

VERKKOKAUPPA.COM OYJ INTERIM REPORT

JANUARY 1 – SEPTEMBER 30, 2020



INTERIM REPORT for 1 January – 30 September 2020: Strong performance as e-commerce disruption continues to accelerate

Verkkokauppa.com Oyj – Interim Report (unaudited) 23 October 2020, 8:00 a.m.

1 July – 30 September 2020 in brief

- Revenue 129 million euros (7–9/2019: 121), growth of 7.3%
- Gross profit 20.9 million euros (18.9), growth of 10.4%
- Gross margin 16.2% of revenue (15.7%)
- Operating profit 5.6 million euros (4.3)
- Operating margin 4.3% of revenue (3.6%)
- Comparable operating profit 5.6 million euros (4.3)
- Comparable operating margin 4.3% (3.6%)
- Profit for the period 4.2 million euros (3.2)
- Earnings per share 0.09 euros (0.07)
- Investments 0.3 million euros (0.03)
- Operating cash flow 5.5 million euros (11.4)
- On 24 September 2020, the company issued a positive profit warning and updated the financial guidance for 2020
- The Board of Directors has resolved to pay a quarterly dividend of 0.055 euros per share after the reporting period

KEY RATIOS	7-9/2020	7-9/2019	Change%	1-9/2020	1-9/2019	Change%	1-12/2019
Revenue, € million	129.3	120.6	7.3%	377.6	344.2	9.7%	504.1
Gross profit, € million	20.9	18.9	10.4%	61.8	51.7	19.5%	73.9
Gross margin, % of revenue	16.2%	15.7%	3.0%	16.4%	15.0%	8.9%	14.7%
EBITDA, € million	6.8	5.6	22.3%	17.1	10.6	60.9%	16.3
EBITDA, %	5.3%	4.6%	14.0%	4.5%	3.1%	46.7%	3.2%
Operating profit, € million	5.6	4.3	29.4%	13.4	6.8	96.1%	11.3
Operating margin, % of revenue	4.3%	3.6%	20.6%	3.5%	2.0%	78.7%	2.2%
Comparable operating profit, € million	5.6	4.3	29.4%	14.2	6.8	107.9%	11.3
Comparable operating margin, % of revenue	4.3%	3.6%	20.6%	3.8%	2.0%	89.5%	2.2%
Net profit, € million	4.2	3.2	31.7%	10.0	4.6	117.7%	7.8
Investments, € million	0.3	0.0	913.0%	0.9	0.9	8.3%	1.2
Operating cash flow, € million	5.5	11.4	-52.2%	6.5	-2.0	431.6%	9.7

1 January – 30 September 2020 in brief

- Revenue 378 million euros (1–9/2019: 344), growth of 9.7%
- Gross profit 61.8 million euros (51.7), growth of 19.5%
- Gross margin 16.4% of revenue (15.0%)
- Operating profit 13.4 million euros (6.8)
- Operating margin 3.5% of revenue (2.0%)
- Comparable operating profit 14.2 million euros (6.8)
- Comparable operating margin 3.8% (2.0%)
- Profit for the period 10.0 million euros (4.6)
- Earnings per share 0.22 euros (0.10)
- Investments 0.9 million euros (0.9)
- Operating cash flow 6.5 million euros (-2.0)

BUSINESS OUTLOOK

Verkkokauppa.com Oyj's business operations are estimated to develop positively within a medium-term time frame. The company believes that it will succeed in further growing its market share in the chosen categories. The strong balance sheet enables the company to continue expanding its operations in accordance with its strategy.

The company has benefited from the shifting consumer behavior accelerated by the COVID-19 pandemic, as the sales in the online sales channel have shown strong growth. The company expects this trend to continue the longer the COVID-19 pandemic persists and that the shift to online sales channels becomes permanent as consumers and businesses adapt new behaviors.

At the same time, the prolongation of the COVID-19 pandemic continues to have a negative impact on spending on travel and service sectors. On the one hand, this has positively affected the consumer demand for goods, but on the other hand, it has limited the lower-margin wholesale business. The short-term risk of an acceleration or worsening of the COVID-19 situation in Finland has increased. This may have an impact on the company's operations and its ability to safely serve customers in the brick-and-mortar stores, especially during the important fourth quarter.

The uncertainties concerning the future business outlook remain significant and relate to macroeconomic developments and the prevailing COVID-19 situation. The pandemic may still cause unforeseen impacts on the overall economic development, consumer demand as well as consumer purchase behavior and B2B sales in the future. Nevertheless, the company believes that it is well positioned and will be a relative winner in the "new normal" business environment of the future.

FINANCIAL GUIDANCE

On 24 September 2020, the company updated its guidance for revenue and comparable operating profit for 2020. The company estimates the revenue to be between 525–550 million euros (2019: 504 million euros) and comparable operating profit to be between 17–21 million euros (2019: 11.3 million euros) for 2020. Earlier, the company estimated the revenue to be between 520–545 million euros and comparable operating profit to be between 13–18 million euros for 2020.

CEO PANU PORKKA'S REVIEW

Verkkokauppa.com's revenue grew by 7% in Q3, amounting to 129 million euros. The company achieved the growth in Q3 with strong consumer online sales and growth especially in mid-sized and evolving categories, such as MDA, Sports, Office & Supplies and BBQ. The migration from offline to online in retail continues at a fast pace, with a growing number of new consumers showing preference for online shopping.

The company succeeded in improving its profitability also during Q3. Gross margin in Q3 was 16.2% compared to 15.7% in Q3/2019. This was a result of strong sales increase in newer categories as well as strong consumer sales, while the market for wholesale is having headwind due to travel restrictions. Continued investments into technology led to operational improvements in several areas, such as performance marketing, which improved the gross margin. The development of data analysis generated faster inventory turn, which further improved the gross margin. The company also achieved an all-time high comparable operating profit of 5.6 million euros in Q3 (4.3 million euros).

Verkkokauppa.com has continued to invest in customer experience in order to strengthen its position as the leading online retailer in Finland. For example, the company offers its customers the broadest delivery options in the industry, including same-day delivery in the Helsinki Metropolitan area. In addition to providing a better buying experience, the company has also invested in technology to automate more parts of the business. This will lower costs further and will allow the company to offer the Finnish consumer even better prices. The active work on communications and marketing has increased brand awareness and buzz, according to BrandIndex. As an acknowledgement, Verkkokauppa.com was once again selected as the best online retailer in Finland in a large consumer study conducted by Posti Group.

The Company is working hard to further develop the product range in high-demand categories. For this reason, it is rewarding to see that new categories are showing good performance. Categories such as Sports, BBQ and Kitchen grew by more than 40% during Q3. It is an important part of the company's strategy to offer the most comprehensive assortment in each product category. As part of assortment management, in selected categories the company supplements its offering with private label products to give the customer the best possible value-for-money options. This is a growing part of the business where even more emphasis will be put during the coming years. In addition, a new website verkkokauppa.fi was launched in September to attract the best new Finnish suppliers as part of the company's continuously widening offering.

The competition and price pressure will likely pick up as the main season for consumer spending is in Q4. Uncertainties regarding COVID-19 are taken into account in order to ensure safety of staff and customers. It is expected that the ongoing situation will continue to permanently migrate traditional brick-and-mortar sales to online shopping and home deliveries. Verkkokauppa.com is determined to continue to offer the Finnish consumer superior product assortment and availability with multiple delivery options. The company will continue to focus heavily on technology to further improve its strong market position and to strengthen its low-cost structure in order to deliver on its customer promise of "Probably always cheaper prices".

REVENUE AND PROFITABILITY DEVELOPMENT

July–September 2020

In July–September 2020, Verkkokauppa.com Oyj's revenue grew by 7.3% year on year. Revenue grew by 8.8 million euros, totaling 129.3 million euros (120.6). Sales increased particularly in MDA, Telecom, Sports, BBQ, Office & Supplies, and Home & Lighting.

The company-financed customer financing proceeds were 0.9 million euros (0.8) including both interest income and fee income. The credit loss allowance was decreased by -0.1 million euros (0.0) in the third quarter. As of April 2019, Verkkokauppa.com has been selling past due receivables in a so-called continuous debt sales model, where receivables overdue more than 60 days will be sold to third parties. This decreases company's accounts receivable risk.

Personnel costs increased in July–September by 6.4% to 8.1 million euros (7.6). The increase resulted mainly from the growing personnel costs in IT administration, purchasing, B2B sales and the Pirkkala store. During the reporting period, other operating expenses increased by 4.3% to 6.1 million euros (5.9). The increase resulted mainly from increased telecommunications and marketing expenses and higher external logistics service costs.

Operating profit in July–September 2020 was 5.6 million euros (4.3), comparable operating profit was 5.6 (4.3) and profit for the period 4.2 million euros (3.2).

EUR millions	7-9/ 2020	7-9/ 2019	1-9/ 2020	1-9/ 2019	1-12/ 2019
Operating profit	5.6	4.3	13.4	6.8	11.3
- advisory costs related to transfer to official list of Nasdaq Helsinki	-	-	0.8	-	-
Comparable operating profit	5.6	4.3	14.2	6.8	11.3

Earnings per share were 0.09 euros (0.07) in July–September 2020. In January–September 2020 earnings per share were 0.22 euros (0.10).

January–September 2020

In January–September 2020, Verkkokauppa.com Oyj's revenue grew by 9.7% year on year. Revenue grew by 33.4 million euros, totaling 377.6 million euros (344.2). Sales increased particularly in MDA, TV & Video, Telecom, Sports, Audio & Hi-Fi and BBQ.

The company-financed customer financing proceeds were 2.6 million euros (2.4) including both interest income and fee income. To reflect the prevailing uncertainty related to customers' payment behavior and changes in continues debt sales pricing, the credit loss allowance was increased compared to the end of 2019 and totaled 1.0 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–September by 7.1% to 25.1 million euros (23.5). The increase resulted mainly from the growing personnel costs in IT administration, marketing and the Oulu and Pirkkala stores. During the reporting period, other operating expenses increased by 10.7% to 19.9 million euros (18.0). The increase was mainly driven by advisory costs relating to transferring to the official list of Nasdaq Helsinki, increased credit loss allowance, external logistics service costs and IT-related costs.

Operating profit in January–September 2020 was 13.4 million euros (6.8), comparable operating profit was 14.2 (6.8) and profit for the period 10.0 million euros (4.6). Items affecting comparable operating profit totaled 0.8 million euro (0.0).

FINANCE AND INVESTMENTS

Operating cash flow was 6.5 million euros (-2.0) in January–September 2020. In the reporting period, the relative improvement of the operating cash flow resulted from improved sales margin and reduced 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.

Investments totaled 0.9 million euros (0.9) in January–September 2020. During the reporting period the company invested and capitalized 0.5 million euros (0.1) in salary costs and external technology consulting fees related to new IT systems and the development of new ERP features. Capital expenditures totaled 0.3 million euros (0.0) in July–September 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, 16,074,633 shares were exchanged until 4 June on the First North Growth Market of Nasdaq Helsinki Ltd marketplace and on 5 June onwards on the official list of Nasdaq Helsinki Ltd, representing 35.67% of all shares in the company. The highest share price was 5.86 euros and the lowest 2.49 euros. The average price in share trading was 4.32 euros. The total of the share trading was 69.5 million euros. The closing price was 5.00 euros, and the market capitalization of all shares was 223.5 million euros at the end of the period.

The total number of shares in the company was 45,065,130 on 30 September 2020, including treasury shares. In 2020, the company has transferred a total of 23,230 treasury shares as part of the remuneration of Board members. The company held 357,986 treasury shares on 30 September 2020. These treasury shares accounted for 0.79% of all shares. The treasury shares have no voting rights and no dividend is paid on them.

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

LONG-TERM INCENTIVE PLANS

Verkkokauppa.com has two share-based incentive plans for the CEO and members of the Management Team, the Matching Share Plan 2018–2020 and the Performance Matching Share Plan 2020–2022. The aim of the plans is to align the objectives of the shareholders and the management in order to increase the company's

value in the long term, to encourage the management to personally invest in the company shares, to retain the members of the Management Team at the company and to offer them a competitive reward plan that is based on acquiring, earning and accumulating the company's shares.

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

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

PERSONNEL

During the reporting period, the number of employees increased by 1.7%, and the total number of employees was 700 (688) at the end of September 2020. The number of employees includes both full- and part-time employees.

SHAREHOLDERS' NOMINATION BOARD

On 22 September 2020, Verkkokauppa.com announced that the Shareholders' Nomination Board had been appointed, based on ownership on the last banking day in May. At its organizational meeting on 22 September 2020, the following members of the Nomination Board were appointed:

- Samuli Seppälä, Founder of Verkkokauppa.com, representing himself,
- Peter Lindell, Partner and Chairman of Rite Ventures, appointed by Rite Ventures Finland AB,
- Erkkä Kohonen, Senior Portfolio Manager, appointed by Varma Mutual Pension Insurance Company,
- Christoffer Häggblom, Chair of the Board of Verkkokauppa.com Oyj

The Chair of the Nomination Board is Peter Lindell.

Verkkokauppa.com's Shareholders' Nomination Board was established in 2020 by the Annual General Meeting. Its duty is to prepare proposals on the number, election and remuneration of the members of the Board to the General Meeting.

RISKS AND UNCERTAINTIES

Verkkokauppa.com Oyj's risks and uncertainties reflect the market and general economic trends, for example, demand for consumer electronics, wholesale trade business, the business environment and competition. The company's business operations are also influenced by risks and uncertainties relating to, for example, business strategy, investments, procurement and logistics, information technology, and other operative aspects of the

business. The aforementioned risks and uncertainties may affect the company's operations, financial position and performance both positively and negatively. Risks and uncertainties have been presented in more detail in the Annual Report 2019.

Uncertainty in the development of the economy and the financial markets in Finland, Europe and the world may have a negative impact on the business and growth opportunities of Verkkokauppa.com. The COVID-19 pandemic affects people's lives and the operation of businesses in Finland and globally alike. The COVID-19 pandemic continues, and its overall impacts on the Company's business are difficult to assess.

LITIGATION AND DISPUTES

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

ANNUAL GENERAL MEETING 2020

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

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

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

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

The Annual General Meeting authorized the Board to decide on the repurchase of a maximum of 4,506,513 shares in one or several instalments using the unrestricted equity of the Company, however taking into account the provisions of the Finnish Limited Liability Companies Act on the maximum number of the treasury shares held by the company or its subsidiaries. The proposed number of shares represents a maximum of ten (10) per cent of the total number of shares in the company. The authorization is valid until the close of the following Annual General Meeting, however, no longer than until 30 June 2021. The authorization revokes previous unused authorizations for the repurchase of the company's own shares.

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

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

DIVIDEND

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

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

The Board resolved on 24 July 2020 to pay a dividend of 0.054 euros per share (2,413,923.34 euros in total). The dividend payment date was 4 August 2020.

The Board resolved on 23 October 2020 to pay a dividend of 0.055 euros per share (2,458,892.92 euros in total). The dividend payment date is 3 November 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. Following the distribution of dividends resolved on 23 October 2020 by the Board, the Company does not have any valid authorizations for distribution of dividends.

OTHER EVENTS DURING THE REPORTING PERIOD

On 1 July 2020 Verkkokauppa.com published a share repurchase announcement.

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

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

On 24 September 2020 Verkkokauppa.com issued a positive profit warning and upgraded its guidance for 2020.

SUBSEQUENT EVENTS

There are no 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, 23 October 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, 23 October 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 <https://investors.verkkokauppa.com/en/presentations>. For both press conferences, a LiveStream is available at www.verklive.com.

COMPANY RELEASES IN 2020/2021

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

- Financial Statement Release January–December 2020, Friday 12 February 2021
- Annual Report 2020 will be published online during week 9, 2021
- Interim Report January–March 2021, Friday 23 April 2021
- Half-year Report January–June 2021, Friday 16 July 2021
- Interim Report January–September 2021, Friday 22 October 2021

Helsinki, Finland, 23 October 2020

Verkkokauppa.com Oyj

Board of Directors

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VERKKOKAUPPA.COM OYJ INTERIM FINANCIAL INFORMATION 1 Jan – 30 Sep 2020
Income statement

EUR thousand	Note	7-9/ 2020	7-9/ 2019	1-9/ 2020	1-9/ 2019	1-12/ 2019
Revenue	1.3	129,321	120,560	377,627	344,205	504,113
Other operating income		127	118	370	401	555
Materials and services		-108,394	-101,611	-315,874	-292,529	-430,239
Employee benefit expenses		-8,105	-7,614	-25,140	-23,480	-32,595
Depreciation and amortization		-1,228	-1,255	-3,704	-3,794	-5,040
Other operating expenses		-6,116	-5,866	-19,899	-17,981	-25,504
Operating profit		5,606	4,333	13,380	6,823	11,290
Finance income		5	59	8	62	64
Finance costs		-339	-391	-1,059	-1,170	-1,591
Profit before income taxes		5,272	4,000	12,329	5,715	9,763
Income taxes		-1,055	-797	-2,369	-1,141	-1,953
Profit for the period		4,218	3,203	9,960	4,575	7,810
Profit for the period attributable to						
Equity holders of the company		4,218	3,203	9,960	4,575	7,810
Earnings per share calculated from the profit attributable to equity holders						
Earnings per share, basic and diluted (EUR)		0.09	0.07	0.22	0.10	0.17

Statement of comprehensive income

EUR thousand	7-9/ 2020	7-9/ 2019	1-9/ 2020	1-9/ 2019	1-12/ 2019
Profit for the period	4,218	3,203	9,960	4,575	7,810
Comprehensive income for the period	4,218	3,203	9,960	4,575	7,810
Comprehensive income for the period					
Equity holders of the company	4,218	3,203	9,960	4,575	7,810

Statement of financial position

EUR thousand	Note	30 Sep 2020	31 Dec 2019
Non-current assets			
Intangible assets		874	592
Property, plant and equipment		2,210	2,381
Right-of-use assets	1.5	17,215	18,770
Equity investments		266	266
Deferred tax assets		1,342	1,195
Trade receivables	1.6/1.7	2,320	1,882
Other non-current receivables		425	435
Non-current assets, total		24,652	25,521
Current assets			
Inventories		65,680	66,702
Trade receivables	1.6/1.7	14,936	14,620
Other receivables		1,292	1,143
Income tax receivables		-	278
Accrued income		9,027	9,424
Cash and cash equivalents	1.7	36,481	42,495
Current assets, total		127,416	134,662
Total assets		152,068	160,183
Equity			
Share capital		100	100
Treasury shares		-2,206	-701
Invested non-restricted equity fund		25,790	25,707
Retained earnings		4,585	3,647
Profit for the period		9,960	7,810
Total equity		38,229	36,563
Non-current liabilities			
Lease liabilities	1.7	17,929	19,676
Deferred tax liabilities		7	7
Provisions		815	660
Non-current liabilities, total		18,751	20,343
Current liabilities			
Lease liabilities	1.7	3,898	3,758
Advance payments received		4,584	3,819
Trade payables	1.7	63,253	73,068
Other current liabilities		7,214	7,892
Accrued liabilities		15,308	14,741
Income tax liabilities		830	-
Current liabilities, total		95,088	103,277
Total liabilities		113,839	123,620
Total equity and liabilities		152,068	160,183

Statement of cash flows

EUR thousand	1-9/ 2020	1-9/ 2019	1-12/ 2019
Cash flow from operating activities			
Profit before income taxes	12,329	5,715	9,763
Adjustments			
Depreciation and impairment	3,704	3,794	5,040
Finance income and costs	1,051	1,165	1,527
Other adjustments	390	433	476
Cash flow before change in working capital	17,475	11,107	16,806
Change in working capital			
Increase (-) / decrease (+) in non-current non-interest-bearing trade receivables	-428	175	-335
Increase (-) / decrease (+) in trade and other receivables	-67	5,725	1,653
Increase (-) / decrease (+) in inventories	1,022	5,703	-918
Increase (+) / decrease (-) in current liabilities	-9,042	-21,755	-3,650
Cash flow before financial items and taxes	8,959	956	13,557
Interest paid	-54	-44	-59
Interest received	6	5	7
Interest of lease liabilities	-1,004	-1,127	-1,483
Income tax paid	-1,411	-1,750	-2,333
Cash flow from operating activities	6,496	-1,959	9,690
Cash flow from investing activities			
Purchases of property, plant and equipment	-445	-699	-1,016
Purchases of intangible assets	-541	-130	-186
Proceeds from equity investments	-	57	57
Cash flow from investing activities	-986	-772	-1,145
Cash flow from financing activities			
Decrease (-) in lease liabilities	-2,881	-2,771	-3,690
Dividends paid	-7,138	-6,614	-8,908
Acquisition of treasury shares	-1,505	-198	-198
Cash flow from financing activities	-11,524	-9,584	-12,796
Increase (+) / decrease (-) in cash and cash equivalents	-6,014	-12,314	-4,251
Cash and cash equivalents at beginning of financial year	42,495	46,746	46,746
Cash and cash equivalents at end of financial year	36,481	34,432	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	-	-	-	-	9,960	9,960
Changes in fair values of equity investments	-	-	-	-	-	0
Comprehensive income for the period, total	-	-	-	-	9,960	9,960
Dividend distribution	-	-	-	-	-7,138	-7,138
Acquisition of treasury shares	-	-1,505	-	-	-	-1,505
Disposal of treasury shares -Board fees	-	-	83	-	-	83
Share-based incentives	-	-	-	-	267	267
Transactions with owners, total	-	-1,505	83	-	-6,871	-8,293
Equity 30 Sep 2020	100	-2,206	25,790	0	14,545	38,229

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	-	-	-	-	4,575	4,575
Changes in fair values of equity investments	-	-	-	-	-	0
Comprehensive income for the period, total	-	-	-	-	4,575	4,575
Dividend distribution	-	-	-	-	-6,614	-6,614
Acquisition of treasury shares	-	-198	-	-	-	-198
Disposal of treasury shares -Board fees	-	-	92	-	-	92
Share-based incentives	-	-	-	-	101	101
Transactions with owners, total	-	-198	92	-	-6,513	-6,619
Equity 30 Sep 2019	100	-701	25,676	-33	10,477	35,520

Notes

1.1 Accounting principles applied in this Interim Financial Report

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

Verkkokauppa.com Oyj's Interim Financial Report for January–September 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 Financial Report as in its Financial Statements for 2019.

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

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

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

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

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

1.2 Segment reporting

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

1.3 Revenue from contracts with customers

The revenue streams of the company consist of the sale of goods and services. There are more than 65,000 products in 26 different main product categories that the company sells to consumers through its own webstore

and four retail stores in Finland. The sale of services rendered by the company includes, for example, installation and maintenance services, subscription sales and visibility sales. Revenue is accumulated geographically mainly from Finland.

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

Disaggregation of revenue

Satisfaction of performance obligations

	7-9/ 2020	7-9/ 2019	1-9/ 2020	1-9/ 2019	1-12/ 2019
EUR thousand					
At a point in time	128,217	119,164	374,508	340,077	498,343
Over time	1,104	1,396	3,119	4,128	5,770
Revenue, total	129,321	120,560	377,627	344,205	504,113

Revenue by external customers' location

	7-9/ 2020	7-9/ 2019	1-9/ 2020	1-9/ 2019	1-12/ 2019
EUR thousand					
Finland	120,393	107,652	340,241	307,395	442,540
Rest of the world	8,929	12,908	37,386	36,810	61,573
Revenue by external customers' location	129,321	120,560	377,627	344,205	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.

	7-9/ 2020	7-9/ 2019	1-9/ 2020	1-9/ 2019	1-12/ 2019
EUR thousand					
Interest income recognized using effective interest rate method	536	312	1,449	948	1,293
Other income from company-financed customer financing	342	492	1,191	1,464	1,983
Income from company-financed Apuraha, total	878	804	2,640	2,412	3,276

1.4 Seasonality of business

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

1.5 Right-of-use assets

EUR thousand	30 Sep 2020	31 Dec 2019
Carrying amount 1.1.	18,770	21,764
Increases	1,334	113
Increase/decrease due to remeasurement	-	700
Disposals	-56	-33
Depreciation	-2,833	-3,774
Carrying amount at the end of period	17,215	18,770

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

1.6 Trade receivables

EUR thousand	30 Sep 2020		30 Sep 2019		31 Dec 2019	
	Trade receivables	Loss allowance	Trade receivables	Loss allowance	Trade receivables	Loss allowance
Not due	14,639	612	11,770	122	12,226	101
Past due 1-60 days	3,495	284	3,346	265	4,399	331
Past due 61-120 days	46	28	85	56	419	110
Past due over 121 days	35	35	32	32	17	17
Total	18,215	959	15,234	475	17,061	559

1.7 Financial assets and liabilities by measurement category

30 Sep 2020	Recognized at fair value through other comprehensive income			At amortized cost	Lease liabilities	Carrying amount
EUR thousand						
Non-current financial assets						
Equity investments (level 3)		266	-	-	-	266
Trade receivables and other financial receivables		-	2,745	-	-	2,745
Non-current financial assets, total		266	2,745			3,011
Current financial assets						
Trade receivables		-	14,936	-	-	14,936
Cash and cash equivalents		-	36,481	-	-	36,481
Current financial assets, total			51,417			51,417
Financial assets by measurement category, total		266	54,162			54,429

Non-current financial liabilities				
Lease liabilities	-	-	17,929	17,929
Non-current financial liabilities, total	-	-	17,929	17,929
Current financial liabilities				
Lease liabilities	-	-	3,898	3,898
Trade payables	-	63,253	-	63,253
Current financial liabilities, total	-	63,253	3,898	67,151
Financial liabilities by measurement category, total	-	63,253	21,827	85,080

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

Determining fair values

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

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

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

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

1.8 Dividends

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

2020		
For the previous year	Date of payment	Dividend per share, EUR
	9.4.2020	0.052
	6.5.2020	0.053
	4.8.2020	0.054
Total dividends, EUR thousand		7,138

2019		
For the previous year	Date of payment	Dividend per share, EUR
	8.4.2019	0.048
	21.5.2019	0.049
	20.8.2019	0.050
	5.11.2019	0.051
Total dividends, EUR thousand		8,908

1.9 Transactions with related parties

Verkkokauppa.com Oyj's related parties comprise the Board of Directors, the CEO as well as the other members of the Management Team and the close members of the family of said persons as well as their controlled entities. Transactions with related parties have been carried out on usual commercial terms. One of the company's related parties is Board member Samuli Seppälä, who held 40.6% of all shares and votes in Verkkokauppa.com on 30 September 2020.

EUR thousand	30 Sep 2020	31 Dec 2019
Sales of goods and services		
To key management personnel and their related parties	47	46
Purchases of goods and services		
From key management personnel and their related parties	1	-

EUR thousand	30 Sep 2020	31 Dec 2019
Closing balances from purchases/sales of goods/services		
Trade receivables from key management personnel and their related parties	8	7
Trade payables to key management personnel and their related parties	-	-

LONG-TERM INCENTIVE PLANS

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

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

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

1.10 Guarantees and commitments

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

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

1.11 IFRS Standards not yet effective

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

1.12 Subsequent events

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

ADDITIONAL INFORMATION

Quarterly income statement

EUR thousand	7-9/ 2020	4-6/ 2020	1-3/ 2020	10-12/ 2019	7-9/ 2019
Revenue	129,321	123,050	125,255	159,908	120,560
Other operating income	127	116	127	153	118
Materials and services	-108,394	-101,645	-105,835	-137,710	-101,611
Employee benefit expenses	-8,105	-8,417	-8,619	-9,115	-7,614
Depreciation and amortization	-1,228	-1,246	-1,230	-1,246	-1,255
Other operating expenses	-6,116	-7,503	-6,280	-7,523	-5,866
Operating profit	5,606	4,356	3,418	4,467	4,333
Finance income	5	2	2	2	59
Finance costs	-339	-359	-362	-421	-391
Profit before income taxes	5,272	3,999	3,057	4,048	4,000
Income taxes	-1,055	-701	-613	-812	-797
Profit for the period	4,218	3,298	2,444	3,236	3,203
Profit for the period attributable to					
Equity holders	4,218	3,298	2,444	3,236	3,203
Earnings per share calculated from the profit attributable to equity holders					
Earnings per share, basic and diluted (EUR)	0.09	0.07	0.05	0.07	0.07

Alternative performance measurement

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

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

Alternative performance measures do not substitute the IFRS key ratios.

	2020					2019				
	Q1	Q2	Q3	Q4	FY 2020	Q1	Q2	Q3	Q4	FY 2019
Revenue, thousand euros	125,255	123,050	129,321			115,797	107,848	120,560	159,908	504,113
Gross profit, thousand euros	19,420	21,405	20,928			17,399	15,327	18,949	22,198	73,874
Gross margin-%	15.5%	17.4%	16.2%			15.0%	14.2%	15.7%	13.9%	14.7%
EBITDA, thousand euros	4,648	5,602	6,834			3,581	1,448	5,588	5,713	16,330
EBITDA-%	3.7%	4.6%	5.3%			3.1%	1.3%	4.6%	3.6%	3.2%
Operating profit, thousand euros	3,418	4,356	5,606			2,301	190	4,333	4,467	11,290
Operating profit-%	2.7%	3.5%	4.3%			2.0%	0.2%	3.6%	2.8%	2.2%
Comparable operating profit, thousand euros	3,754	4,826	5,606			2,301	190	4,333	4,467	11,290
Comparable operating profit-%	3.0%	3.9%	4.3%			2.0%	0.2%	3.6%	2.8%	2.2%
Profit for the period, thousand euros	2,444	3,298	4,218			1,525	-154	3,203	3,236	7,810
Interest-bearing net debt, thousand euros	-22,339	-13,024	-14,654			-8,869	-895	-10,078	-19,061	-19,061
Investments, thousand euros	266	396	284			95	750	28	372	1,245
Equity ratio, %	24.5%	27.4%	25.9%			26.5%	27.7%	25.6%	23.4%	23.4%
Gearing, %	-60.8%	-35.8%	-38.3%			-24.0%	-2.6%	-28.4%	-52.1%	-52.1%
Personnel at the end of period*	693	747	700			657	731	688	758	758
Basic earnings per share, euros	0.05	0.07	0.09			0.03	0.00	0.07	0.07	0.17
Diluted earnings per share, euros	0.05	0.07	0.09			0.03	0.00	0.07	0.07	0.17
Number of issued shares, 1,000 pcs	45,065	45,065	45,065			45,065	45,065	45,065	45,065	45,065
Number of treasury shares, 1,000 pcs	73	353	358			57	101	91	81	81
Weighted average number of shares outstanding, 1,000 pcs	44,987	44,971	44,952			45,004	44,964	44,944	44,984	44,984
Diluted weighted average number of shares outstanding, 1,000 pcs	44,987	44,971	44,952			45,096	45,058	45,058	45,042	45,042

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

Formulas for key ratios

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

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

Reconciliation of alternative key ratios

EUR thousand	7-9/ 2020	7-9/ 2019	1-9/ 2020	1-9/ 2019	1-12/ 2019
Operating profit	5,606	4,333	13,380	6,823	11,290
- advisory costs related to transfer to official list of Nasdaq Helsinki	-	-	807	-	-
Comparable operating profit	5,606	4,333	14,187	6,823	11,290