

**VERKKOKAUPPA.COM OYJ  
FINANCIAL STATEMENTS  
RELEASE 2019**

## FINANCIAL STATEMENTS RELEASE for 1 January – 31 December 2019: Verkkokauppa.com revenue grew 3% in Q4 and company starts preparations for Nasdaq Helsinki official list during 2020

Verkkokauppa.com Oyj – Interim report (unaudited) 14 February 2020, 8:00 a.m.

### 1 October – 31 December 2019 in brief

- Revenue 160 million euros (10–12/2018: 156), growth of 3%
- Gross profit 22.2 million euros (22.9), decrease of 3%
- Gross margin 13.9% of revenue (14.7%)
- Operating profit 4.5 million euros (5.9)
- Operating margin 2.8% of revenue (3.8%)
- Profit for the period 3.2 million euros (4.4)
- Earnings per share 0.07 euros (0.10)

KEY RATIOS (IFRS)	10-12/2019	10-12/2018	Change%	1-12/2019	1-12/2018	Change%
Revenue, € thousands	159,908	155,852	3%	504,113	477,833	5%
Gross profit, € thousands	22,198	22,933	-3%	73,874	72,020	3%
Gross margin, % of revenue	13.9%	14.7%	-6%	14.7%	15.1%	-3%
EBITDA, € thousands	5,713	7,205	-21%	16,330	18,414	-11%
EBITDA, %	3.6%	4.6%	-23%	3.2%	3.9%	-16%
Operating profit, € thousands	4,467	5,946	-25%	11,290	13,324	-15%
Operating margin, % of revenue	2.8%	3.8%	-27%	2.2%	2.8%	-20%
Net profit, € thousands	3,236	4,443	-27%	7,810	9,334	-16%

### 1 January – 31 December 2019 in brief

- Revenue 504 million euros (1–12/2018: 478), growth of 5%
- Gross profit 73.9 million euros (72.0), growth of 3%
- Gross margin 14.7% of revenue (15.1%)
- Operating profit 11.3 million euros (13.3)
- Operating margin 2.2% of revenue (2.8%)
- Profit for the period 7.8 million euros (9.3)
- The Board of Directors proposes to the annual general meeting that a dividend of 0.214 euro per share in total be distributed for the financial year 2019 in quarterly instalments
- Earnings per share 0.17 euros (0.21)

### 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 18 December 2019 that the Finnish GDP will grow by 1.0% during 2020.

## 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 (11.3 million euros).

## CEO PANU PORKKA'S REVIEW

Verkkokauppa.com's revenue in Q4 grew by 3%, amounting to 160 million euros. Drivers for growth in Q4 were record sales during Black Friday, additional marketing activities and effective campaigning. During Black Friday campaigns the company broke all its previous sales records across all channels, which compensated the moderate revenue development before and after Black Friday. Changes in the timing of tax refunds and uncertainties regarding customer deliveries due to the postal strike had a negative impact on consumer behavior during the Christmas sales season.

The Finnish consumer electronics market continued to consolidate between three key players. The market increased by 4.4% in October–December according to GfK. Verkkokauppa.com continued its marketing and pricing efforts, which resulted in outgrowing the market in smaller product categories, with sales growth of up to 40% in the best-performing categories. The larger categories faced headwind because of the competitive market. Gross margin in Q4 stood at 13.9% and was lower than last year (Q4/2018 14.7%) due to heavy campaigning during Black Friday. The company achieved an operating profit of 4.5 million euros (Q4/2018 5.9 million euros), mostly due to a lower gross margin. Revenue for the whole year grew by 6%, amounting to 504 million, while operating profit stood at 11.3 million euros. According to GfK, the demand for consumer electronics increased by 2.9% during January-December in Finland.

To achieve better profitability, the company is investing in technology development affecting several parts of its operations. The investments will further improve the company's cost structure. The company is investigating new cost-efficient logistic solutions for category expansion. Leveraging its best-in-class operating costs and continuously improving processes, the company expects to improve its profitability in the coming years. Faster than market growth is still driven by market share gains in mid-sized categories. In addition, the company plans to launch new subcategories by the end of H1 2020. Brand awareness for Verkkokauppa.com reached record levels during H2 2019, thanks to improved brand marketing and media mix. Next steps to further strengthen top of mind in brand recognition will be taken during the spring through national TV ad campaigns. Strong brand recognition together with effective performance marketing will continue to drive stronger profitability also in the future. As part of the efforts to improve customer experience, Verkkokauppa.com will continue to enhance the usability, search functions and product information on its website. The renewal of the Jätkäsaari megastore will continue to improve the in-store customer experience.

The company expects the consumer electronics market to remain tough. The trend of specialty retail closing stores will support retail going online at a fast pace. Additionally, transparency and responsibility are increasingly important to consumer purchase decisions. Verkkokauppa.com is determined to continue gaining market share to become the leader in the Finnish consumer electronics market. On its journey towards market leadership the company will continuously strengthen its competitive advantages and enhance its customer experience. Superior product availability, best known brand, multiple delivery options and a larger assortment than its main competitors are the company's key competitive advantages in achieving this strategic goal. It is estimated that 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 of the total retail market in Finland is approximately 12–13%, which is still lower than the average in Europe.

As a next milestone the company starts preparations for entering the official list of Nasdaq Helsinki during 2020. This planned move reflects Verkkokauppa.com's maturing as a public company and ambition for better investor visibility and improved share liquidity.

## REVENUE AND PROFITABILITY DEVELOPMENT

### October–December 2019

In October–December 2019, Verkkokauppa.com Oyj's revenue grew by 2.6% year on year. Revenue grew by 4.1 million euros, totaling 159.9 million euros (155.9). Sales increased particularly in sports, Audio & Hi-Fi, toys, watches and major domestic appliances (MDA).

According to GfK, the demand for consumer electronics increased by 4.4% during October–December in Finland.

The company-financed customer financing remained on a good level. Its proceeds were 0.9 million euros (0.9) including both interest income and fee income. The credit loss allowance increased to 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 October–December by 9.1% to 9.1 million euros (8.4). The increase resulted mainly from the growing personnel costs in IT, retail stores and purchasing. During the reporting period, other operating expenses decreased by 0.4% to 7.5 million euros (7.6). The increase of Verkkokauppa.com's marketing efforts were offset by a decrease in other operating expenses.

Operating profit in October–December 2019 was 4.5 million euros (5.9) and profit for the period 3.2 million euros (4.4).

Earnings per share were 0.07 euros (0.10).

### January–December 2019

In January–December 2019, Verkkokauppa.com Oyj's revenue grew by 5.5% year on year. Revenue grew by 26.3 million euros, totaling 504.1 million euros (477.8). Sales increased particularly in small domestic appliances (SDA), Audio & Hi-Fi, BBQ, peripherals, major domestic appliances (MDA), watches and sports.

According to GfK, the demand for consumer electronics increased by 2.9% during January–December in Finland.

The company-financed customer financing grew year on year. Its proceeds were 3.3 million euros (3.1) including both interest income and fee income. The credit loss allowance increased to 0.6 million euros (0.5). Verkkokauppa.com sold its past due receivables as part of its risk management during the reporting period. 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–December by 7.6% to 32.6 million euros (30.3). The increase resulted mainly from the growing personnel costs in retail stores, purchasing and IT. During the reporting period, other operating expenses increased by 7.6% to 25.5 million euros (23.7). The increase resulted mainly from the renewal and increase of Verkkokauppa.com's marketing efforts year on year.

Operating profit in January–December 2019 was 11.3 million euros (13.3) and profit for the period 7.8 million euros (9.3).

Earnings per share were 0.17 euros (0.21).

## FINANCE AND INVESTMENTS

Operating cash flow was 9.7 million euros (8.9) in January–December 2019. 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 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 (0.4) of the IT department's salary costs and external technology consulting fees. The company also invested in ordinary store equipment and furniture. Net capital expenditures totaled 1.2 million euros (1.4) in January–December 2019.

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, 6,813,481 shares were exchanged on the First North Growth Market of Nasdaq Helsinki Ltd marketplace, representing 15.1% of all shares in the company. The highest share price was 4.455 euros and the lowest 2.85 euros. The average price in share trading was 3.67 euros. The total of the share trading was 25.0 million euros. The closing price was 3.53 euros, and the market capitalization of all shares was 159 million euros at the end of the period.

The total number of shares in the company was 45,065,130 on 31 December 2019, including treasury shares. In 2019, the company has transferred a total of 35,337 treasury shares as part of the remuneration of Board members. The company held 81,296 treasury shares on 31 December 2019. These treasury shares accounted for 0.18% 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 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 an approximate maximum total of 50,000 Verkkokauppa.com Oyj's shares, and on the basis of the matching period 2019–2021 to the value of an approximate 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.

The rewards from the plan will be paid partly in the company's shares and partly in cash in 2023. The cash proportion is intended to cover taxes and tax-related costs arising from the reward to the participant. 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. The rewards to be paid on the basis of the plan correspond to the value of an approximate maximum total of 540,000 Verkkokauppa.com Oyj's shares, including also the proportion to be paid in cash.

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 4%, and the total number of employees was 758 (683) at the end of December 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. CFO Jussi Tallgren left his position on 20 August 2019 and Mikko Forsell was appointed as the new CFO and Management Team member as of 2 September 2019.

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 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.

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.

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. 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.

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 Board resolved on 9 August 2019 to pay a dividend of 0.050 euros per share (2,253,256.50 euros in total).

The Board resolved on 25 October 2019 to pay a dividend of 0.051 euros per share (up to 2,298,321.63 euros in total).

## **DIVIDEND DISTRIBUTION PROPOSAL**

Verkkokauppa.com Oyj's distributable funds as of 31 December 2019 totaled 35,952,543.57 euros. The Board of Directors will propose to the Annual General Meeting that Verkkokauppa.com Oyj net income for period 7,810,067.76 euros will be transferred to retained earnings and dividend of 0.214 euros per share will be distributed for 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 published IFRS comparative information on financial year 2017.

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

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.

## **SUBSEQUENT EVENTS**

On 13 February 2020 Verkkokauppa.com announced that the Company is currently evaluating the possibility of transferring to the official 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.

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, 14 February 2020, 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, 14 February 2020 at 11:00 a.m. (EET). Questions can be sent beforehand or during the presentation via e-mail to [investors@verkkokauppa.com](mailto:investors@verkkokauppa.com).

Presentation materials for both events are available at [www.verkkokauppa.com](http://www.verkkokauppa.com) in the section Investors > Presentations. For both press conferences, a LiveStream is available at [www.verklive.com](http://www.verklive.com).

## COMPANY RELEASES IN 2020

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

- Annual Report 2019 will be published online during Week 10, 2020
- Interim report January–March 2020, Friday 24 April 2020
- Half-year report January–June 2020, Friday 24 July 2020
- Interim Report January–December 2020, Friday 23 October 2020

Helsinki, Finland, 14 February 2020

### **Verkkokauppa.com Oyj**

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**VERKKOKAUPPA.COM OYJ FINANCIAL STATEMENTS RELEASE 1 Jan – 31 Dec 2019**

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## 1 Primary financial statements

### 1.1 Income statement

EUR thousand	Note	10-12/ 2019	10-12/ 2018	1-12/ 2019	1-12/ 2018
<b>Revenue</b>	<b>2.3</b>	<b>159,908</b>	<b>155,852</b>	<b>504,113</b>	<b>477,833</b>
Other operating income		153	175	555	389
Materials and services		-137,710	-132,919	-430,239	-405,813
Employee benefit expenses		-9,115	-8,352	-32,595	-30,300
Depreciation and amortization		-1,246	-1,259	-5,040	-5,090
Other operating expenses		-7,523	-7,551	-25,504	-23,696
<b>Operating profit</b>		<b>4,467</b>	<b>5,946</b>	<b>11,290</b>	<b>13,324</b>
Finance income		2	2	64	9
Finance costs		-421	-399	-1,591	-1,670
<b>Profit before income taxes</b>		<b>4,048</b>	<b>5,550</b>	<b>9,763</b>	<b>11,662</b>
Income taxes		-812	-1,106	-1,953	-2,328
<b>Profit for the period</b>		<b>3,236</b>	<b>4,443</b>	<b>7,810</b>	<b>9,334</b>
<b>Profit for the period attributable to</b>					
Equity holders of the company		3,236	4,443	7,810	9,334
<b>Earnings per share calculated from the profit attributable to equity holders</b>					
Earnings per share, basic and diluted (EUR)		0.07	0.10	0.17	0.21

### 1.2 Statement of comprehensive income

EUR thousand	10-12/ 2019	10-12/ 2018	1-12/ 2019	1-12/ 2018
<b>Profit for the period</b>	<b>3,236</b>	<b>4,443</b>	<b>7,810</b>	<b>9,334</b>
<b>Items that will not be reclassified to profit or loss</b>				
Realized changes in fair values of equity investments	-	-	-	-
Changes in fair values of equity investments	0	-	0	-15
<b>Other comprehensive income after taxes, total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-15</b>
<b>Comprehensive income for the period</b>	<b>3,236</b>	<b>4,443</b>	<b>7,810</b>	<b>9,319</b>
<b>Comprehensive income for the period</b>				
Equity holders of the company	3,236	4,443	7,810	9,319

### 1.3 Statement of financial position

EUR thousand	Note	31 Dec 2019	31 Dec 2018
<b>Non-current assets</b>			
Intangible assets		592	1,067
Property, plant and equipment		2,381	1,970
Right-of-use assets	2.5	18,770	21,764
Equity investments	2.7	266	275
Deferred tax assets		1,195	1,112
Trade receivables	2.6,2.7	1,882	1,544
Other non-current receivables	2.7	435	438
<b>Non-current assets, total</b>		<b>25,521</b>	<b>28,171</b>
<b>Current assets</b>			
Inventories		66,702	65,784
Trade receivables	2.6,2.7	14,620	15,266
Other receivables		1,143	1,752
Income tax receivables		278	199
Accrued income		9,424	9,823
Cash and cash equivalents	2.7	42,495	46,746
<b>Current assets, total</b>		<b>134,662</b>	<b>139,570</b>
<b>Total assets</b>		<b>160,183</b>	<b>167,741</b>
<b>Equity</b>			
Share capital		100	100
Treasury shares		-701	-502
Fair value reserve		-	-33
Invested non-restricted equity fund		25,707	25,585
Retained earnings		3,647	3,082
Profit for the period		7,810	9,334
<b>Total equity</b>	1.5	<b>36,563</b>	<b>37,565</b>
<b>Non-current liabilities</b>			
Lease liabilities	2.7	19,676	22,753
Deferred tax liabilities		7	18
Provisions		660	560
<b>Non-current liabilities, total</b>		<b>20,343</b>	<b>23,331</b>
<b>Current liabilities</b>			
Lease liabilities	2.7	3,758	3,592
Advance payments received		3,819	4,301
Trade payables	2.7	73,068	80,695
Other current liabilities		7,892	4,077
Accrued liabilities		14,741	14,181
<b>Current liabilities, total</b>		<b>103,277</b>	<b>106,845</b>
<b>Total liabilities</b>		<b>123,620</b>	<b>130,176</b>
<b>Total equity and liabilities</b>		<b>160,183</b>	<b>167,741</b>

#### 1.4 Statement of cash flows

	1-12/ 2019	1-12/ 2018
EUR thousand		
<b>Cash flow from operating activities</b>		
Profit before income taxes	9,763	11,662
Adjustments		
Depreciation and impairment	5,040	5,090
Gain on sales and losses on fixed assets and scrapping	-	-
Finance income and costs	1,527	1,630
Other adjustments	476	69
Cash flow before change in working capital	16,806	18,451
Change in working capital		
Increase(-) / decrease(+) in non-current non-interest-bearing trade receivables	-335	-506
Increase (-) / decrease (+) in trade and other current receivables	1,653	-7,384
Increase (-) / decrease (+) in inventories	-918	-18,772
Increase (+) / decrease (-) in accounts payable and other current liabilities	-3,650	21,276
Cash flow before financial items and taxes	13,557	13,065
Interest paid	-59	-38
Interest received	7	9
Interest of lease liabilities	-1,483	-1,632
Income tax paid	-2,333	-2,543
<b>Cash flow from operating activities</b>	<b>9,690</b>	<b>8,861</b>
Cash flow from investing activities		
Purchases of property, plant and equipment	-1,016	-582
Purchases of intangible assets	-186	-774
Purchases of equity investments	-	-
Proceeds from equity investments	57	-
<b>Cash flow from investing activities</b>	<b>-1,145</b>	<b>-1,356</b>
Cash flow from financing activities		
Decrease (-) in lease liabilities	-3,690	-3,939
Dividends paid	-8,908	-8,195
Acquisition of treasury shares	-198	-502
<b>Cash flow from financing activities</b>	<b>-12,796</b>	<b>-12,636</b>
<b>Increase (+) / decrease (-) in cash and cash equivalents</b>	<b>-4,251</b>	<b>-5,131</b>
Cash and cash equivalents at beginning of financial year	46,746	51,878
Cash and cash equivalents at end of financial year	42,495	46,746

## 1.5 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
<b>Equity 1 Jan 2018</b>	<b>100</b>	<b>-</b>	<b>25,493</b>	<b>-18</b>	<b>11,222</b>	<b>36,797</b>
Profit for the period	-	-	-	-	9,334	<b>9,334</b>
Changes in fair values of equity investments	-	-	-	-15	-	<b>-15</b>
<b>Comprehensive income for the period, total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-15</b>	<b>9,334</b>	<b>9,319</b>
Dividend distribution	-	-	-	-	-8,195	<b>-8,195</b>
Acquisition of treasury shares	-	-502	-	-	-	<b>-502</b>
Disposal of treasury shares -Board fees	-	-	92	-	-	<b>92</b>
Share-based incentives	-	-	-	-	54	<b>54</b>
<b>Transactions with owners, total</b>	<b>-</b>	<b>-502</b>	<b>92</b>		<b>-8,141</b>	<b>-8,551</b>
<b>Equity 31 Dec 2018</b>	<b>100</b>	<b>-502</b>	<b>25,585</b>	<b>-33</b>	<b>12,416</b>	<b>37,565</b>

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

## 2 Notes

### 2.1 Accounting principles applied in this financial statements release

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–December 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 Statements 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.

Verkkokauppa.com Oyj has not adopted any new accounting policies during 2019 that would have a material impact on this financial statements release.

The information presented in this financial statements release 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 financial statements release 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.

## 2.2 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.

## 2.3 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

	10-12/ 2019	10-12/ 2018	1-12/ 2019	1-12/ 2018
EUR thousand				
At a point in time	158,266	153,997	498,343	470,971
Over time	1,641	1,855	5,770	6,862
<b>Revenue, total</b>	<b>159,908</b>	<b>155,852</b>	<b>504,113</b>	<b>477,833</b>

### 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.

	10-12/ 2019	10-12/ 2018	1-12/ 2019	1-12/ 2018
EUR thousand				
Interest income recognized using effective interest rate method	346	330	1,293	1,123
Other income from company-financed customer financing	519	562	1,983	2,019
<b>Income from company-financed Apuraha, total</b>	<b>865</b>	<b>892</b>	<b>3,276</b>	<b>3,142</b>

## 2.4 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.

## 2.5 Right-of-use assets

EUR thousand	31 Dec 2019	31 Dec 2018
Carrying amount 1.1.	21,764	24,589
Increases	113	284
Increase/decrease due to remeasurement	700	716
Disposals	-33	-
Depreciation	-3,774	-3,825
<b>Carrying amount at the end of period</b>	<b>18,770</b>	<b>21,764</b>

Verkkokauppa.com Oyj has applied IFRS 16 Leases early and fully retrospectively in connection with the adoption of IFRS in 2018. The accounting principles are described in more detail in a separate company release published on 12 February 2019.

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

## 2.6 Trade receivables

EUR thousand	31 Dec 2019		31 Dec 2018	
	Trade receivables	Loss allowance	Trade receivables	Loss allowance
Not due	12,226	101	12,553	212
Past due 1-60 days	4,399	331	4,305	173
Past due 61-120 days	419	110	455	136
Past due over 121 days	17	17	33	14
<b>Total</b>	<b>17,061</b>	<b>559</b>	<b>17,345</b>	<b>535</b>

## 2.7 Financial assets and liabilities by measurement category

31.12.2019, EUR thousand	Recognized at fair value through other comprehensive income	At amortized cost	Lease liabilities	Carrying amount
Measurement category				
<b>Non-current financial assets</b>				
Equity investments (level 2)	-			-
Equity investments (level 3)	266			266
Trade receivables and other financial receivables		2,317		2,317
<b>Non-current financial assets, total</b>	<b>266</b>	<b>2,317</b>		<b>2,583</b>
<b>Current financial assets</b>				
Trade receivables		14,620		14,620
Cash and cash equivalents		42,495		42,495
<b>Current financial assets, total</b>		<b>57,116</b>		<b>57,116</b>
<b>Financial assets by measurement category, total</b>	<b>266</b>	<b>59,432</b>		<b>59,698</b>
<b>Non-current financial liabilities</b>				
Lease liabilities			19,676	19,676
<b>Non-current financial liabilities, total</b>			<b>19,676</b>	<b>19,676</b>
<b>Current financial liabilities</b>				
Lease liabilities			3,758	3,758
Trade payables		73,068		73,068
<b>Current financial liabilities, total</b>		<b>73,068</b>	<b>3,758</b>	<b>76,826</b>
<b>Financial liabilities by measurement category, total</b>		<b>73,068</b>	<b>23,434</b>	<b>96,502</b>

31.12.2018, EUR thousand	Recognized at fair value through other comprehensive income	At amortized cost	Lease liabilities	Carrying amount
Measurement category				
<b>Non-current financial assets</b>				
Equity investments (level 2)	9			9
Equity investments (level 3)	266			266
Trade receivables and other financial receivables		1,982		1,982
<b>Non-current financial assets, total</b>	<b>275</b>	<b>1,982</b>		<b>2,257</b>
<b>Current financial assets</b>				
Trade receivables		15,266		15,266
Cash and cash equivalents		46,746		46,746
<b>Current financial assets, total</b>		<b>62,012</b>		<b>62,012</b>
<b>Financial liabilities by measurement category, total</b>	<b>275</b>	<b>63,994</b>		<b>64,269</b>
<b>Non-current financial liabilities</b>				
Lease liabilities			22,753	22,753
<b>Non-current financial liabilities, total</b>			<b>22,753</b>	<b>22,753</b>

<b>Current financial liabilities</b>			
Lease liabilities		3,592	3,592
Trade payables	80,695		80,695
<b>Current financial liabilities, total</b>	<b>80,695</b>	<b>3,592</b>	<b>84,287</b>
<b>Financial liabilities by measurement category, total</b>			
	<b>80,695</b>	<b>26,344</b>	<b>107,039</b>

## 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.

## 2.8 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
	20.8.2019	0.050
	5.11.2019	0.051
<b>Total dividends, EUR thousand</b>		<b>8,908</b>

### 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
<b>Total dividends, EUR thousand</b>		<b>8,195</b>

## 2.9 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.

EUR thousand	2019	2018
Sales of goods and services		
To key management personnel and their related parties	46	31
Purchases of goods and services		
From key management personnel and their related parties	-	19

EUR thousand	31 Dec 2019	31 Dec 2018
Closing balances from purchases/sales of goods/services		
Trade receivables from key management personnel and their related parties	-	7
Trade payables to key management personnel and their related parties	-	2

## 2.10 Guarantees and commitments

EUR Thousand	31 Dec 2019	31 Dec 2018
<b>Collateral given for own commitments</b>		
Mortgages	-	-
Guarantees	2,652	2,850
<b>Other commitments and contingent liabilities</b>	11	14

## 2.11 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.

## 2.12 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.

### 3 Additional information

#### 3.1 Quarterly income statement

EUR thousand	10-12 2019	7-9 2019	4-6/ 2019	1-3/ 2019	10-12/ 2018
<b>Revenue</b>	<b>159,908</b>	<b>120,560</b>	<b>107,848</b>	<b>115,797</b>	<b>155,852</b>
Other operating income	153	118	119	164	175
Materials and services	-137,710	-101,611	-92,521	-98,398	-132,919
Employee benefit expenses	-9,115	-7,614	-8,114	-7,751	-8,352
Depreciation and amortization	-1,246	-1,255	-1,258	-1,281	-1,259
Other operating expenses	-7,523	-5,866	-5,884	-6,231	-7,551
<b>Operating profit</b>	<b>4,467</b>	<b>4,333</b>	<b>190</b>	<b>2,301</b>	<b>5,946</b>
Finance income	2	59	1	3	2
Finance costs	-421	-391	-382	-397	-399
<b>Profit before income taxes</b>	<b>4,048</b>	<b>4,000</b>	<b>-191</b>	<b>1,906</b>	<b>5,550</b>
Income taxes	-812	-797	37	-381	-1,106
<b>Profit for the period</b>	<b>3,236</b>	<b>3,203</b>	<b>-154</b>	<b>1,525</b>	<b>4,443</b>
<b>Profit for the period attributable to</b>					
Equity holders	3,236	3,203	-154	1,525	4,443
<b>Earnings per share calculated from the profit attributable to equity holders</b>					
Earnings per share, basic and diluted (EUR)	0.07	0.07	0.00	0.03	0.10

#### 3.2 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.

	2019				2019	2018				2018
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Revenue, thousand euros	115,797	107,848	120,560	159,908	504,113	102,693	102,414	116,874	155,852	477,833
Gross profit, thousand euros	17,399	15,327	18,949	22,198	73,874	16,706	15,024	17,358	22,933	72,020
Gross margin-%	15.0%	14.2%	15.7%	13.9%	14.7%	16.3%	14.7%	14.9%	14.7%	15.1%
EBITDA, thousand euros	3,581	1,448	5,588	5,713	16,330	3,955	2,291	4,962	7,205	18,414
EBITDA-%	3.1%	1.3%	4.6%	3.6%	3.2%	3.9%	2.2%	4.2%	4.6%	3.9%
Operating profit, thousand euros	2,301	190	4,333	4,467	11,290	2,663	1,012	3,702	5,946	13,324
Operating profit-%	2.0%	0.2%	3.6%	2.8%	2.2%	2.6%	1.0%	3.2%	3.8%	2.8%
Profit for the period, thousand euros	1,525	-154	3,203	3,236	7,810	1,813	462	2,615	4,443	9,334
Equity ratio, %	26,5	27,7	25,6	23,4	23,4	29,9	28,6	27,8	23,0	23,0
Gearing, %	-24,0	-2,6	-28,4	-52,1	-52,1	3,0	20,0	3,8	-54,3	-54,3
Personnel at the end of period*	657	731	688	758	758	681	687	659	683	683
Basic earnings per share, euros	0,03	0,00	0,07	0,07	0,17	0,04	0,01	0,06	0,10	0,21
Diluted earnings per share, euros	0,03	0,00	0,07	0,07	0,17	0,04	0,01	0,06	0,10	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	45,065,130	45,065,130	45,065,130
Number of treasury shares	57,164	101,001	90,928	81,296	81,296	0	82,500	71,368	64,633	64,633
Weighted average number of shares outstanding	45,003,686	44,964,129	44,974,202	44,983,834	44,983,834	45,065,130	45,058,179	45,046,433	45,042,616	45,042,616
Diluted weighted average number of shares outstanding	45,096,269	45,057,712	45,057,712	44,944,424	44,944,424	45,065,130	45,058,179	45,096,433	45,092,616	45,092,616

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

### 3.3 Formulas for key ratios

KEY RATIO	DEFINITIONS		BASIS OF ALTERNATIVE PERFORMANCE MEASURES ADOPTED
<b>GROSS PROFIT</b>	Revenue – materials and services		Gross profit shows the profitability of the sales
<b>GROSS MARGIN, %</b>	$(\text{Revenue} - \text{materials and services}) / \text{Revenue}$	x 100	Gross margin measures the profitability of the sales of Verkkokauppa.com
<b>EBITDA</b>	Operating profit + depreciation + amortization		EBITDA shows the operational profitability
<b>EBITDA, %</b>	$(\text{Operating profit} + \text{depreciation} + \text{amortization}) / \text{Revenue}$	x 100	EBITDA measures the operational profitability of Verkkokauppa.com
<b>OPERATING PROFIT</b>	Result for the period before income taxes and net finance income and costs		Operating profit shows result generated by operating activities
<b>OPERATING MARGIN, %</b>	$\text{Operating profit} / \text{Revenue}$	x 100	Operating margin measures operational efficiency of Verkkokauppa.com
<b>EQUITY RATIO, %</b>	$\text{Total equity} / \text{Balance sheet total} - \text{advance payments received}$		Equity ratio measures Verkkokauppa.com's solvency, ability to bear losses and ability to meet commitments in the long run
<b>GEARING, %</b>	$\frac{\text{Interest bearing liabilities} + \text{lease liabilities} - \text{cash and cash equivalents} - \text{interest bearing receivables}}{\text{Total equity}}$	x 100	Gearing measures the relation of equity and interest-bearing net debt of Verkkokauppa.com and shows the indebtedness of the company
<b>EARNINGS PER SHARE, BASIC</b>	$\frac{\text{Profit for the period attributable to equity holders of the company}}{\text{Weighted average number of shares outstanding}}$		
<b>EARNINGS PER SHARE, DILUTED</b>	$\frac{\text{Profit for the period attributable to equity holders of the company}}{\text{Weighted average number of shares outstanding} + \text{dilutive potential shares}}$		