42,495	46,746	46,746
Cash and cash equivalents at end of financial year	34,898	26,122	42,495

Statement of changes in equity

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

EUR thousand	A	B	C	D	E	F
Equity 1 Jan 2020	100	-701	25,707	-	11,457	36,563
Profit for the period	-	-	-	-	5,742	5,742
Changes in fair values of equity investments	-	-	-	-	-	-
Comprehensive income for the period, total	-	-	-	-	5,742	5,742
Dividend distribution	-	-	-	-	-4,724	-4,724
Acquisition of treasury shares	-	-1,455	-	-	-	-1,455
Disposal of treasury shares -Board fees	-	-	57	-	-	57
Share-based incentives	-	-	-	-	191	191
Transactions with owners, total	-	-1,455	57	-	-4,534	-5,932
Equity 30 Jun 2020	100	-2,156	25,764	-	12,665	36,373

EUR thousand	A	B	C	D	E	F
Equity 1 Jan 2019	100	-502	25,585	-33	12,416	37,565
Profit for the period	-	-	-	-	7,810	7,810
Changes in fair values of equity investments	-	-	-	33	-	33
Comprehensive income for the period, total	-	-	-	33	7,810	7,843
Dividend distribution	-	-	-	-	-8,908	-8,908
Acquisition of treasury shares	-	-198	-	-	-	-198
Disposal of treasury shares -Board fees	-	-	122	-	-	122
Share-based incentives	-	-	-	-	139	139
Transactions with owners, total	-	-198	122	-	-8,769	-8,845
Equity 31 Dec 2019	100	-701	25,707	0	11,457	36,563

EUR thousand	A	B	C	D	E	F
Equity 1 Jan 2019	100	-502	25,585	-33	12,416	37,565
Profit for the period	-	-	-	-	1,371	1,371
Changes in fair values of equity investments	-	-	-	-	-	-
Comprehensive income for the period, total	-	-	-	-	1,371	1,371
Dividend distribution	-	-	-	-	-4,366	-4,366
Acquisition of treasury shares	-	-198	-	-	-	-198
Disposal of treasury shares -Board fees	-	-	61	-	-	61
Share-based incentives	-	-	-	-	80	80
Transactions with owners, total	-	-198	61	-	-4,286	-4,423
Equity 30 Jun 2019	100	-701	25,646	-33	9,501	34,513

Notes

1.1 Accounting principles applied in this Half-Year Financial Report

Verkkokauppa.com Oyj is a public limited company, the shares of which were quoted until 4 June 2020 on the First North Growth Market of Nasdaq Helsinki Ltd marketplace and are quoted on 5 June 2020 onwards on the official list of Nasdaq Helsinki Ltd. The registered address of its head office is Tyynenmerenkatu 11, Helsinki.

Verkkokauppa.com Oyj's Half-Year Financial Report for January–June 2020 has been prepared in line with IAS 34, 'Interim Financial Reporting' and should be read in conjunction with Verkkokauppa.com Oyj's financial statements for 2019, published on 4 March 2020. Verkkokauppa.com Oyj has applied the same accounting principles in the preparation of this Half-Year Financial Report as in its Financial Statements for 2019.

Verkkokauppa.com Oyj has not adopted any new accounting policies during 2020 that would have a material impact on this Half-Year Financial Report.

The information presented in this Half-Year Financial Report has not been audited. The figures are rounded, and therefore the sum of individual figures may deviate from the aggregate amount presented. All amounts in this report are presented in EUR thousands, unless otherwise stated.

Management judgement related to the choice and application of accounting policies and measures following the COVID-19

The preparation of this Half-Year Financial Report required management to make judgements, estimates assumptions that affect the application of accounting principles and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The company has started several initiatives to secure the business continuity and the staff safety. The company is monitoring and reporting on the COVID-19 situation on a frequent basis. Although conditions surrounding the COVID-19 pandemic have currently improved in Finland, it is still early and difficult to estimate its impact on the economy as well as consumer behavior, B2B sales and wholesale. As the implications of forecasted development in economy and consumer behavior remain uncertain, the company expects the second half of the year to possibly be more challenging and unpredictable. Since March 2020 the company has monitored customers payment behavior and the development of account receivables on daily basis, and managed the credit limits and potential credit losses. No significant changes have been observed in customers' payment behavior. COVID-19 has also not had a significant effect on inventory turnover or impairment. There have been no significant changes in the Company's leases or payment terms as a result of COVID-19 that would have effected on the company's right-of-use assets or their lease liabilities. The current strong cash position and unused RCF facilities (20.0 million euros) will secure business continuity even under these exceptional circumstances.

1.2 Segment reporting

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

1.3 Revenue from contracts with customers

The revenue streams of the company consist of the sale of goods and services. There are more than 65,000 products in 26 different main product categories that the company sells to consumers through its own webstore and four retail stores in Finland. The sale of services rendered by the company includes, for example, installation and maintenance services, subscription sales and visibility sales. Revenue is accumulated geographically mainly from Finland.

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

Disaggregation of revenue

Satisfaction of performance obligations

	4-6/ 2020	4-6/ 2019	1-6/ 2020	1-6/ 2019	1-12/ 2019
EUR thousand					
At a point in time	121,898	106,373	246,291	220,913	498,343
Over time	1,153	1,475	2,014	2,732	5,770
Revenue, total	123,050	107,848	248,305	223,645	504,113

Revenue by external customers' location

	4-6/ 2020	4-6/ 2019	1-6/ 2020	1-6/ 2019	1-12/ 2019
EUR thousand					
Finland	114,756	95,815	219,848	199,743	442,540
Rest of the world	8,294	12,033	28,457	23,902	61,573
Revenue by external customers' location	123,050	107,848	248,305	223,645	504,113

Income recognized from customer financing

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

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

	4-6/ 2020	4-6/ 2019	1-6/ 2020	1-6/ 2019	1-12/ 2019
EUR thousand					
Interest income recognized using effective interest rate method	473	314	912	635	1,293
Other income from company-financed customer financing	408	461	849	972	1,983
Income from company-financed Apuraha, total	881	775	1,762	1,607	3,276

1.4 Seasonality of business

The nature of the business of the company includes seasonality. Ordinary seasonal fluctuations are reflected in cash and cash equivalents, cash flow and accounts payable, which usually reach the highest point at year-end and the lowest point at the end of the second quarter.

1.5 Right-of-use assets

EUR thousand	30 Jun 2020	31 Dec 2019
Carrying amount 1.1.	18,770	21,764
Increases	405	113
Increase/decrease due to remeasurement	-	700
Disposals	-56	-33
Depreciation	-1,884	-3,774
Carrying amount at the end of period	17,235	18,770

The remeasurements made during 2019 and 2020 relate to index adjustments and renegotiated rental agreements.

1.6 Trade receivables

EUR thousand	30 Jun 2020		30 Jun 2019		31 Dec 2019	
	Trade receivables	Loss allowance	Trade receivables	Loss allowance	Trade receivables	Loss allowance
Not due	11,233	501	10,678	111	12,226	101
Past due 1-60 days	3,732	435	3,437	236	4,399	331
Past due 61-120 days	249	85	115	101	419	110
Past due over 121 days	74	74	15	15	17	17
Total	15,288	1,095	14,245	463	17,061	559

1.7 Financial assets and liabilities by measurement category

30 Jun, EUR thousand	Recognized at fair value through other comprehensive income			At amortized cost	Lease liabilities	Carrying amount
Measurement category						
Non-current financial assets						
Equity investments (level 3)			266	-	-	266
Trade receivables and other financial receivables			-	2,727	-	2,727
Non-current financial assets, total			266	2,727	-	2,993
Current financial assets						
Trade receivables			-	11,890	-	11,890
Cash and cash equivalents			-	34,898	-	34,898
Current financial assets, total			-	46,789	-	46,789
Financial assets by measurement category, total			266	49,515	-	49,782

Non-current financial liabilities				
Lease liabilities	-	-	17,975	17,975
Non-current financial liabilities, total	-	-	17,975	17,975
Current financial liabilities				
Lease liabilities	-	-	3,899	3,899
Trade payables	-	52,132	-	52,132
Current financial liabilities, total	-	52,132	3,899	56,031
Financial liabilities by measurement category, total	-	52,132	21,874	74,006

31 Dec 2019, EUR thousand	Recognized at fair value through other comprehensive income	At amortized cost	Lease liabilities	Carrying amount
Non-current financial assets				
Equity investments (level 3)	266	-	-	266
Trade receivables and other financial receivables	-	2,317	-	2,317
Non-current financial assets, total	266	2,317	-	2,583
Current financial assets				
Trade receivables	-	14,620	-	14,620
Cash and cash equivalents	-	42,495	-	42,495
Current financial assets, total	-	57,116	-	57,116
Financial liabilities by measurement category, total	266	59,432	-	59,699
Non-current financial liabilities				
Lease liabilities	-	-	19,676	19,676
Non-current financial liabilities, total	-	-	19,676	19,676
Current financial liabilities				
Lease liabilities	-	-	3,758	3,758
Trade payables	-	73,068	-	73,068
Current financial liabilities, total	-	73,068	3,758	76,826
Financial liabilities by measurement category, total	-	73,068	23,434	96,502

Determining fair values

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

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

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

The equity investments in level 3 contain unquoted shares. According to the assessments of the management, measurement at cost is closest to fair value. There have been no changes in the carrying amounts during the financial year 2020. There have been no significant transfers between measurement categories during the review period.

1.8 Dividends

Dividends paid after the reporting period and year-on-year.

2020

For the previous year	Date of payment	Dividend per share, EUR
	9.4.2020	0.052
	6.5.2020	0.053
Total dividends, EUR thousand		4,724

2019

For the previous year	Date of payment	Dividend per share, EUR
	8.4.2019	0.048
	21.5.2019	0.049
	20.8.2019	0.050
	5.11.2019	0.051
Total dividends, EUR thousand		8,908

1.9 Transactions with related parties

Verkkokauppa.com Oyj's related parties comprise the Board of Directors, the CEO as well as the other members of the Management Team and the close members of the family of said persons as well as their controlled entities. Transactions with related parties have been carried out on usual commercial terms. One of the company's related parties is Board member Samuli Seppälä, who held 49.1% of all shares and votes in Verkkokauppa.com on 30 Jun 2020.

EUR thousand	30 Jun 2020	31 Dec 2019
Sales of goods and services		
To key management personnel and their related parties	36	46
Purchases of goods and services		
From key management personnel and their related parties	1	-

EUR thousand	30 Jun 2020	31 Dec 2019
Closing balances from purchases/sales of goods/services		
Trade receivables from key management personnel and their related parties	1	7
Trade payables to key management personnel and their related parties	-	2

LONG-TERM INCENTIVE PLANS

The Board of Directors of Verkkokauppa.com Oyj has on 13 February 2020 resolved to establish a new share-based incentive plan for the CEO and the members of the Management Team. The aim of the new plan is to align the objectives of the shareholders and the management in order to increase the value of the company in the long term, to encourage the management to personally invest in the company shares, to retain the members of the Management Team at the company and to offer them a competitive reward plan that is based on acquiring, earning and accumulating the company's shares.

In the new Performance Matching Share Plan 2020–2022, a person may earn a number of matching shares based on their investment in Verkkokauppa.com Oyj's shares and the Total Shareholder Return (TSR) of the share. The Performance Matching Share Plan includes one performance period, calendar years 2020–2022. The reward to be paid to participants is based on the achievement of the required TSR levels set by the Board of Directors. A maximum of three performance-based matching shares is paid for each allocated share. The prerequisite for participation and receiving of reward is that a participant allocates freely transferable company shares, held by them, in the plan, or acquires the company's shares up to the number determined by the Board of Directors. Furthermore, payment of reward is based on the participant's valid employment or service upon reward payment. As a rule, no reward will be paid if a participant's employment or service ends before the reward payment.

The target group of the plan consists of eight persons, the CEO and all other members of the Management Team. In accordance with the terms of the plan each participant is entitled to get a gross number of shares. However, a net number of shares will be paid to the participant after the company has withheld and paid the value of a part of the shares to cover the employee's tax obligation. The rewards to be paid on the basis of the plan correspond to the value of approximately 540,000 Verkkokauppa.com Oyj shares in total (gross amount).

1.10 Guarantees and commitments

EUR thousand	30 Jun 2020	31 Dec 2019
Collateral given for own commitments		
Guarantees	2,258	2,652
Other commitments and contingent liabilities	11	11

Guarantees are related to rent guarantees, the comprehensive guarantee for Finnish Customs and documentary credits. Other commitments are related to off-balance residual values.

1.11 IFRS Standards not yet effective

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

1.12 Subsequent events

There are no other subsequent events that differ from usual business events, after the reporting period.

ADDITIONAL INFORMATION

Quarterly income statement

EUR thousand	4-6 2020	1-3 2020	10-12 2019	7-9 2019	4-6/ 2019	1-3/ 2019
Revenue	123,050	125,255	159,908	120,560	107,848	115,797
Other operating income	116	127	153	118	119	164
Materials and services	-101,645	-105,835	-137,710	-101,611	-92,521	-98,398
Employee benefit expenses	-8,417	-8,619	-9,115	-7,614	-8,114	-7,751
Depreciation and amortization	-1,246	-1,230	-1,246	-1,255	-1,258	-1,281
Other operating expenses	-7,503	-6,280	-7,523	-5,866	-5,884	-6,231
Operating profit	4,356	3,418	4,467	4,333	190	2,301
Finance income	2	2	2	59	1	3
Finance costs	-359	-362	-421	-391	-382	-397
Profit before income taxes	3,999	3,057	4,048	4,000	-191	1,906
Income taxes	-701	-613	-812	-797	37	-381
Profit for the period	3,298	2,444	3,236	3,203	-154	1,525
Profit for the period attributable to						
Equity holders	3,298	2,444	3,236	3,203	-154	1,525
Earnings per share calculated from the profit attributable to equity holders						
Earnings per share, basic and diluted (EUR)	0.07	0.05	0.07	0.07	0.00	0.03

Alternative performance measurement

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

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

Alternative performance measures do not substitute the IFRS key ratios.

	2020					2019				
	Q1	Q2	Q3	Q4	FY 2020	Q1	Q2	Q3	Q4	FY 2019
Revenue, thousand euros	125,255	123,050				115,797	107,848	120,560	159,908	504,113
Gross profit, thousand euros	19,420	21,405				17,399	15,327	18,949	22,198	73,874
Gross margin-%	15.5%	17.4%				15.0%	14.2%	15.7%	13.9%	14.7%
EBITDA, thousand euros	4,648	5,602				3,581	1,448	5,588	5,713	16,330
EBITDA-%	3.7%	4.6%				3.1%	1.3%	4.6%	3.6%	3.2%
Operating profit, thousand euros	3,418	4,356				2,301	190	4,333	4,467	11,290
Operating profit-%	2.7%	3.5%				2.0%	0.2%	3.6%	2.8%	2.2%
Comparable operating profit, thousand euros	3,754	4,826				2,301	190	4,333	4,467	11,290
Comparable operating profit-%	3.0%	3.9%				2.0%	0.2%	3.6%	2.8%	2.2%
Profit for the period, thousand euros	2,444	3,298				1,525	-154	3,203	3,236	7,810
Interest-bearing net debt, thousand euros	-22,339	-13,024				-8,869	-895	-10,078	-19,061	-19,061
Investments, thousand euros	266	396				95	750	28	372	1,245
Equity ratio, %	24,5	27,4				26,5	27,7	25,6	23,4	23,4
Gearing, %	-60,8	-35,8				-24,0	-2,6	-28,4	-52,1	-52,1
Personnel at the end of period*	693	747				657	731	688	758	758
Basic earnings per share, euros	0.05	0.07				0.03	0.00	0.07	0.07	0.17
Diluted earnings per share, euros	0.05	0.07				0.03	0.00	0.07	0.07	0.17
Number of issued shares	45,065,130	45,065,130				45,065,130	45,065,130	45,065,130	45,065,130	45,065,130
Number of treasury shares	73,573	353,151				57,164	101,001	90,928	81,296	81,296
Weighted average number of shares outstanding	44,987,083	44,971,235				45,003,686	44,964,129	44,954,056	44,983,834	44,983,834
Diluted weighted average number of shares outstanding	44,987,053	44,971,235				45,096,269	45,057,712	45,057,712	44,944,424	44,944,424

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

Formulas for key ratios

KEY RATIO	DEFINITIONS		
GROSS PROFIT	Revenue – materials and services		Gross profit shows the profitability of the sales
GROSS MARGIN, %	$(\text{Revenue} - \text{materials and services}) / \text{Revenue}$	x 100	Gross margin measures the profitability of the sales of Verkkokauppa.com
EBITDA	Operating profit + depreciation + amortization		EBITDA shows the operational profitability
EBITDA, %	$(\text{Operating profit} + \text{depreciation} + \text{amortization}) / \text{Revenue}$	x 100	EBITDA measures the operational profitability of Verkkokauppa.com
OPERATING PROFIT	Result for the period before income taxes and net finance income and costs		Operating profit shows result generated by operating activities
OPERATING MARGIN, %	$\text{Operating profit} / \text{Revenue}$	x 100	Operating margin measures operational efficiency of Verkkokauppa.com
ITEMS AFFECTING COMPARABILITY	Material items which are not part of normal operating activities such as expenses related to possible transfer to official list of Nasdaq Helsinki, restructuring costs including workforce redundancy and other restructuring costs, impairment losses of fixed assets, gain or losses recognized from disposals of fixed assets/businesses, transaction costs related to business acquisition, compensations for damages and legal proceedings		
COMPARABLE OPERATING PROFIT	Comparable operating profit is profit adjusted with items affecting comparability		Comparable operating profit allows comparison of operating profit in different periods without the impact of extraordinary items not related to normal business operations
COMPARABLE OPERATING PROFIT MARGIN %	$\text{Comparable operating profit} / \text{revenue}$	x 100	Comparable operating margin measures comparable operational efficiency of Verkkokauppa.com

EQUITY RATIO, %	Total equity / Balance sheet total – advance payments received		Equity ratio measures Verkkokauppa.com's solvency, ability to bear losses and ability to meet commitments in the long run
INTEREST-BEARING NET BEDT	Lease liabilities -cash and cash equivalents		Interest-bearing net debt measures Verkkokauppa.com's indebtedness
GEARING, %	Lease liabilities – cash and cash equivalents/ Total equity	x 100	Gearing measures the relation of equity and interest-bearing net debt of Verkkokauppa.com and shows the indebtedness of the company
INVESTMENTS	Increases in intangible assets, property, plant and equipment during the financial period		Investments provides additional information regarding operating cash flow demands
EARNINGS PER SHARE, BASIC	Profit for the period attributable to equity holders of the company / Weighted average number of shares outstanding		Earnings per shares measures the profit for the period attributable to equity holders of the company
EARNINGS PER SHARE, DILUTED	Profit for the period attributable to equity holders of the company / Weighted average number of shares outstanding + dilutive potential shares		

Reconciliation of alternative key ratios

EUR thousand	4-6/2020	4-6/2019	1-6/2020	1-6/2019	1-12/2019
Operating profit	4,356	190	7,773	2,490	11,290
- advisory costs related to transfer to official list of Nasdaq Helsinki	470	-	807	-	-
Comparable operating profit	4,826	190	8,580	2,490	11,290