

VERKKOKAUPPA.COM OYJ
INTERIM REPORT
January 1 – March 31 2020

INTERIM REPORT for 1 January – 31 March 2020: Strong profitability improvement while outgrowing the market

Verkkokauppa.com Oyj – Interim report (unaudited) 24 March 2020, 8:00 a.m.

1 January – 31 March 2020 in brief

- Revenue 125 million euros (1–3/2019: 116), growth of 8.2%
- Gross profit 19.4 million euros (17.4), growth of 11.6%
- Gross margin 15.5% of revenue (15.0%)
- Operating profit 3.4 million euros (2.3)
- Operating margin 2.7% of revenue (2.0%)
- Comparable operating profit 3.8 million euros (2.3)
- Comparable operating margin 3.0% (2.0%)
- Profit for the period 2.4 million euros (1.5)
- Earnings per share 0.05 euros (0.03)
- Investments 0.3 million euros (0.1)
- Operating cash flow 3.7 million euros (-11.2)
- The Board of Directors has resolved to pay after the reporting period a quarterly dividend of 0.053 euros per share

KEY RATIOS	1-3/2020	1-3/2019	Change%	1-12/2019
Revenue, € thousands	125,255	115,797	8.2%	504,113
Gross profit, € thousands	19,420	17,399	11.6%	73,874
Gross margin, % of revenue	15.5%	15.0%	3.2%	14.7%
EBITDA, € thousands	4,648	3,581	29.8%	16,330
EBITDA, %	3.7%	3.1%	20.0%	3.2%
Operating profit, € thousands	3,418	2,301	48.5%	11,290
Operating margin, % of revenue	2.7%	2.0%	37.3%	2.2%
Comparable operating profit, € thousands	3,754	2,301	63.2%	11,290
Comparable operating margin, % of revenue	3.0%	2.0%	50.9%	2.2%
Net profit, € thousands	2,444	1,525	60.2%	7,810
Investments	266	95	179.7%	1,245
Operating cash flow	3,683	-11,185	-132.9%	9,690

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 chosen segments. The strong balance sheet enables the company to continue expanding its operations in accordance with its strategy. Nevertheless, the uncertainties included in the business outlook have increased significantly especially due to macroeconomic developments. It is however too early to estimate the impact of COVID-19 on the economy and the consumer behavior.

FINANCIAL GUIDANCE

The company's outlook for 2020 expects revenue to be between 510–530 million euros (2019: 504 million euros) and comparable operating profit to be between 12–15 million euros (2019: 11.3 million euros).

CEO PANU PORKKA'S REVIEW

Verkkokauppa.com's revenue in Q1 grew by 8%, amounting to 125 million euros. Drivers for growth in Q1 were strong online sales, marketing and positive performance in all major categories. The Finnish consumer electronics market continued to consolidate while consumer behavior kept changing with retail going rapidly online. This trend was further accelerated by the COVID-19 pandemic, which limited the mobility of consumers. Verkkokauppa.com utilized the competitive advantages of its online business model to outperform the market, which resulted in market share gains in almost all product categories according to the company. Leveraging its wider assortment and more competitive pricing than the competition, the company was able to increase customer visits to website and revenue by up to 90% in the best-performing categories.

Gross margin in Q1 stood at 15.5% and was higher than last year (Q1/2019 15.0%), due to good sales improvement in higher margin categories and improvements in category management. The company achieved comparable operating profit of 3.8 million euros (Q1/2019 2.3 million euros), mostly due to a higher margin while maintaining the cost level. Operating profit in Q1 was 3.4 million euros (Q1/2019 2.3 million euros) including advisory costs related to entering to the official list of Helsinki Nasdaq announced on 13th of February 2020.

To improve profitability, the company has focused on category management and marketing performance. Efforts to optimize and automate supply chain management and category work will continue. The plan is to build up capabilities to further expand the assortment while improving the company's cost structure. Verkkokauppa.com's technology driven approach will continue to contribute to these initiatives. Wider and constantly renewed assortment will attract new customer groups and increase the frequency of visits to the webs and brick-and-mortar stores. The most recent subcategory launch took place in outdoor and garden products. To further strengthen its brand awareness, Verkkokauppa.com is increasing consumer exposure to its advertising. The company will continue to invest and to enhance the customer experience, in terms of usability, and product information on its website.

The consumer electronics market is expected to remain competitive and specialty retail store closings to continue. Verkkokauppa.com has taken a number of measures to ensure the adequate safety of our staff and customers during the COVID-19 outbreak. The ongoing coronavirus situation has brought a new disruption to the retail market, which will support digital channel development. Verkkokauppa.com is well positioned for the upcoming changes. Superior product availability, strong brand recognition, multiple delivery options, and a larger assortment than those of main competitors are the key competitive advantages for the future. Multi-year development of the omnichannel customer experience and focus on e-commerce gives the company a significant edge in the market.

Verkkokauppa.com is determined to continue gaining market share to become the leader in the Finnish consumer electronics market. It is likely that the current pace of one percent of brick-and-mortar retail sales going online in Finland might accelerate in the future. 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. The company's preparations for entering the official list of Nasdaq Helsinki during 2020 proceed according to plan.

REVENUE AND PROFITABILITY DEVELOPMENT

January–March 2020

In January–March 2020, Verkkokauppa.com Oyj's revenue grew by 8.2% year on year. Revenue grew by 9.5 million euros, totaling 125.3 million euros (115.8). Sales increased particularly in sports, Audio & Hi-Fi, TV and video, watches and major domestic appliances (MDA).

The company-financed customer financing proceeds were 0.9 million euros (0.8) including both interest income and fee income. The credit loss allowance increased to year end and totaled 0.6 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-March by 11.2% to 8.6 million euros (7.8). The increase resulted mainly from the growing personnel costs in IT, retail stores and purchasing. During the reporting period, other operating expenses increased by 0.8% to 6.3 million euros (6.2). Other operating expenses includes 0.3 million euros advisory costs related to transferring to the official list of Nasdaq Helsinki.

Operating profit in January - March 2020 was 3.4 million euros (2.3), comparable operating profit was 3.8 (2.3) and profit for the period 2.4 million euros (1.5). Items affecting to comparable operating profit totaled 0.3 million euro (0.0)

EUR thousand	1-3/2020	1-3/2019	1-12/2019
Operating profit	3,418	2,301	11,290
- advisory costs related to planned transfer to official list of Nasdaq Helsinki	337	-	-
Comparable operating profit	3,754	2,301	11,290

Earnings per share were 0.05 euros (0.03).

FINANCE AND INVESTMENTS

Operating cash flow was 3.7 million euros (-11.2) in January–March 2020. In the reporting period, the relative improvement of the operating cash flow resulted mainly from improved 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 0.1 million euros (0.0) in related salary costs and external technology consulting fees. The company also invested in ordinary store equipment and furniture. Capital expenditures totaled 0.3 million euros (0.1) in January–March 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, 5,000,413 shares were exchanged on the First North Growth Market of Nasdaq Helsinki Ltd marketplace, representing 11.1% of all shares in the company. The highest share price was 4.15 euros and the lowest 2.49 euros. The average price in share trading was 3.49 euros. The total of the share trading was 17.5 million euros. The closing price was 3.475 euros, and the market capitalization of all shares was 157 million euros at the end of the period.

The total number of shares in the company was 45,065,130 on 31 March 2020, including treasury shares. In 2020, the company has transferred a total of 8,723 treasury shares as part of the remuneration of Board members. The company held 72,573 treasury shares on 31 March 2020. These treasury shares accounted for 0.16% 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

On 16 May 2018 Verkkokauppa.com Oyj established a share-based incentive plan for key employees. The aim of the incentive plan is to increase the value of the company in the long term by aligning the objectives of the shareholders and key employees, to encourage key employees to personally invest in the company's shares, to retain key employees at the company and to offer them a competitive share plan.

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 includes three matching periods: 2018–2020, 2019–2021 and 2020–2022. The Board of Directors will resolve annually on the commencement and details of matching periods. The prerequisite for receiving a reward is that a person participating in the plan allocates freely transferable company shares, held by them, in the plan, or acquires company shares up to the number confirmed by the Board of Directors. Furthermore, the payment of reward is based on the participant's valid employment or service upon reward payment.

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. The target group of both matching periods consists of approximately ten persons, including the CEO and members of the Management Team.

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 maximum total of 540,000 Verkkokauppa.com Oyj's shares (gross amount).

The last Matching Period 2020–2022 of the company's Matching Share Plan 2018–2020 will not be implemented at all because it will be replaced by this newly established Performance Matching Share Plan 2020–2022.

PERSONNEL AND MANAGEMENT

During the reporting period, the number of employees increased by 5.5%, and the total number of employees was 693 (657) at the end of March 2020. The number of employees includes both full- and part-time employees.

Verkkokauppa.com Oyj's Management Team:

- Panu Porkka, CEO
- Mikko Forsell, CFO
- Henrik Weckström, CTO
- Miika Heinonen, Logistics Director
- Vesa Järveläinen, Commercial Director
- Seppo Niemelä, Marketing and Communications Director
- Taina Suorsa, HR Director
- Kalle Koutajoki, CSO

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 coronavirus pandemic has affected and continues to affect people's lives and the operation of businesses in Finland and globally alike. The coronavirus pandemic is still spreading, and its final 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 2019. Due to the current COVID-19 situation, strict precautionary measures were taken to ensure safety at the meeting while at the same time ensuring the shareholders possibility to exercise their rights. In total 22 shareholders were represented at the Annual General Meeting. The number of persons physically present at the Annual General Meeting was in total less than ten, including participating shareholders, representatives from the Company, the chairperson and the secretary of the meeting, as well as technical staff. The financial statements for the year 2019 were approved 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.

At the Annual General Meeting held on 31 March 2020, all Board members were re-elected until the end of the next Annual General Meeting. Christoffer Häggblom, Robert Burén, Mikael Hagman, Kai Seikku, Arja Talma and Samuli Seppälä were elected as members of the Board of Directors. The Board elected Christoffer Häggblom as the Chair of the Board.

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 of Directors 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 includes the right of the Board of Directors to decide on all other terms and conditions of the repurchase of the shares, including the repurchase of shares in another proportion than that of the existing shareholdings of the shareholders (the directed repurchase). The shares can be repurchased on the trading venues where the company's shares are traded at the market price of the time of the repurchase, or at the price otherwise established on the market at the time of the repurchase.

Shares may be repurchased for the purposes of improving the Company's capital structure, financing or carrying out corporate acquisitions or other arrangements, implementing prospective incentive and remuneration schemes, or to be otherwise transferred further, retained as treasury shares or cancelled. 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 Board of Directors may resolve to issue either new shares or transfer the treasury shares held by the company.

The Board of Directors decides on all the terms and conditions of the share issue, including the deviation from the shareholders' pre-emption rights for a weighty financial reason. The authorization may be used to improve

the Company's capital structure, to finance or carry out corporate acquisitions or other arrangements, to implement prospective incentive and remuneration schemes or to be used for other purposes decided by the Board of Directors.

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.

After the Annual General Meeting Verkkokauppa.com Oyj Board of Directors held an organizational meeting, where it resolved on the Board committees. It decided to continue with the following board committees: 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.

DIVIDEND

Annual General Meeting 2020 resolved to pay 0.052 euros (2,339,612.96 euros in total) per share as dividend. The record date for the dividend distribution was 31 March 2020 and the dividend payment date was 9 April 2020.

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.

The Board resolved on 24 April 2020 to pay a dividend of 0.053 euros per share (2,388,451.89 euros in total).

OTHER EVENTS DURING THE REPORTING PERIOD

On 13 February 2020 Verkkokauppa.com announced that the company is currently evaluating the possibility of transferring to the main list of Nasdaq Helsinki during 2020.

On 13 February 2020 Verkkokauppa.com announced to establish a new share-based incentive plan for the CEO and the members of the Management Team.

SUBSEQUENT EVENTS

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 April 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 April 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:

- Half-year report January–June 2020, Friday 24 July 2020
- Interim Report January–December 2020, Friday 23 October 2020

Helsinki, Finland, 24 April 2020

Verkkokauppa.com Oyj

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VERKKOKAUPPA.COM OYJ INTERIM REPORT FINANCIAL INFORMATION 1 Jan – 31 Mar 2020

Income statement

EUR thousand	Note	1-3/ 2020	1-3/ 2019	1-12/ 2019
Revenue	1.3.	125,255	115,797	504,113
Other operating income		127	164	555
Materials and services		-105,835	-98,398	-430,239
Employee benefit expenses		-8,619	-7,751	-32,595
Depreciation and amortization		-1,230	-1,281	-5,040
Other operating expenses		-6,280	-6,231	-25,504
Operating profit		3,418	2,301	11,290
Finance income		2	3	64
Finance costs		-362	-397	-1,591
Profit before income taxes		3,057	1,906	9,763
Income taxes		-613	-381	-1,953
Profit for the period		2,444	1,525	7,810
Profit for the period attributable to				
Equity holders of the company		2,444	1,525	7,810
Earnings per share calculated from the profit attributable to equity holders				
Earnings per share, basic and diluted (EUR)		0.05	0.03	0.17

Statement of comprehensive income

EUR thousand	1-3/ 2020	1-3/ 2019	1-12/ 2019
Profit for the period	2,444	1,525	7,810
Items that will not be reclassified to profit or loss			
Changes in fair values of equity investments	-	-	0
Other comprehensive income after taxes, total	-	-	0
Comprehensive income for the period	2,444	1,525	7,810
Comprehensive income for the period			
Equity holders of the company	2,444	1,525	7,810

Statement of financial position

EUR thousand	Note	31 Mar 2020	31 Dec 2019
Non-current assets			
Intangible assets		672	592
Property, plant and equipment		2,265	2,381
Right-of-use assets	1.5	17,981	18,770
Equity investments		266	266
Deferred tax assets		1,191	1,195
Trade receivables	1.6/1.7	2,109	1,882
Other non-current receivables		425	435
Non-current assets, total		24,909	25,521
Current assets			
Inventories		61,810	66,702
Trade receivables	1.6/1.7	14,133	14,620
Other receivables		831	1,143
Income tax receivables		231	278
Accrued income		7,218	9,424
Cash and cash equivalents	1.7	44,976	42,495
Current assets, total		129,199	134,662
Total assets		154,107	160,183
Equity			
Share capital		100	100
Treasury shares		-701	-701
Fair value reserve		-	0
Invested non-restricted equity fund		25,738	25,707
Retained earnings		9,190	3,647
Profit for the period		2,444	7,810
Total equity		36,771	36,563
Non-current liabilities			
Lease liabilities	1.7	18,874	19,676
Deferred tax liabilities		7	7
Provisions		716	660
Non-current liabilities, total		19,597	20,343
Current liabilities			
Lease liabilities	1.7	3,763	3,758
Advance payments received		4,029	3,819
Trade payables	1.7	66,593	73,068
Other current liabilities		5,241	7,892
Accrued liabilities		18,112	14,741
Current liabilities, total		97,739	103,277
Total liabilities		117,336	123,620
Total equity and liabilities		154,107	160,183

Statement of cash flows

EUR thousand	1-3/ 2020	1-3/ 2019	1-12/ 2019
Cash flow from operating activities			
Profit before income taxes	3,041	1,906	9,763
Adjustments			
Depreciation and amortization	1,230	1,281	5,040
Finance income and costs	360	387	1,527
Other adjustments	45	194	476
Cash flow before change in working capital	4,677	3,768	16,806
Change in working capital			
Increase(-) / decrease(+) in non-current non-interest-bearing trade receivables	-217	73	-335
Increase (-) / decrease (+) in trade and other receivables	3,117	5,831	1,653
Increase (-) / decrease (+) in inventories	4,892	6,623	-918
Increase (+) / decrease (-) in current liabilities	-7,864	-26,502	-3,650
Cash flow before financial items and taxes	4,605	-10,207	13,557
Interest paid	-18	-13	-59
Interest received	2	3	7
Interest of lease liabilities	-344	-384	-1,483
Income tax paid	-562	-583	-2,333
Cash flow from operating activities	3,683	-11,185	9,690
Cash flow from investing activities			
Purchases of property, plant and equipment	-72	-8	-1,016
Purchases of intangible assets	-194	-43	-186
Proceeds from equity investments	-	-	57
Cash flow from investing activities	-266	-51	-1,145
Cash flow from financing activities			
Decrease (-) in lease liabilities	-936	-935	-3,690
Dividends paid	-	-	-8,908
Acquisition of treasury shares	-	-	-198
Cash flow from financing activities	-936	-935	-12,796
Increase (+) / decrease (-) in cash and cash equivalents	2,481	-12,170	-4,251
Cash and cash equivalents at beginning of the period	42,495	46,746	46,746
Cash and cash equivalents at end of the period	44,976	34,576	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	0	11,457	36,563
Profit for the period	-	-	-	-	2,444	2,444
Changes in fair values of equity investments	-	-	-	-	-	-
Comprehensive income for the period, total	-	-	-		2,444	2,444
Dividend distribution	-	-	-	-	-2,340	-2,340
Acquisition of treasury shares	-	-	-	-	-	-
Disposal of treasury shares -Board fees	-	-	31	-	-	31
Share-based incentives	-	-	-	-	73	73
Transactions with owners, total	-	-	31	-	-2,266	-2,236
Equity 31 Mar 2020	100	-701	25,738	-	11,634	36,771

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	0	-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	-	-	-	-	1,525	1,525
Changes in fair values of equity investments	-	-	-	-	-	-
Comprehensive income for the period, total	-	-	-		1,525	1,525
Dividend distribution	-	-	-	-	-2,160	-2,160
Acquisition of treasury shares	-	-	-	-	-	-
Disposal of treasury shares -Board fees	-	-	31	-	-	31
Share-based incentives	-	-	-	-	39	39
Transactions with owners, total	-	-	31	-	-2,121	-2,091
Equity 31 Mar 2019	100	-502	25,615	-33	11,820	37,000

Notes

1.1 Accounting principles applied in this interim report

Verkkokauppa.com Oyj is a public limited company, the shares of which are quoted on First North Growth Market of Nasdaq Helsinki Ltd. The registered address of its head office is Tyynenmerenkatu 11, Helsinki.

Verkkokauppa.com Oyj's Interim Report for January–March 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 interim 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 interim report.

The information presented in this interim 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

The preparation of this interim 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. Related to Covid-19 the separate working group has established which monitors on daily basis the issue and progress on agreed actions. It is too early to foresee the financial implication of the Covid-19 to Verkkokauppa.com business. The current strong cash position and unused RCF facilities (20.0 million euros) will secure the business continuation 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

	1-3/ 2020	1-3/ 2019	1-12/ 2019
EUR thousand			
At a point in time	124,393	114,540	498,343
Over time	862	1,257	5,770
Revenue, total	125,255	115,797	504,113

Revenue by external customers' location

	1-3/ 2020	1-3/ 2019	1-12/ 2019
EUR thousand			
Finland	105,091	103,928	442,540
Rest of the world	20,164	11,869	61,573
Revenue by external customers' location	125,255	115,797	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.

	1-3/ 2020	1-3/ 2019	1-12/ 2019
EUR thousand			
Interest income recognized using effective interest rate method	439	321	1,293
Other income from company-financed customer financing	442	511	1,983
Income from company-financed Apuraha, total	881	832	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

	31 Mar 2020	31 Dec 2019
EUR thousand		
Carrying amount 1.1.	18,770	21,764
Increases	-	113
Increase/decrease due to remeasurement	195	700
Disposals	-56	-33
Depreciation	-928	-3,774
Carrying amount at the end of period	17,981	18,770

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

1.6 Trade receivables

EUR thousand	31 Mar 2020		31 Dec 2019	
	Trade receivables	Loss allowance	Trade receivables	Loss allowance
Not due	12,431	209	12,226	101
Past due 1-60 days	4,115	282	4,399	331
Past due 61-120 days	255	69	419	110
Past due over 121 days	38	38	17	17
Total	16,839	597	17,061	559

1.7 Financial assets and liabilities by measurement category

31 Mar 2020, 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 2)	-	-	-	-
Equity investments (level 3)	266	-	-	266
Trade receivables and other financial receivables	-	2,533	-	2,533
Non-current financial assets, total	266	2,533	-	2,800
Current financial assets				
Trade receivables	-	14,133	-	14,133
Cash and cash equivalents	-	44,976	-	44,976
Current financial assets, total	-	59,109	-	59,109
Financial assets by measurement category, total	266	61,643	-	61,909
Non-current financial liabilities				
Lease liabilities	-	-	18,874	18,874
Non-current financial liabilities, total	-	-	18,874	18,874
Current financial liabilities				
Lease liabilities	-	-	3,763	3,763
Trade payables	-	66,593	-	66,593
Current financial liabilities, total	-	66,593	3,763	70,357
Financial liabilities by measurement category, total	-	66,593	22,637	89,231

31 Dec 2019, 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 2)	-	-	-	-
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	-	59,698
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 April 2020	0.052
Total dividends, EUR thousand		2,340

2019

For the previous year	Date of payment	Dividend per share, EUR
	8 April 2019	0.048
	21 May 2019	0.049
	20 August 2019	0.050
	5 November 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 31 March 2020.

EUR thousand	1-3/2020	1-12/2019
Sales of goods and services		
To key management personnel and their related parties	15	46
Purchases of goods and services		
From key management personnel and their related parties	6	-

EUR thousand	31 Mar 2020	31 Dec 2019
Closing balances from purchases/sales of goods/services		
Trade receivables from key management personnel and their related parties	6	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 maximum total of 540,000 Verkkokauppa.com Oyj's shares (gross amount).

1.10 Guarantees and commitments

EUR thousand	31 Mar 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

The company is currently evaluating the possibility of transferring to the official list of Nasdaq Helsinki during 2020.

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

ADDITIONAL INFORMATION

Quarterly income statement

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

Alternative performance measurement

In this release, 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					115,797	107,848	120,560	159,908	504,113
Gross profit, thousand euros	19,420					17,399	15,327	18,949	22,198	73,874
Gross margin-%	15.5%					15.0%	14.2%	15.7%	13.9%	14.7%
EBITDA, thousand euros	4,648					3,581	1,448	5,588	5,713	16,330
EBITDA-%	3.7%					3.1%	1.3%	4.6%	3.6%	3.2%
Operating profit, thousand euros	3,418					2,301	190	4,333	4,467	11,290
Operating profit-%	2.7%					2.0%	0.2%	3.6%	2.8%	2.2%
Comparable operating profit, thousand euros	3,754					2,301	190	4,333	4,467	11,290
Comparable operating profit-%	3.0%					2.0%	0.2%	3.6%	2.8%	2.2%
Profit for the period, thousand euros	2,444					1,525	-154	3,203	3,236	7,810
Interest-bearing net debt, thousand euros	-22,339					-8,869	-895	-10,078	-19,061	-19,061
Investments, thousand euros	266					95	751	27	372	1,245
Equity ratio, %	24.5%					26.5%	27.7%	25.6%	23.4%	23.4%
Gearing, %	-60.8%					-24.0%	-2.6%	-28.4%	-52.1%	-52.1%
Personnel at the end of period*	693					657	731	688	758	758
Basic earnings per share, euros	0.05					0.03	0.00	0.07	0.07	0.17
Diluted earnings per share, euros	0.05					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
Number of treasury shares	73,573					57,164	101,001	90,928	81,296	81,296
Weighted average number of shares outstanding	44,987,087					45,003,686	44,964,129	44,944,056	44,944,424	44,944,424
Diluted weighted average number of shares outstanding	45,527,083					45,096,269	45,057,712	45,057,712	45,042,007	45,042,007

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

Formulas for key ratios

KEY RATIO	DEFINITIONS		BASIS OF ALTERNATIVE PERFORMANCE MEASURES ADOPTED
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 shows result generated by operating activities adjusted with items affecting comparability
COMPARABLE OPERATING PROFIT MARGIN %	Comparable operating profit / 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	1-3/2020	1-3/2019	1-12/2019
Operating profit	3,418	2,301	11,290
- advisory costs related to planned transfer to official list of Nasdaq Helsinki	337	-	-
Comparable operating profit	3,754	2,301	11,290