

VERKKOKAUPPA.COM OYJ
HALF-YEAR REPORT (IFRS) 1 Jan
– 30 Jun 2019

HALF-YEAR REPORT for 1 January – 30 June 2019: Verkkokauppa.com continued to outgrow competition with revenue growth of 5% during Q2 in a declining market

Verkkokauppa.com Oyj – Half-year report (unaudited) 9 August 2019, 8:00 a.m.

1 April – 30 June 2019 in brief

- Revenue 108 million euros (4-6/2018: 102), growth of 5 %
- Gross profit 15.3 million euros (15.0), growth of 2%
- Gross margin 14.2% of revenue (14.7%)
- Operating profit 0.2 million euros (1.0)
- Operating margin 0.2% of revenue (1.0%)
- Profit for the period -0.2 million euros (0.5)
- Earnings per share 0.00 euros (0.01)
- The Board of Directors has resolved to pay a quarterly dividend of 0.05 euros per share

KEY RATIOS (IFRS)	4-6/2019	4-6/2018	Change%	1-6/2019	1-6/2018	Change%	1-12/2018
Revenue, € thousands	107,848	102,414	5%	223,645	205,107	9%	477,833
Gross profit, € thousands	15,327	15,024	2%	32,727	31,730	3%	72,020
Gross margin, % of revenue	14.2%	14.7%	-3%	14.6%	15.5%	-5%	15.1%
EBITDA, € thousands	1,448	2,291	-37%	5,029	6,246	-19%	18,414
EBITDA, %	1.3%	2.2%	-40%	2.2%	3.0%	-26%	3.9%
Operating profit, € thousands	190	1,012	-81%	2,490	3,676	-32%	13,324
Operating margin, % of revenue	0.2%	1.0%	-82%	1.1%	1.8%	-38%	2.8%
Net profit, € thousands	-154	462	-133%	1,371	2,276	-40%	9,334

1 January – 30 June 2019 in brief

- Revenue 224 million euros (1–6/2018: 205), growth of 9%
- Gross profit 32.7 million euros (31.7), growth of 3%
- Gross margin 14.6% of revenue (15.5%)
- Operating profit 2.5 million euros (3.7)
- Operating margin 1.1% of revenue (1.8%)
- Profit for the period 1.4 million euros (2.3)
- Earnings per share 0.03 euros (0.05)

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 business outlook includes uncertainties, especially due to macroeconomic developments. The Finnish Ministry of Finance estimated on 17 June 2019 that the Finnish GDP will grow by 1.6% during 2019 and by 1.2% during 2020.

FINANCIAL GUIDANCE

In 2019, the company's revenue is expected to be between 500–550 million euros (2018: 478 million euros) and operating profit to be between 11–17 million euros (13.3 million euros).

CEO PANU PORKKA'S REVIEW

Verkkokauppa.com's revenue in Q2 grew by 5%, amounting to 108 million euros. Revenue growth has continued, and the company is outgrowing the market while gaining market share in accordance with its growth strategy. Drivers for the growth in Q2 were successful season sales, additional marketing activities and effective campaigning.

The consumer electronics market continued its long-term consolidation among three key players, which kept the market very competitive and price driven. The consumer electronics market in Finland decreased by -0.5% in April-June, according to GfK. The company responded by increasing its marketing efforts and maintaining competitive pricing. These efforts resulted in outgrowing the market in almost all product categories, with sales growing more than 40% in best-performing categories.

Gross margin in Q2 was 14.2% and was lower than last year (Q2/2018 14.7%). Operating profit was 0.2 million euros and lower year-on year (Q2/2018 EUR 1.0 million) mostly due to a lower gross margin and increased marketing investments in a highly competitive market environment.

Verkkokauppa.com's plans and investments are guided by targeting strong top line growth and sustained market share gains. The company actively follows changes in the market and customer behavior to identify opportunities for new categories and assortment expansions in order to secure growth. Currently the main focus of development is on renewed marketing and customer experience. With renewed marketing and continuously updated assortment the company is seeking to widen its customer base. In the ongoing summer season, the company has invested significantly in categories such as cycling, barbecuing and indoor climate products. The new Ball Sports category has performed to expectations and is attracting new customers to the webstore and the retail stores. The upcoming indoor sports season is expected to prolong this trend also for the rest of the year. The next steps in brand advertising will be seen during the fall in national TV ad campaigns. Among efforts to improve customer experience, the company will continue improving the usability and search functions of its webstore. In addition, parts of the Jätkäsaari store will be renewed to improve customer experience.

The company expects the consumer electronics market to remain tough and competitive pricing to continue throughout the latter half of the year. Depending on the competition and leveraging its best-in-class operating costs, Verkkokauppa.com is prepared to take all necessary actions to win market share and become the leader of the Finnish consumer electronics market. Superior product availability, a known brand and a larger assortment than that of competitors are key competitive advantages in achieving this strategic goal. As in the previous years the company is expecting H2 be higher in profitability than H1.

Future growth will be supported by changing consumer behavior trends as retail continues to go online and mobile. An estimated one percent, or approximately 400 million euros of brick-and-mortar retail sales will go online also this year in Finland. The current share of e-commerce share of the total retail market in Finland is approximately 12%.

REVENUE AND PROFITABILITY DEVELOPMENT

April–June 2019

In April–June, Verkkokauppa.com Oyj's revenue grew by 5.3% year on year. Revenue grew by 5.4 million euros, totaling 107.8 million euros (102.4). Sales increased particularly in small domestic appliances (SDA), sports, BBQ, toys and major domestic appliances (MDA).

According to GfK, the demand for consumer electronics decreased by -0.5% during April–June in Finland.

The company-financed customer financing was on same level as previous year. Its proceeds were 0.8 million euros (0.8) including both interest income and fee income. The credit loss allowance decreased to 0.5 million euros (1.0). As of April 2019, Verkkokauppa.com sells 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 7.5% to 8.1 million euros (7.5). The increase resulted mainly from the growing personnel costs in IT, retail stores and purchasing. During the reporting period, other operating expenses increased by 11.9% to 5.9 million euros (5.3). The increase resulted from the renewal and increase of Verkkokauppa.com's marketing efforts year on year.

Applying the IFRS 16 Leases standard has an impact on other operating expenses, depreciations and interest costs and is applied to comparison year 2018. A right-of-use asset and a lease liability is recognized in the statement of financial position. The accounting principles are described in more detail in a separate company release published on 12 February 2019.

Operating profit in April–June 2019 was 0.2 million euros (1.0) and profit for the period -0.2 million euros (0.5).

Earnings per share were 0.00 euros (0.01).

January–June 2019

In January–June, Verkkokauppa.com Oyj's revenue grew by 9.0% year on year. Revenue grew by 18.5 million euros, totaling 223.6 million euros (205.1). Sales increased particularly in small domestic appliances (SDA), peripherals, major domestic appliances (MDA), watches and sports.

According to GfK, the demand for consumer electronics increased by 2.1% during January–June in Finland.

The company-financed customer financing grew year on year. Its proceeds were 1.6 million euros (1.4) including both interest income and fee income. The credit loss allowance decreased to 0.5 million euros (1.0). Verkkokauppa.com sold its past due receivables as part of its risk management during the reporting period. As of April 2019, Verkkokauppa.com sells 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 6.5% to 15.9 million euros (14.9). The increase resulted mainly from the growing personnel costs in retail stores, purchasing and IT. During the reporting period, other operating expenses increased by 13.5% to 12.1 million euros (10.7). The increase resulted from the renewal and increase of Verkkokauppa.com's marketing efforts year on year.

Applying the IFRS 16 Leases standard has an impact on other operating expenses, depreciations and interest costs and is applied to comparison year 2018. A right-of-use asset and a lease liability is recognized in the statement of financial position. The accounting principles are described in more detail in a separate company release published on 12 February 2019.

Operating profit in January–June 2019 was 2.5 million euros (3.7) and profit for the period 1.4 million euros (2.3).

Earnings per share were 0.03 euros (0.05).

FINANCE AND INVESTMENTS

Operating cash flow was -13.4 million euros (-23.4) in January-June 2019. In the reporting period, the relative improvement of the operating cash flow resulted mainly from a decrease in inventory, an increase in accounts payables and a decrease in accounts receivables.

Ordinary seasonal fluctuations are reflected in cash and cash equivalents, cash flow and accounts payable, which usually reach the highest point at year-end and the lowest point at the end of the second quarter. Verkkokauppa.com's practice has been to utilize the maximum amount of cash discounts in the current interest rate environment.

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 (0.2) of the IT department's salary costs and external technology consulting fees. The company also invested in the ordinary store equipment and furniture. Net capital expenditures totaled 0.8 million euros (0.7) in January–June 2019.

Verkkokauppa.com has the revolving credit facilities of 20 million euros, which had not been utilized.

FINANCIAL TARGETS

The company targets an annual revenue growth of 10–20% in the medium term. The company targets a growing operating profit and an operating profit margin of 2.5–4.5% in the medium-term. The company's dividend policy is to pay out a quarterly growing dividend.

SHARE TRADING AND SHARES

During the reporting period, 3,768,582 shares were exchanged on the Nasdaq First North Finland marketplace, representing 8.4% of all shares in the company. The highest share price was 4.455 euros and the lowest 3.45 euros. The average price in share trading was 3.97 euros. The total of the share trading was 15 million euros. The closing price was 3.58 euros, and the market capitalization of all shares was 161 million euros at the end of the period.

The total number of shares in the company was 45,065,130 on 30 June 2019, including the treasury shares. In 2019, the company has transferred a total of 15,632 treasury shares as part of the remuneration of Board members. The company held 101,001 treasury shares on 30 June 2019. These treasury shares accounted for 0.22% 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 2019). The Board has not utilized its share issue authorization.

Share-based incentive plan

On 16 May 2018 Verkkokauppa.com Oyj established a new 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-based reward plan.

In the Matching Share Plan, the participant receives a fixed number of matching shares against an investment in Verkkokauppa.com Oyj's shares. The Matching Share Plan includes three matching periods 2018–2020, 2019–2021 and 2020–2022. The Board will resolve annually on the commencement and details of matching periods. The prerequisite for receiving a reward based on this plan is that a person participating in the plan allocates freely transferable company shares they hold in the plan or acquires company shares up to the number determined by the Board of Directors. The payment of reward is based on the participant's employment or service upon reward payment.

PERSONNEL AND MANAGEMENT

During the reporting period, the number of employees increased by 6%, and the total number of employees was 731 (687) at the end of June 2019. The number of employees includes both full- and part-time employees.

Taina Suorsa was appointed to the Management Team as of 1 January 2019. Vesa Järveläinen was appointed as Commercial Director as of 1 January 2019. Järveläinen continues as a member of the Management Team. Kalle Koutajoki was appointed as Chief Sales Officer (CSO) and Management Team member on 21 December 2018. Koutajoki started in his role on 25 February 2019.

Verkkokauppa.com Oyj's Management Team:

- Panu Porkka, CEO
- Jussi Tallgren, CFO
- Henrik Weckström, CTO
- Miika Heinonen, Logistics Director
- Vesa Järveläinen, Commercial Director, started on 1 January 2019 and continues as a member of the Management Team
- Seppo Niemelä, Marketing and Communications Director
- Taina Suorsa, HR Director, started on 1 January 2019
- Kalle Koutajoki, CSO, started on 25 February 2019

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 2018.

LITIGATION AND DISPUTES

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

ANNUAL GENERAL MEETING 2019

The Annual General Meeting was held in Helsinki on 28 March 2019. The financial statements for the year 2018 were approved and the Board members and the CEO were discharged from liability with respect to financial year 2018. It was resolved to pay a dividend of 0.048 euros per share, totaling 2,160,382.33 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 0.150 per share (the instalments may differ from another), in total not exceeding EUR 6,759,769,50. 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 21 May 2019, 20 August 2019 and 5 November 2019. 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. Before the Board of Directors implements the resolution regarding the distribution of dividend, it must assess, from the viewpoint of company's solvency and/or financial position, whether the requirements in the Finnish Companies Act for dividend distribution are fulfilled.

At the Annual General Meeting held on 28 March 2019, 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 Chairman of the Board. Panu Porkka is the company's CEO.

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.

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 Nomination and Remuneration Committee. The Audit Committee consists of Board members Kai Seikku (Chairman), Samuli Seppälä, Arja Talma and Christoffer Häggblom. The Nomination and Remuneration Committee consists of Board members Christoffer Häggblom (Chairman), Samuli Seppälä and Kai Seikku.

DIVIDEND

Annual General Meeting 2019 resolved to pay 0.048 euros (2,160,382.33 euros in total) per share as dividend. The record date for the dividend distribution was 1 April 2019 and the dividend payment date was 8 April 2019.

The Board resolved on 10 May 2019 to pay a dividend of 0.049 euros per share (2,208,191.37 euros in total). The record date for the dividend distribution was 14 May 2019 and the dividend payment date was 21 May 2019.

Verkkokauppa.com's Annual General Meeting authorized the Board of Directors to decide in its discretion on the distribution of dividends not exceeding 0.150 euro per share to be paid in three instalments during 2019.

OTHER EVENTS DURING THE REPORTING PERIOD

On 16 January 2019, Verkkokauppa.com gave a profit warning and preliminary information on the company's revenue and comparable EBITDA for the year 2018. On 13 February 2019 Verkkokauppa.com gave a profit warning and preliminary information on the company's comparable EBITDA for the year 2018.

On 12 February 2019 Verkkokauppa.com Oyj published IFRS comparative information on Financial year 2017.

On 15 February 2019 Verkkokauppa.com published its medium-term financial targets restated according to IFRS.

The Board resolved on 10 May 2019 to pay a dividend of 0.049 euros per share (up to 2,208,191.37 euros in total). The record date for the dividend distribution was 14 May 2019 and the dividend payment date was 21 May 2019.

SUBSEQUENT EVENTS

The Board resolved on 9 August 2019 to pay a dividend of 0.050 euros per share (up to 2,253,256.50 euros in total). The record date for the dividend distribution is 13 August 2019 and the dividend payment date is 20 August 2019.

Verkkokauppa.com announced on 1 July 2019, that it had signed revolving credit facilities (RCF) totaling 20 million euros. Of these credit facilities, 15 million euros are for three years, and 5 million euros for five years.

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 at the Jätkäsaari premises in Helsinki at Tyynenmerenkatu 11, 6th floor, at 10:00 a.m. (EET) on Friday, 9 August 2019, 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, 9 August 2019 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 2019

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

- Interim report January–September on Friday 25 October 2019

Helsinki, Finland, 9 August 2019

Verkkokauppa.com Oyj

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VERKKOKAUPPA.COM OYJ HALF-YEAR REPORT (IFRS) 1 Jan – 30 Jun 2019

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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 of Nasdaq Helsinki Ltd. The registered address of its head office is Tyynenmerenkatu 11, Helsinki.

Verkkokauppa.com Oyj's Half-year Report for January–June 2019 has been prepared in line with IAS34, 'Interim Financial Reporting' and should be read in conjunction with Verkkokauppa.com Oyj's financial statement for 2018, published on 7 March 2019. Verkkokauppa.com Oyj has applied the same accounting principles in the preparation of this interim report as in its Financial Statement for 2018.

Verkkokauppa.com Oyj published on 12 February 2019 with a separate company release the comparative information according to IFRS compared to Finnish Accounting Standards (FAS). The major changes to accounting principles are also explained in the company release.

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 millions, unless otherwise stated.

Use of estimates

The preparation of these financial statements 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.

2 Primary financial statements

2.1 Income statement (IFRS)

EUR thousand	4-6/ 2019	4-6/ 2018	1-6/ 2019	1-6/ 2018	1-12/ 2018
Revenue	107,848	102,414	223,645	205,107	477,833
Other operating income	119	73	283	93	389
Materials and services	-92,521	-87,390	-190,919	-173,377	-405,813
Employee benefit expenses	-8,114	-7,545	-15,866	-14,904	-30,300
Depreciation and amortization	-1,258	-1,279	-2,539	-2,571	-5,090
Other operating expenses	-5,884	-5,260	-12,115	-10,671	-23,696
Operating profit	190	1,012	2,490	3,676	13,324
Finance income	1	2	4	5	9
Finance costs	-382	-426	-779	-862	-1,670
Profit before income taxes	-191	588	1,715	2,819	11,662
Income taxes	37	-125	-344	-543	-2,328
Profit for the period	-154	462	1,371	2,276	9,334
Profit for the period attributable to					
Equity holders of the company	-154	462	1,371	2,276	9,334
Earnings per share calculated from the profit attributable to equity holders					
Earnings per share, basic and diluted (EUR)	0.00	0.01	0.03	0.05	0.21

2.2 Statement of comprehensive income (IFRS)

EUR thousand	4-6/ 2019	4-6/ 2018	1-6/ 2019	1-6/ 2018	1-12/ 2018
Profit for the period	-154	462	1,371	2,276	9,334
Items that will not be reclassified to profit or loss					
Realized changes in fair values of equity investments	-	-	-	-	-
Changes in fair values of equity investments	-	-	-	-	-15
Other comprehensive income after taxes, total	-	-	-	-	-
Comprehensive income for the period	-154	462	1,371	2,276	9,319
Comprehensive income for the period					
Equity holders of the company	-154	462	1,371	2,276	9,319

2.3 Statement of financial position (IFRS)

EUR thousand	30 Jun 2019	30 Jun 2018	31 Dec 2018
Non-current assets			
Intangible assets	812	884	1,067
Property, plant and equipment	2,408	2,146	1,970
Right-of-use assets	20,591	23,537	21,764
Equity investments	275	294	275
Deferred tax assets	1,159	1,106	1,112
Trade receivables	1,370	1,528	1,544
Other non-current receivables	438	437	438
Non-current assets, total	27,053	29,932	28,171
Current assets			
Inventories	52,903	53,278	65,784
Trade receivables	12,412	11,481	15,266
Other receivables	1,560	724	1,752
Income tax receivables	776	755	199
Accrued income	6,331	5,528	9,823
Cash and cash equivalents	26,122	21,302	46,746
Current assets, total	100,104	93,068	139,570
Total assets	127,157	122,999	167,741
Equity			
Share capital	100	100	100
Treasury shares	-701	-502	-502
Fair value reserve	-33	-18	-33
Invested non-restricted equity fund	25,646	25,493	25,585
Retained earnings	8,129	7,212	3,082
Profit for the period	1,371	2,276	9,334
Total equity	34,513	34,560	37,565
Non-current liabilities			
Lease liabilities	21,544	24,444	22,753
Deferred tax liabilities	18	9	18
Provisions	734	588	560
Non-current liabilities, total	22,297	25,041	23,331
Current liabilities			
Lease liabilities	3,682	3,772	3,592
Advance payments received	2,647	2,365	4,301
Trade payables	46,274	41,868	80,695
Other current liabilities	5,748	4,318	4,077
Accrued liabilities	11,995	11,075	14,181
Current liabilities, total	70,347	63,398	106,845
Total liabilities	92,644	88,440	130,176
Total equity and liabilities	127,157	122,999	167,741

2.4 Statement of cash flows (IFRS)

EUR thousand	1-6/ 2019	1-6/ 2018	1-12/ 2018
Cash flow from operating activities			
Profit before income taxes	1,715	2,819	11,662
Adjustments			
Depreciation and impairment	2,539	2,571	5,090
Gain on sales and losses on fixed assets and scrapping	-	-	-
Finance income and costs	775	856	1,630
Other adjustments	236	-49	69
Cash flow before change in working capital	5,265	6,197	18,451
Change in working capital			
Increase (-) / decrease (+) in non-current non-interest-bearing trade receivables	175	-489	-506
Increase (-) / decrease (+) in trade and other receivables	6,538	1,724	-7,384
Increase (-) / decrease (+) in inventories	12,881	-6,266	-18,772
Increase (+) / decrease (-) in current liabilities	-36,510	-22,564	21,276
Cash flow before financial items and taxes	-11,652	-21,398	13,065
Interest paid	-19	-26	-38
Interest received	4	5	9
Interest of lease liabilities	-760	-836	-1,632
Income tax paid	-967	-1,108	-2,543
Cash flow from operating activities	-13,394	-23,363	8,861
Cash flow from investing activities			
Purchases of property, plant and equipment	-716	-461	-582
Purchases of intangible assets	-87	-279	-774
Purchases of equity investments	-	-	-
Proceeds from equity investments	-	-	-
Cash flow from investing activities	-802	-740	-1,356
Cash flow from financing activities			
Decrease (-) / increase (+) in lease liabilities	-1,864	-1,961	-3,939
Dividends paid	-4,366	-4,011	-8,195
Acquisition of treasury shares	-198	-502	-502
Cash flow from financing activities	-6,428	-6,474	-12,636
Increase (+) / decrease (-) in cash and cash equivalents	-20,625	-30,576	-5,131
Cash and cash equivalents at beginning of financial year	46,746	51,878	51,878
Cash and cash equivalents at end of financial year	26,122	21,302	46,746

2.5 Statement of changes in equity (IFRS)

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 2018 (IFRS)	100	-	25,493	-18	11,222	36,797
Profit for the period	-	-	-	-	2,276	2,276
Changes in fair values of equity investments	-	-	-	-	-	0
Comprehensive income for the period, total	-	-	-	-	2,276	2,276
Dividend distribution	-	-	-	-	-4,011	-4,011
Acquisition of treasury shares	-	-502	-	-	-	-502
Disposal of treasury shares -Board fees	-	-	-	-	-	-
Share-based incentives	-	-	-	-	-	-
Transactions with owners, total	-	-502	-	-	-4,011	-4,513
Equity 30 Jun 2018 (IFRS)	100	-502	25,493	-18	9,487	34,560

EUR thousand	A	B	C	D	E	F
Equity 1 Jan 2019 (IFRS)	100	-502	25,585	-33	12,416	37,565
Profit for the period	-	-	-	-	1,371	1,371
Changes in fair values of equity investments	-	-	-	0	-	0
Comprehensive income for the period, total	-	-	-	0	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 (IFRS)	100	-701	25,646	-33	9,501	34,513

EUR thousand	A	B	C	D	E	F
Equity 1 Jan 2018 (IFRS)	100	-	25,493	-18	11,222	36,797
Profit for the period	-	-	-	-	9,334	9,334
Changes in fair values of equity investments	-	-	-	-15	-	-15
Comprehensive income for the period, total	-	-	-	-15	9,334	9,319
Dividend distribution	-	-	-	-	-8,195	-8,195
Acquisition of treasury shares	-	-502	-	-	-	-502
Disposal of treasury shares -Board fees	-	-	92	-	-	92
Share-based incentives	-	-	-	-	54	54
Transactions with owners, total	-	-502	92	-	-8,141	-8,551
Equity 31 Dec 2018 (IFRS)	100	-502	25,585	-18	12,416	37,565

3 Notes

3.1 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.

3.2 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

EUR thousand	4-6/ 2019	4-6/ 2018	1-6/ 2019	1-6/ 2018	1-12/ 2018
At a point in time	106,373	100,448	220,913	201,558	470,971
Over time	1,475	1,966	2,732	3,549	6,862
Revenue, total	107,848	102,414	223,645	205,107	477,833

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.

EUR thousand	4-6/ 2019	4-6/ 2018	1-6/ 2019	1-6/ 2018	1-12/ 2018
Interest income recognized using effective interest rate method	314	272	635	498	1,123
Other income from company-financed customer financing	461	495	972	937	2,019
Income from company-financed Apuraha, total	775	767	1,607	1,435	3,142

3.3 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.

3.4 Quarterly income statement

EUR thousand	4-6/ 2019	1-3/ 2019	10-12/ 2018	7-9/ 2018	4-6/ 2018
Revenue	107,848	115,797	155,852	116,874	102,414
Other operating income	119	164	175	121	73
Materials and services	-92,521	-98,398	-132,919	-99,517	-87,390
Employee benefit expenses	-8,114	-7,751	-8,352	-7,043	-7,545
Depreciation and amortization	-1,258	-1,281	-1,259	-1,261	-1,279
Other operating expenses	-5,884	-6,231	-7,551	-5,474	-5,260
Operating profit	190	2,301	5,946	3,702	1,012
Finance income	1	3	2	1	2
Finance costs	-382	-397	-399	-410	-426
Profit before income taxes	-191	1,906	5,550	3,293	588
Income taxes	37	-381	-1,106	-678	-125
Profit for the period	-154	1,525	4,443	2,615	462
Profit for the period attributable to					
Equity holders	-154	1,525	4,443	2,615	462
Earnings per share calculated from the profit attributable to equity holders					
Earnings per share, basic and diluted (EUR)	0.00	0.03	0.10	0.06	0.01

3.5 Right-of-use assets

EUR thousand	30 Jun 2019	30 Jun 2018	31 Dec 2018
Carrying amount 1.1.	21,764	24,589	24,589
Increases	78	169	284
Increase/decrease due to remeasurement	701	693	716
Disposals	-33	-	-
Depreciation	-1,919	-1,914	-3,825
Carrying amount at the end of period	20,591	23,537	21,764

The remeasurements made during 2018 and 2019 relate to index adjustments, renewal of lease agreements and during 2018 also the change to the Jätkäsaari lease agreement based on the original contract terms.

3.6 Trade receivables

EUR thousand	30.6.2019		30.6.2018		31.12.2018	
	Trade receivables	Loss allowance	Trade receivables	Loss allowance	Trade receivables	Loss allowance
Not due	10,678	111	9,563	78	12,553	212
Past due 1-60 days	3,437	236	3,226	106	4,305	173
Past due 61-120 days	115	101	606	202	455	136
Past due over 121 days	15	15	662	662	33	14
Total	14,245	463	14,058	1,048	17,345	535

3.7 Financial assets and liabilities by measurement category

30.6.2019, EUR thousand

Measurement category	Recognized at fair value through other comprehensive income	At amortized cost	Lease liabilities	Carrying amount
Non-current financial assets				
Equity investments (level 2)	9			9
Equity investments (level 3)	266			266
Trade receivables and other financial receivables		1,807		1,807
Non-current financial assets, total	275	1,807		2,083
Current financial assets				
Trade receivables		12,412		12,412
Cash and cash equivalents		26,122		26,122
Current financial assets, total		38,533		38,533
Financial assets by measurement category, total	275	40,341		40,616
Non-current financial liabilities				
Lease liabilities			21,544	21,544
Non-current financial liabilities, total			21,544	21,544
Current financial liabilities				
Lease liabilities			3,682	3,682
Trade payables		46,274		46,274
Current financial liabilities, total		46,274	3,682	49,956
Financial liabilities by measurement category, total		46,274	25,226	71,500

30.6.2018, EUR thousand

Measurement category	Recognized at fair value through other comprehensive income	At amortized cost	Lease liabilities	Carrying amount
Non-current financial assets				
Equity investments (level 2)	9			9
Equity investments (level 3)	285			285
Trade receivables and other financial receivables		1,965		1,965

Non-current financial assets, total	294	1,965	2,259
Current financial assets			
Trade receivables		11,481	11,481
Cash and cash equivalents		21,302	21,302
Current financial assets, total		32,783	32,783
Financial assets by measurement category, total	294	34,749	35,042
Non-current financial liabilities			
Lease liabilities		24,444	24,444
Non-current financial liabilities, total		24,444	24,444
Current financial liabilities			
Lease liabilities		3,772	3,772
Trade payables		41,868	41,868
Current financial liabilities, total		41,868	45,640
Financial liabilities by measurement category, total		41,868	28,216

31.12.2018, EUR thousand

Measurement category	Recognized at fair value through other comprehensive income	At amortized cost	Lease liabilities	Carrying amount
Non-current financial assets				
Equity investments (level 2)	9			9
Equity investments (level 3)	266			266
Trade receivables and other financial receivables		1,982		1,982
Non-current financial assets, total	275	1,982		2,257
Current financial assets				
Trade receivables		15,266		15,266
Cash and cash equivalents		46,746		46,746
Current financial assets, total		62,012		62,012
Financial liabilities by measurement category, total	275	63,994		64,269
Non-current financial liabilities				
Lease liabilities			22,753	22,753
Non-current financial liabilities, total			22,753	22,753
Current financial liabilities				
Lease liabilities			3,592	3,592
Trade payables		80,695		80,695
Current financial liabilities, total		80,695	3,592	84,287
Financial liabilities by measurement category, total		80,695	26,344	107,039

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 2019. There have been no transfers between measurement categories during the financial year or the comparative year.

3.8 Dividends

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

2019

For the previous year	Date of payment	Dividend per share, EUR
	8.4.2019	0.048
	21.5.2019	0.049
Total dividends, EUR thousand		4,366

2018

For the previous year	Date of payment	Dividend per share, EUR
	3.4.2018	0.044
	16.5.2018	0.045
	21.8.2018	0.046
	6.11.2018	0.047
Total dividends, EUR thousand		8,195

3.9 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.

3.10 Guarantees and commitments

EUR Thousand	30.6.2019	30.6.2018	31.12.2018
Collateral given for own commitments			
Mortgages	-	27,001	-
Guarantees	2,850	3,662	2,850
Other commitments and contingent liabilities	14	14	14

4 Additional information

4.1 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.

4.2 Financial and share-specific information

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.

	4-6/ 2019	4-6/ 2018	1-3/ 2019	1-3/ 2018	1-6/ 2019	1-6/ 2018	1-12/ 2018
Revenue, thousand euros	107,848	102,414	115,797	102,693	223,645	205,107	477,833
Gross profit, thousand euros	15,327	15,024	17,399	16,706	32,727	31,730	72,020
Gross margin-%	14.2%	14.7%	15.0%	16.3%	14.6%	15.5%	15.1%
EBITDA, thousand euros	1,448	2,291	3,581	3,955	5,029	6,246	18,414
EBITDA-%	1.3%	2.2%	3.1%	3.9%	2.2%	3.0%	3.9%
Operating profit, thousand euros	190	1,012	2,301	2,663	2,490	3,676	13,324
Operating profit-%	0.2%	1.0%	2.0%	2.6%	1.1%	1.8%	2.8%
Profit for the period, thousand euros	-154	462	1,525	1,813	1,371	2,276	9,334
Equity ratio, %	27.7	28.6	26.5	29.9	27.7	28.6	23.0
Gearing, %	-2.6	20.0	-24.0	3.0	-2.6	20.0	-54.3
Personnel at the end of period*	731	687	657	681	731	687	683
Basic earnings per share, euros	0.00	0.01	0.03	0.04	0.03	0.05	0.21
Diluted earnings per share, euros	0.00	0.01	0.03	0.04	0.03	0.05	0.21
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	43,837	82,500	57,164	0	101,001	82,500	64,633
Weighted average number of shares outstanding	44,965,129	45,058,179	45,003,686	45,065,130	44,965,129	45,058,179	45,042,616
Diluted weighted average number of shares outstanding	45,057,712	45,058,179	45,096,269	45,065,130	45,057,712	45,058,179	45,092,616

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

4.3 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
EQUITY RATIO, %	$\text{Total equity} / \text{Balance sheet total} - \text{advance payments received}$		Equity ratio measures Verkkokauppa.com's solvency, ability to bear losses and ability to meet commitments in the long run
GEARING, %	$\frac{\text{Interest bearing liabilities} + \text{lease liabilities} - \text{cash and cash equivalents} - \text{interest bearing receivables}}{\text{Total equity}}$	x 100	Gearing measures the relation of equity and interest-bearing net debt of Verkkokauppa.com and shows the indebtedness of the company
EARNINGS PER SHARE, BASIC	$\frac{\text{Profit for the period attributable to equity holders of the company}}{\text{Weighted average number of shares outstanding}}$		
EARNINGS PER SHARE, DILUTED	$\frac{\text{Profit for the period attributable to equity holders of the company}}{\text{Weighted average number of shares outstanding} + \text{dilutive potential shares}}$		