

VERKKOKAUPPA.COM OYJ HALF-YEAR REPORT

January – June 2022



HALF-YEAR REPORT for 1 January – 30 June 2022

Verkkokauppa.com: B2B a bright spot amidst soft consumer demand

Verkkokauppa.com Oyj – Half-year Report 14 July 2022, 8:00 a.m. EEST

Unless otherwise stated, the comparison figures in brackets refer to the corresponding period in the previous year (reference period). Figures are unaudited.

April – June 2022 in brief

- Revenue was EUR 125.7 million (130,5)
- Gross profit was EUR 19.4 million (22.4) or 15.4% of revenue (17.2%)
- Operating profit (EBIT) was EUR -0.9 million (5.1) or -0.7 % of revenue (3.9%)
- Comparable operating profit was EUR -0.2 million (5.1) or -0.2 % of revenue (3.9%)
- Net profit was EUR -1.1 million (3.8)
- Earnings per share were EUR -0.02 (0.08)
- Investments were EUR 4.3 million (1.7)
- Operating cash flow was EUR 0.3 million (3.5)
- The Board of Directors decided, according to authorization granted by the AGM, to distribute the second installment of a quarterly dividend of EUR 0.062 per share. Dividend payment date is 25 July 2022.

January – June 2022 in brief

- Revenue was EUR 250.4 million (264.5)
- Gross profit was EUR 38.6 million (44.2) or 15.4% of revenue (16.7%)
- Operating profit (EBIT) was EUR -0.2 million (10.3) or -0.1% of revenue (3.9%)
- Comparable operating profit was EUR 0.7 million (10.3) or 0.3% of revenue (3.9%)
- Net profit was EUR -0.9 million (7.6)
- Earnings per share were EUR -0.02 (0.17)
- Investments were EUR 5.7 million (2.1)
- Operating cash flow was EUR -16.5 million (-5.5)

KEY RATIOS	4-6/2022	4-6/2021	Change %	1-6/2022	1-6/2021	Change %	1-12/2021
Eur million							
Revenue	125.7	130.5	-3.7%	250.4	264.5	-5.3%	574.5
Gross profit	19.4	22.4	-13.6%	38.6	44.2	-12.5%	91.2
Gross margin, %	15.4%	17.2%		15.4%	16.7%	-7.6%	15.9%
EBITDA	0.5	6.3	-92.4%	2.5	12.8	-80.7%	25.3
EBITDA, %	0.4%	4.9%		1.0%	4.8%	-79.6%	4.4%
Operating profit	-0.9	5.1	-117.7%	-0.2	10.3	-102.4%	20.3
Operating margin, %	-0.7%	3.9%		-0.1%	3.9%	-102.5%	3.5%
Comparable operating profit	-0.2	5.1	-103.8%	0.7	10.3	-93.4%	20.3
Comparable operating margin, %	-0.2%	3.9%		0.3%	3.9%	-93.0%	3.5%
Net profit	-1.1	3.8	-127.9%	-0.9	7.6	-111.2%	15.1
Investments	4.3	1.7	154.3%	5.7	2.1	169.1%	4.9
Operating cash flow	0.3	3.5	-91.6%	-16.5	-5.5	-199.2%	6.7

FINANCIAL GUIDANCE FOR 2022 (updated on 13 July 2022)

The company expects revenue to be between EUR 530–570 million (in 2021 EUR 574.5 million) and comparable operating profit (comparable EBIT) to be between EUR 8-14 million (in 2021 EUR 20.3 million) in 2022.

CEO PANU PORKKA'S REVIEW



Verkkokauppa.com's second quarter was colored by a challenging market environment. Intensified inflationary pressure lowered consumer confidence to an all time low. In addition, the delayed spring postponed the start of the summer season.

Verkkokauppa.com's second quarter revenue declined by -3.7 percent and was EUR 125.7 million. The soft market impacted especially consumer sales and consumer electronic categories. B2B sales continued solid and grew by 12.6 percent. In the evolving categories such as toys, luggage and baby, we were able to utilize the ongoing online shift with sales growing by 5 percent. Sales from core categories such as home appliances fell by 7 percent. The export sales decreased by 8.7 percent.

Gross margin was impacted by the lost sales in summer season in combination with tight price competition. The cost level has risen with the increase in fuel and energy prices and e.g. logistics costs have increased significantly since last year. Due to declining sales and margin, the second quarter comparable operating profit (EBIT) was EUR -0.2 million. Verkkokauppa.com has taken actions to secure healthy margin, such as price optimization, supplier negotiations and adjusting delivery services. The company has implemented cost containment measures during the spring throughout operations. At the same time, we have continued investing in strategic initiatives to support growth once the market brightens up.

To utilize our ecommerce platform further, we have successfully launched a new customer account, "Tili". With this additional financing service, customer will get up to 45 days of interest-free and expense-free payment for each purchase.

During the spring, the company's first carbon footprint calculation for all emissions was finalized. The emissions of our own operations decreased by 34% from the previous year thanks to investments made in renewable energy, and the goal is to be carbon neutral in own operations by 2025. The biggest climate impact comes from indirect emissions in the value chain (scope 3), of which 70 percent comes from the manufacture of the products and 22% from the energy consumption during the use of these products.

" Verkkokauppa.com has taken actions to secure healthy margin, such as price optimization, supplier negotiations and adjusting delivery services. The company has implemented cost containment measures during the spring throughout operations. At the same time, we have continued investing in strategic initiatives to support growth once the market brightens up."
- Panu Porkka, CEO, Verkkokauppa.com

Verkkokauppa.com achieved recognitions. The company was awarded by the customers as one of the most innovative companies in Hanken's Finnish Innovation Index survey. The company also received recognition from Google when Verkkokauppa.com won the seamless multi-channel customer experience evaluation in different service channels. Google's evaluation comprised 137 European retailers.

Two growth related strategic initiatives were completed in the second quarter. The first phase of the warehouse automation investment in internal logistics, the Autostore in Jätkäsaari was completed and is operating at full capacity. We expect the investment to reduce costs up to EUR 1 million annually. In the second phase in the fall, a packaging automation system will be installed in connection to Autostore. The investments significantly improve customer experience with faster availability and deliveries. The integration of acquired e-ville.com into Verkkokauppa.com has progressed as planned. The companies' sourcing processes have been combined, and the own brand products specified by the procurement organization operating in China will be seen on the shelves already in the season at the end of the year.

FINANCIAL DEVELOPMENT

REVENUE AND PROFITABILITY

EUR million	4-6/2022	4-6/2021	Change, %	1-6/2022	1-6/2021	Change, %	2021
Revenue	125.7	130.5	-3.7 %	250.4	264.5	-5.3 %	574.5
Operating profit	-0.9	5.1	-117.7 %	-0.2	10.3	-102.4 %	20.3
Operating margin, %	-0.7 %	3.9 %		-0.1 %	3.9 %		3.5 %
Comparable operating profit	-0.2	5.1%	-103.8 %	0.7	10.3	-93.4%	20.3
Comparable operating profit, %	-0.2 %	3.9 %		0.3 %	3.9 %		3.5 %

Share of sales, %

	4-6/2022	4-6/2021	1-6/2022	1-6/2021	2021
Customer segments					
Consumer	68%	72%	68%	72%	72%
B2B	26%	22%	26%	22%	21%
Export	6%	6%	6%	7%	7%
Sales channels					
On-line	63%	61%	62%	61%	61%
Off-line	32%	33%	32%	32%	32%
Product categories					
Core categories (CE)	82 %	83 %	85%	87%	86 %
Evolving categories	18 %	17 %	15%	13%	14 %
Website visits, million	18.7	17.4	38.7	37.3	80.0

Sales include orders and deliveries in transit. On-line and off-line sales exclude export sales.

Core categories includes IT (with sub product groups like computers, peripherals, components), Entertainment (TV and video, Audio and hifi, gaming and musical instruments), Mobile devices (telecom, cameras and watches), and small & major domestic appliances. Evolving categories are new and growing in our assortment, and include sports, home and lightning, food and drink, toys, baby and family, BBQ and cooking, pets and luggage and travel.

April-June 2022

In April - June 2022, Verkkokauppa.com's revenue declined by -3.7 percent year on year, totaling EUR 125.7 million (130.5). Net sales decreased due to weaker-than-expected consumer demand. Also, the delayed spring postponed the start of the summer season. By contrast, corporate customer sales continued on a growth path and its revenue grew by 12.6 percent, while the customer segment was 26 percent of the company's total sales.

E-ville.com acquisition that was finalized in April increased Verkkokauppa.com's revenue for the quarter by EUR 2.4 million, e-ville.com had no material impact on the operating profit.

Core categories (CE) share of sales declined 6.7 percent and its share of total sales was 82 percent. Within the core categories computers and components sales declined, and sales of tv's increased. During corona years, home has been invested in and the equipment base renewed, and the renewal cycle for such household appliances and home entertainment electronics is long. Sales of the Evolving categories grew 4.8 percent during the quarter, and its share of total sales was 18.1 percent. The product groups under the evolving category that sold better for consumer customers than in the comparison year, were toys, baby & family, and travel & luggage.

During the second quarter, Verkkokauppa.com's online sales declined 3.6 percent following lower total sales, and the share of online sales represented 63 percent of the total sales (64%).

During second quarter, sales of export business declined 8.7 percent, and its share of total sales was 6 percent (6%). Decline was due to decision made in March to conclude sales to Russia due to Ukraine crisis. Share of Russian sales was around half of the business. However, other areas compensated partly the loss of Russian sales. Revenue excluding export decreased by 5.7 percent during the quarter.

The proceeds from consumer financing were EUR 1.1 million (1.0) including both interest income and fee income.

Personnel costs increased in April-June 6.5 percent to EUR 10.0 million (9.4). During the reporting period, other operating expenses increased to EUR 8.4 million (7.1). The increase in other operating expenses was mainly due to the acquisition of e-ville.com and the increase in logistics and warehouse costs compared to the comparison period.

Operating profit (EBIT) in April-June declined EUR 6.0 million, totaling EUR -0.9 million (5.1), representing -0.7 percent of revenue (3.9%). The decrease in profitability was mainly due to increased logistics costs and a tightening competition in a soft market, which led to lower-margin campaign sales that started earlier in the quarter than in the comparison year. Comparable operating profit was EUR -0.2 million (5.1) and profit for the period EUR -1.1 million (3.8). Items impacting comparability relate to e-ville.com acquisition.

For the second quarter, earnings per share were EUR -0.02 euros (0.08).

January-June 2022

In January-June, Verkkokauppa.com's revenue declined 5.3 percent year on year, totaling EUR 250.4 million (264.5).

The company-financed customer financing proceeds were EUR 2.4 million (2.0) including both interest income and fee income. The credit loss allowance decreased from the comparison period to EUR 0.8 million (1.2) at the end of June.

Personnel costs increased in January-June 8.4 percent to EUR 20.0 million (18.4). The increase resulted mainly from IT and purchasing. During the reporting period, other operating expenses increased to EUR 15.6 million (13.4).

In the first half, operating profit declined by EUR 10.5 million, totaling EUR -0.2 million (+10.3), representing -0.1 percent of revenue (3.9%). Comparable operating profit was EUR 0.7 million euros (+10.3) and profit for the period -0.9 million euros (7.6).

Earnings per share were EUR -0.02 (0.08) in January-June.

FINANCE AND INVESTMENTS

Operating cash flow was -16.5 million euros (-5.5) in January–June 2022. Cash flow from operating activities was mainly affected by a change in working capital, mainly due to trade payables and increased inventories in preparation for supply challenges and seasonal sales for the coming summer.

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

Investments totaled EUR 5.7 million (2.1) in January–June 2022. The majority of investments were directed to the Jätkäsaari automation warehouse project and e-ville.com acquisition. During the reporting period, the company capitalized 0.1 million euros (0.0) in salary costs.

At the end of June, Verkkokauppa.com group had a total of EUR 25 million (0.0) of interest bearing debt. The company has revolving credit facilities totaling EUR 25 million, which have not been utilized.

PERSONNEL

During the reporting period, the number of employees increased, and the total number of employees was 815 (801) at the end of June 2022. The increase in personnel mainly resulted from the acquisition of e-ville.com. This includes both full- and part-time employees.

SUSTAINABILITY

Verkkokauppa.com has completed the company's first carbon footprint calculation covering the entire value chain. The calculation concerns the year 2021 and covers significant direct and indirect greenhouse gas emissions from operations in accordance with the GHG protocol (Scopes 1,2,3). As previously reported, The company's own greenhouse gas emissions (Scope 1 and 2) decreased by 34% from the previous year due to investments in renewable energy and amounted to 319 tonnes of CO₂ in 2021. The share of greenhouse gas emissions from own operations in the business climate impact is very small: 0.1% of all emissions. The largest climate impact arises from indirect emissions in the value chain (Scope 3), which amounted to 322,515 tCO₂ in 2021. Majority of emissions were caused by the manufacture of products sold (70%) and energy consumption during their use (22%). Freight and distribution logistics accounted for 0.36% of total emissions. According to calculations, customers' trips to stores accounted for 6.5% of emissions.

Verkkokauppa.com targets to be carbon neutral in its own operations by the end of 2025 and to reduce the indirect climate impact of its activities.

To reduce indirect emissions in the value and supply chains, company works with suppliers and partners to . With the carbon footprint calculation, Verkkokauppa.com is mapping suitable indirect emission reduction targets and prepares a plan to reduce emissions. The company's intention is to support its customers in making responsible choices by making product-specific emissions data visible in product information.

SHARE AND SHAREHOLDERS

Trading of Verkkokauppa.com shares on Nasdaq Helsinki Ltd began on 5 June 2020.

Verkkokauppa.com share (VERK) in Nasdaq Helsinki stock exchange in January-June 2022:

No. of shares traded	Share of no. of total shares, %	Total value, EUR million	Last, EUR	High, EUR	Low, EUR	Average, EUR
5,607,978	6.86	30.5	4.06	7.43	3.94	5.44

Verkkokauppa.com Market Capitalization and Shareholders

	30 June 2022
Market capitalization (excl. own shares), EUR million	183.0
Number of shareholders	19,909
Nominee registrations and direct foreign shareholders, %	10.8
Households, %	55.1
Financial and insurance corporations, %	15.2
Other Finnish investors, %	18.8

According to Euroclear Finland shareholder register at the end of the June, the company's largest shareholders were Samuli Seppälä (35.2%), Varma Mutual Pension Insurance Company (8.5%), Mandatum Life Insurance Company Limited (5.1%), Ilmarinen Mutual Pension Insurance Company (4.8%) and Nordea Small Cap Fund (3.1%).

On 30 June 2022, the share capital was EUR 100,000 and the total number of shares in the company was 45,354,532 including 290,300 treasury shares held by the company. The treasury shares have no voting rights, and no dividend is paid to them. The treasury shares accounted for 0.64% of all shares. In January-June 2022, the company transferred a total of 33,097 treasury shares as part of the remuneration of Board members and key employees.

On 1 April 2022, the company announced a directed share issue of EUR 2 million as part of the financing of the acquisition. The number of new issued shares is 289,402 representing approximately 0.64 percent of the shares and votes in Verkkokauppa.com after the share issue. Trading in the new shares started on Nasdaq Helsinki Ltd's official list on 8 April 2022.

Authorizations related to shares

On 30 June 2022, the Board of Directors had valid authorization to decide on the issuance of a maximum of 4,209,443 shares by one or more decisions (Share Issue Authorization 2022). The number of shares corresponds to a maximum of ten percent of the total number of shares in the company.

More information about verkkokauppa.com's shares and shareholders and management holdings can be found on the company's investor website <https://investors.verkkokauppa.com/fi>

FLAGGING NOTIFICATIONS

Verkkokauppa.com Oyj received on 15 March 2022, a notification in accordance with Chapter 9, Section 5 of the Finnish Securities Market Act according to which Mandatum Life Insurance Company Ltd's direct holding of Verkkokauppa.com shares and votes exceeds the five percent threshold. According to the notification, Mandatum Life Insurance Company directly held a total of 2,255,206 shares in Verkkokauppa.com on 15 March 2022, an amount that corresponds to 5.0 percent of all shares in the company.

LONG-TERM INCENTIVE PLANS

Verkkokauppa.com has one share-based incentive plan for the CEO and members of the Management Team, the Performance Matching Share Plan 2020–2022. For more detailed information on the share-based incentive plan, see Note 1.10.

ACQUISITIONS

On 1 April 2022, Verkkokauppa.com Oyj completed the acquisition of e-ville.com online store. The acquisition supports Verkkokauppa.com's strategy to strengthen and expand its assortment in own brands. The purchase price amounts to approximately EUR 5.3 million, and an additional purchase price installments of up to approx. EUR 6.7 million. The total aggregate purchase price can amount to EUR 12.0 million at the maximum. The acquired business is estimated to have a positive impact of EUR 5–8 million on Verkkokauppa.com's revenue in 2022. For more information on the acquisition, see Note 1.9.

ANNUAL GENERAL MEETING 2022

The Annual General Meeting of Verkkokauppa.com Oyj was held in Helsinki on 24 March 2022. The AGM adopted the financial statements and discharged the members of the Board of Directors and the CEOs from liability for the financial year 2021 and approved the company's remuneration report for governing bodies as well as authorized the board of Directors to decide on a repurchase of the company's own shares and the issuance of shares. In addition, the AGM approved shareholders nomination board's proposals concerning Board and auditor selection and remuneration.

Board composition in 2022

The AGM confirmed as the amount of board members to be seven. The following members were re-elected to the Board of Directors: Christoffer Häggblom, Mikko Kärkkäinen, Frida Ridderstolpe, Johan Ryding, Kai Seikku, Samuli Seppälä and Arja Talma.

At the Board of Directors' constitutive meeting held after the Annual General Meeting, Arja Talma was elected as Chairperson of the Board of Directors and Christoffer Häggblom as Vice Chairperson. The compositions of the Board committees were decided to be as follows: the Remuneration Committee consists of Arja Talma (Chairperson), Christoffer Häggblom, Johan Ryding, and Kai Seikku. The Audit Committee consists of Kai Seikku (Chairperson), Arja Talma (Vice Chairperson), and Christoffer Häggblom.

Verkkokauppa.com published a stock exchange release on the decisions of the Annual General Meeting on 24 March 2022. The stock exchange release is available on the company's investor pages.

DIVIDEND

Verkkokauppa.com Oyj's Annual General Meeting resolved to distribute a dividend of EUR 0.060 per share to be paid for the financial year 2021. The dividend payment date was 4 April 2022. In addition, the AGM Authorized the Board of Directors to decide at its discretion on a dividend not exceeding EUR 0.186 per share in three installments during 2022. The authorization is valid until the opening of the next Annual General Meeting.

The Board of Directors resolved on 27 April to pay the first dividend installment of EUR 0.061 per share with the payment date on 9 May 2022; the second dividend installment of EUR 0.062 per share with the payment date on 25 July 2022 was resolved on 14 July 2022. Based on this authorization, the Board of Directors will make separate resolutions on the distribution of the third dividend installment not exceeding EUR 0.063 per share with the payment date on 7 November 2022. The resolution of the third quarterly dividend will be made and announced separately by the Board.

COMPOSITION OF THE SHAREHOLDERS' NOMINATION BOARD

At its organizational meeting on 27 June 2022, the following members of the Nomination Board were appointed: Samuli Seppälä, Founder of Verkkokauppa.com, representing himself; Erkkä Kohonen (Chairperson), Senior Portfolio Manager, appointed by Varma Mutual Pension Insurance Company; Jukka Järvelä, Senior Portfolio Manager, Mandatum Asset Management, nominated by Mandatum Life Insurance Company Limited, and Arja Talma, Chairperson of the Board of Verkkokauppa.com Oyj.

OTHER EVENTS AFTER THE REPORTING PERIOD

On 13 July 2022, company updated its financial guidance for 2022:

Profit warning: Weak consumer confidence and high inflation undermines outlook for the second half of the year

Verkkokauppa.com's business environment has continued to be challenging. Consumer confidence is at an all-time low and inflation continues to grow. This has undermined consumers' purchasing power and dampened discretionary demand. In light of this development in the operating environment, demand and costs, the company estimates that its revenue and operating profit will fall short of its previous estimates. According to new financial guidance for 2022, the company expects the revenue to be between EUR 530–570 million (in 2021: EUR 574.5 million) and adjusted operating profit (adjusted EBIT) to be between EUR 8–14 million (in 2021: EUR 20.4 million).

SHORT-TERM RISKS AND BUSINESS UNCERTAINTIES

Verkkokauppa.com's risks and uncertainties reflect the operating environment and general consumer behavior, such as demand for consumer electronics, circumstances impacting export trade, the availability of products, and the competitive environment. In addition, the company's business operations involve risks and uncertainties, such as risks related to the business strategy, the execution of corporate transactions and investments, risks related to the sourcing operation and logistics, and risks related to information systems and other operational factors of the company's business. The risks and uncertainties described above may have a negative or positive impact on the company's business, financial position or performance.

Geopolitical conflicts and economic sanctions, general economic uncertainty, and consequent uncertainty about the behavior of financial markets can have a detrimental impact on Verkkokauppa.com's business and growth potential. Inflation and tightening monetary policy may have an increasing impact on consumers' confidence in their own economy and, consequently, on consumer behavior. Potential impacts on Verkkokauppa.com's business may be visible throughout the product supply chain, logistics, product and service prices, and the consumption behavior of our customers.

The effects of the COVID-19 pandemic and the restrictions on people's lives have eased. New virus variants or re-intensification of the pandemic could have an impact on the company's business in the short term.

BUSINESS OUTLOOK

There is uncertainty about the future outlook in relation to geopolitical conflicts in the world, the crisis in Ukraine and the macroeconomics, as well as the coronavirus pandemic and beyond. The company's growth prospects for the current year are considered challenging due to changes in the operating environment. The strong acceleration of inflation and rise in the interest rates, as well as the crisis in Ukraine, have further undermined household confidence in their own economy. Due to these factors, we estimate consumer demand and business to continue soft for the remaining of the year. With the Crisis in Ukraine, the company made a decision to stop all sales to Russia. In addition, once pandemic related restrictions were lifted, household consumption is directed from durable goods to services such as travel.

The company believes that it will succeed in taking advantage of the online consumer transition and increasing its market share in its chosen product categories. The company estimates that the shift of customers to online is permanent.

FINANCIAL GUIDANCE FOR 2022 (updated on 13 July 2022)

The company expects revenue to be between EUR 530–570 million (in 2021 EUR 574.5 million) and comparable operating profit (comparable EBIT) to be between EUR 8-14 million (in 2021 EUR 20.3 million) in 2022.

Helsinki, Finland, 13 July 2022

Verkkokauppa.com Oyj
Board of Directors

NEWS CONFERENCES

A press conference for analysts, investors, and media will be held in Finnish over the Livestream webcast on Thursday, 14 July 2022 at 10:00 a.m. (EEST), in which Verkkokauppa.com's CEO Panu Porkka will present the developments in the reporting period.

A press conference in English will be held over the Livestream webcast on Thursday, 14 July 2022 at 11:00 a.m. (EEST). 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, the Livestream webcast is available at www.verklive.com.

COMPANY RELEASES AND EVENTS

Verkkokauppa.com will publish its financial reports as follows:

- Interim report for January – September 2022 on Thursday 27 October 2022
- Financial statements bulletin for the year 2022 on Thursday 9 February 2023.

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Verkkokauppa.com empowers its customers to follow their passion by providing a wide product assortment of around 80,000 products. Verkkokauppa.com Oyj serves its retail and corporate customers through its webstore, megastores, 24h kiosk and network of collection points as well as fast deliveries and various services. As Finland's most popular and most visited domestic online retailer, its deliveries cover around 75 percent of the Finnish population within the next day. The Company has four megastores: in Oulu, Pirkkala, Raisio and Helsinki, where its headquarters is also located. Verkkokauppa.com employs more than 750 people and its shares are listed on the Nasdaq Helsinki stock exchange with the ticker VERK.

VERKKOKAUPPA.COM OYJ INTERIM FINANCIAL INFORMATION 1 Jan – 30 Jun 2022

Group consolidated statement of comprehensive income

EUR thousand	Note	4-6/ 2022	4-6/ 2021	1-6/ 2022	1-6/ 2021	1-12/ 2021
Revenue	1.3	125,681	130,503	250,436	264,537	574,514
Other operating income		198	386	357	509	922
Materials and services		-106,312	-108,074	-211,809	-220,381	-483,323
Employee benefit expenses		-9,996	-9,383	-19,991	-18,434	-36,570
Depreciation and amortization		-1,388	-1,241	-2,711	-2,475	-4,983
Other operating expenses		-9,087	-7,083	-16,526	-13,446	-30,263
Operating profit		-904	5,108	-244	10,309	20,296
Finance income			2	2	3	6
Finance costs		-538	-369	-899	-692	-1,352
Profit before income taxes		-1,442	4,741	-1,141	9,621	18,949
Income taxes		386	-953	282	-1,982	-3,856
Profit for the period		-1,056	3,788	-859	7,638	15,093
Profit for the period attributable to						
Equity holders of the company		-1,056	3,788	-859	7,638	15,093
Earnings per share calculated from the profit attributable to equity holders						
Earnings per share, basic (EUR)		-0.02	0.08	-0.02	0.17	0.34
Earnings per share, diluted (EUR)		-0.02	0.08	-0.02	0.17	0.33

Other comprehensive income

EUR thousand	4-6/ 2022	4-6/ 2021	1-6/ 2022	1-6/ 2021	1-12/ 2021
Profit for the period	-1,056	3,788	-859	7,638	15,093
Items that may be reclassified to profit or loss					
Translation differences	24	-	24	-	-
Items that will not be reclassified to profit or loss					
Realized changes in fair values of equity investments	72	-	72	-	-
Taxes	-14	-	-14	-	-
Other comprehensive income after taxes, total	58	-	58	-	-
Comprehensive income for the period	-974	3,788	-777	7,638	15,093
Comprehensive income for the period					
Equity holders of the company	-974	3,788	-777	7,638	15,093

Consolidated Statement of financial position

EUR thousand	Note	30 Jun 2022	31 Dec 2021
Non-current assets			
Intangible assets		2,572	1,364
Property, plant and equipment		6,508	5,214
Right-of-use assets	1.5	14,707	15,776
Equity investments			266
Deferred tax assets		1,308	1,289
Trade receivables	1.6/1.7	3,730	3,817
Other non-current receivables		382	425
Non-current assets, total		32,690	28,151
Current assets			
Inventories		86,925	87,803
Trade receivables	1.6/1.7	22,456	23,124
Loans receivable		398	
Other receivables		3,344	3,699
Income tax receivables		2,106	
Accrued income		10,757	8,627
Cash and cash equivalents	1.7	15,937	20,917
Current assets, total		141,922	144,170
Total assets		174,612	172,321
Equity			
Share capital		100	100
Treasury shares		-1,486	-1,611
Invested unrestricted equity fund		27,407	25,938
Translation differences		26	
Retained earnings		5,761	-3,838
Profit for the period		-859	15,093
Total equity		30,950	35,683
Non-current liabilities			
Lease liabilities	1.7	14,533	16,105
Liabilities to credit institutions		25,000	
Deferred tax liabilities		122	
Provisions		800	
Other long-term liabilities		30	896
Non-current liabilities, total		40,486	17,001
Current liabilities			
Lease liabilities	1.7	4,352	4,034
Liabilities to credit institutions		657	
Advance payments received		4,970	5,761
Trade payables	1.7	59,904	77,609
Other current liabilities		8,080	10,718
Accrued liabilities		23,588	19,778
Income tax liabilities		1,625	1,738

Current liabilities, total	103,176	119,638
Total liabilities	143,662	136,639
Total equity and liabilities	174,612	172,321

Group consolidated cash flow statement

EUR thousand	1-6/ 2022	1-12/ 2021
Cash flow from operating activities		
Profit before income taxes	-1,141	18,949
Depreciation and impairment	2,711	4,983
Finance income and costs	897	1,347
Other adjustments	711	299
Cash flow before change in working capital	3,178	25,578
Change in working capital		
Increase(-) / decrease(+) in non-current non-interest-bearing trade receivables	140	-615
Increase (-) / decrease (+) in trade and other receivables	1,668	-5,892
Increase (-) / decrease (+) in inventories	1,929	-12,419
Increase (+) / decrease (-) in current liabilities	-20,687	4,885
Cash flow before financial items and taxes	-13,772	11,537
Interest paid	-338	-155
Interest received	2	5
Interest of lease liabilities	-561	-1,198
Income tax paid	-1,871	-3,521
Cash flow from operating activities	-16,540	6,668
Cash flow from investing activities		
Acquisition of subsidiaries	-3,383	
Purchases of property, plant and equipment	-1,860	-3,951
Purchases of intangible assets	-784	-903
Proceeds from equity investments	339	
Cash flow from investing activities	-5,688	-4,854
Cash flow from financing activities		
Decrease (-) in lease liabilities	-2,086	-3,868
Dividends paid	-5,435	-20,129
Proceeds from long-term loans	25,000	
Proceeds from short-term loans	5,045	
Payments to short-term loans	-5,282	
Cash flow from financing activities	17,241	-23,996
Increase (+) / decrease (-) in cash and cash equivalents	-4,987	-22,182
Cash and cash equivalents at beginning of reporting period	20,917	43,099
Translation differences	7	
Cash and cash equivalents at end of reporting period	15,937	20,917

Group statement of changes in equity

A Share capital	D Translation differences
B Treasury shares	E Retained earnings
C Invested unrestricted equity fund	F Total equity

EUR thousand	A	B	C	D	E	F
Equity 1 Jan 2022	100	-1,611	25,938	0	11,255	35,683
Profit for the period	-	-	-	-	-859	-859
Transaction differences	-	-	-	-	24	24
Changes in fair values of equity investments	-	-	-	-	58	58
Comprehensive income for the period, total	-	-	-	-	-777	-777
Acquisition of treasury shares	-	-	-	-	-	-
Share issue or gratuitous investment in unrestricted equity	-	-	1,403	-	-	1,403
Disposal of treasury shares -Board fees	-	50	66	-	-50	66
Share-based incentives	-	75	-	-	-65	10
Transactions with owners, total	-	125	1,469	-	-5,550	-3,956
Equity 30 Jun 2022	100	-1,486	27,407	-	4,928	30,950

EUR thousand	A	B	C	D	E	F
Equity 1 Jan 2021	100	-2,206	25,816	-	16,839	40,549
Changes in fair values of equity investments	-	-	-	-	-	-
Comprehensive income for the period, total	-	-	-	-	15,093	15,093
Acquisition of treasury shares	-	-	-	-	-	-
Disposal of treasury shares -Board fees	-	535	122	-	-535	122
Share-based incentives	-	60	-	-	-13	47
Transactions with owners, total	-	595	122	-	-20,677	-19,960
Equity 31 Dec 2021	100	-1,611	25,938	-	11,255	35,683

EUR thousand	A	B	C	D	E	F
Equity 1 Jan 2021	100	-2,206	25,816	-	16,839	40,549
Changes in fair values of equity investments	-	-	-	-	-	-
Comprehensive income for the period, total	-	-	-	-	7,638	7,638
Acquisition of treasury shares	-	-	-	-	-	-
Disposal of treasury shares -Board fees	-	-	50	-	-	50
Share-based incentives	-	90	-	-	-133	-44
Transactions with owners, total	-	90	50	-	-15,028	-14,888
Equity 30 Jun 2021	100	-2,116	25,867	-	9,449	33,300

Notes

1.1 Accounting principles applied in this Interim Financial Report

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

Verkkokauppa.com Oyj's Interim Report for January–June 2022 has been prepared in line with IAS 34, 'Interim Financial Reporting' should be read in conjunction with Verkkokauppa.com Oyj's financial statements for 2021, published on 2 March 2022. Verkkokauppa.com Oyj has applied the same accounting principles in the preparation of this Interim Financial Report as in its Financial Statements for 2021. On 1 April 2022, Verkkokauppa.com Oyj completed the acquisition of the Finnish online store e-ville.com. With the acquisition, Verkkokauppa.com Oyj became group's parent company, and company preparer financial reviews as a group and consolidated financial statements. The group's structure is described in note 1.9.

In addition to above described, consolidation principles, Verkkokauppa.com Oyj has not adopted any other new accounting policies during 2022 that would have a material impact on this Interim Financial Report.

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.

The acquired subsidiaries have been combined in the consolidated financial statements from the moment the group has gained control. All subsidiaries are 100% owned and no minority owners exist. group companies' intra-group share ownership is eliminated using the acquisition method. The transferred consideration, including the conditional purchase price and the identifiable assets and liabilities of the acquired company, are valued at fair value at the time of acquisition. The costs related to the acquisition have been booked as expenses. All intra-group business transactions as well as receivables and liabilities, unrealized margins and internal profit distribution are eliminated in the consolidated financial statements.

Exchange rate differences are treated in the reporting as following:

- The group companies' results and financial position are reported in the local currency of each legal entity. The consolidated financial statements are prepared and presented in euros.
- Business transactions in a foreign currency are recorded in the local currency using the exchange rate on the day of the transaction. Receivables and liabilities are converted into euros according to the exchange rate on the balance sheet date. Applied exchange rates are based on official ECB exchange rates.
- The translation differences arising from the elimination of the acquisition cost of foreign entity and the translation differences of post-acquisition profits and losses are recorded in other items of comprehensive income and presented separately in equity. The goodwill generated with the acquisition and the fair value adjustments made to the assets and liabilities of the foreign entity are treated as assets and liabilities of the relevant foreign entity in the local currency, which are converted into euros using the exchange rates on the end of the reporting period. If the foreign entity is sold as a whole or partly, the reported exchange rate differences are booked as part of the capital gain or loss of the transaction.
- Exchange rate differences arising from normal business transaction related receivables and liabilities and related potential hedging are included in the operating profit. Exchange rate differences related to financial assets and liabilities and the result of the related hedging instruments are reported in the financial items on the income statement.

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 80,000 products in 26 different main product categories that the company sells to consumers through its own webstore and four retail stores in Finland. The sale of services rendered by the company includes, for example, installation and maintenance services, subscription sales and visibility sales. Revenue is accumulated geographically mainly from Finland.

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

Disaggregation of revenue

Satisfaction of performance obligations

EUR thousand	4-6/ 2022	4-6/ 2021	1-6/ 2022	1-6/ 2021	1-12/ 2021
At a point in time	124,284	129,151	247,873	262,286	569,424
Over time	1,397	1,351	2,563	2,251	5,090
Revenue, total	125,681	130,503	250,436	264,537	574,514

Revenue by external customer location

EUR thousand	4-6/ 2022	4-6/ 2021	1-6/ 2022	1-6/ 2021	1-12/ 2021
Finland	118,072	122,240	236,385	246,698	534,954
Rest of the world	7,610	8,263	14,051	17,838	39,560
Revenue by external customer location	125,682	130,503	250,436	264,537	574,514

Income recognized from customer financing

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

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

EUR thousand	4-6/ 2022	4-6/ 2021	1-6/ 2022	1-6/ 2021	1-12/ 2021
Interest income recognized using effective interest rate method	761	665	1,576	1,324	2,778
Other income from company-financed customer financing	375	341	788	741	1,540
Income from company-financed Apuraha, total	1,136	1,006	2,365	2,065	4,318

1.4 Seasonality of business

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

1.5 Right-of-use assets

EUR thousand	30 Jun 2022	31 Dec 2021
Carrying amount 1.1.	15,776	17,347
Increases	130	1,202
Increase/decrease due to remeasurement	731	1,019
Disposals	-32	-141
Depreciation	-1,897	-3,650
Carrying amount at the end of period	14,707	15,776

The remeasurements made during 2022 and 2021 relate to index adjustments and renegotiated rental agreements.

Trade receivables

EUR thousand	30 Jun 2022		30 Jun 2021		31 Dec 2021	
	Trade receivables	Loss allowance	Trade receivables	Loss allowance	Trade receivables	Loss allowance
Not due	22,217	209	16,422	758	22,771	229
Past due 1-60 days	4,375	279	3,841	240	4,629	280
Past due 61-120 days	293	216	283	125	135	87
Past due over 121 days	121	117	74	74	233	233
Total	27,006	820	20,620	1,197	27,769	829

1.6 Financial assets and liabilities by measurement category

30 Jun 2022				
EUR thousand	Recognized at fair value through other comprehensive income	At amortized cost	Lease liabilities	Carrying amount
Non-current financial assets				
Equity investments (level 2)	-	-	-	-
Equity investments (level 3)		-	-	
Trade receivables and other financial receivables	-	4,112	-	4,112
Non-current financial assets, total		4,112	-	4,112
Current financial assets				
Trade receivables	-	22,456	-	22,456
Loans receivable		398		398
Cash and cash equivalents	-	15,937	-	15,937
Current financial assets, total	-	38,790	-	38,790
Financial assets by measurement category, total		42,902	-	42,902
Non-current financial liabilities				
Lease liabilities (level 2)	-	-	14,533	14,533
Liabilities to credit institutions		25,000	-	25,000
Non-current financial liabilities, total	-	-	14,533	39,533
Current financial liabilities				
Lease liabilities (level 2)	-	-	4,352	4,352
Liabilities to credit institutions		657	-	657
Trade payables	-	59,904	-	59,904
Current financial liabilities, total	-	60,560	4,352	64,912
Financial liabilities by measurement category, total	-	85,560	18,885	104,446

31 Dec 2021				
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	-	4,241	-	4,241
Non-current financial assets, total	266	4,241	-	4,508

Current financial assets				
Trade receivables	-	23,124	-	23,124
Cash and cash equivalents	-	20,917	-	20,917
Current financial assets, total	-	44,041	-	44,041
Financial liabilities by measurement category, total				
	266	48,282	-	48,549
Non-current financial liabilities				
Lease liabilities (level 2)	-	-	16,105	16,105
Non-current financial liabilities, total	-	-	16,105	16,105
Current financial liabilities				
Lease liabilities (level 2)	-	-	4,034	4,034
Trade payables	-	77,609	-	77,609
Current financial liabilities, total	-	77,609	4,034	81,644
Financial liabilities by measurement category, total				
	-	77,609	20,139	97,749

Level 2 includes interest-bearing liabilities and derivatives and Level 3 investments in unlisted shares and funds.

1.7 Dividends

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

2022		
For the previous year	Date of payment	Dividend per share, EUR
	4.4.2022	0.060
	9.5.2022	0.061
Total dividends, EUR thousand		5,434
2021		
For the previous year	Date of payment	Dividend per share, EUR
	7.4.2021	0.276
	4.5.2021	0.057
	27.7.2021	0.058
	2.11.2021	0.059
Total dividends, EUR thousand		20,129

1.8 Disclosure of acquisitions and company structure

Parent company, Verkkokauppa.com Oyj acquired 100% of eVille Distribution Oy shares on 1st of April 2022. Verkkokauppa.com Oyj's fully owned Finnish subsidiary, Arc Distribution Oy (established on February 2022), acquired 100% ownership and shares of Digi Electronics Ltd (Hong Kong) ja Digital Trading (Shenzhen) Co. Ltd (China) on 1 April 2022.

The acquisition supports Verkkokauppa.com's strategy to strengthen and expand its assortment in own brands. With the acquisition, Verkkokauppa.com gains access to an experienced sourcing organization established in Shenzhen and Hong Kong, China.

The purchase price amounts to approximately EUR 4.0 million, of which 1.4 million in new shares (when calculated using Verkkokauppa.com Oyj's share price as of 1 April 2022) issued in a directed share issue to the seller at closing and the rest in cash corrected with the net debt adjustment. The shares will be subject to a lock-up undertaking. The parties have also agreed to additional purchase price installments of up to approximately EUR 6.7 million, including deferred purchase price of EUR 1 million and earn-out of EUR 5.7 million, payable solely if the combined sales of own brand products exceed set target levels during 2022, 2023 and/or 2024. The total aggregate purchase price can amount to EUR 10.7 million at the maximum.

The seller has the option to receive 50% of the achieved earn-out in Verkkokauppa.com's shares for calendar years 2023 and/or 2024 if the earn-out metrics are to be achieved. The number of shares received by the seller are to be determined based on the volume weighted average share price of the Verkkokauppa.com's share for a 30-day period preceding of the date when the relevant metrics are confirmed.

Purchase price

EUR thousand	Purchase price
Paid in cash	3,250
Directed issue shares	1,403
Adjustments	-648
Total	4,005

As part of financing the transaction, the Board of Directors of Verkkokauppa.com resolved on a EUR 1.4 million directed share issue. The amount of new shares issued was 289,402 and their subscription price, based on the volume weighted average price of Verkkokauppa.com's shares in Nasdaq Helsinki Ltd on 30-day period preceding 9 February 2022, is EUR 6.91 per share.

The assets and liabilities recognised as a result of the acquisition are as follows:

EUR thousand	Total acquired assets
Cash and cash equivalents	293.3
Trade receivables	508.0
Inventory	1,232.2
Other receivables	29.5
Prepaid expenses	825.6
Machinery and equipment	20.6
Total assets	2,909.2
Prepayments	139.7
Trade payables	323.2
Other payables/liabilities	760.4

Accrued income	38.5
Short term liabilities	1,644.2
Other long term liabilities	0.9
Total liabilities	2,906.9
Acquired identifiable net assets	2.4
Customer related intangibles	426.0
Marketing related intangibles	225.0
Goodwill	3,482.7
Deferred tax liability	-121.0
Acquired net assets	4,005.0

Acquired assets and liabilities are valued on the balance sheet on fair value on the acquisition date. EUR 0.7 million of acquired intangible assets were valued for customer relationships and trademarks. These assets will be depreciated over their useful lifetime. Goodwill is the portion of purchase price that is higher than the sum of net fair value of assets and liabilities acquired. Goodwill amounted to EUR 3.5 million and it is non-deductible in taxation.

The accounting of the business combination is still provisional pending the finalization of the consideration transferred, valuation of the assets acquired and liabilities assumed.

Acquisition contribution on group's half year report

Revenue and profit/loss for the period for the acquired company

Since the acquisition date (1 April 2022), the acquisition has contributed EUR 2.4 million on the Group's revenue and no material impact on Group's operating result. If the acquisition had been consolidated from the beginning of the financial year, it would have contributed 4.1 million to the Group's revenue and would not have a material impact on the Group's operating result.

The figures are based on consolidated group financial reports where all internal revenue, purchases and other expenses have been eliminated.

Earn out and deferred purchase price are recorded as a cost and not part of the purchase price as these are conditional to acquired assets management obligation to work. As of 30 June 2022, management estimated the additional purchase price to amount to EUR 3.5 million of which EUR 0.35 million was reported as costs in Q2 2022. It is recognized as Item affecting the comparability.

Verkkokauppa.com company structure

	Country	Ownership of shares %	Share of votes %	Business
		30.6.2022	30.6.2022	
Parent company				
Verkkokauppa.com Oyj	Finland			Retail
Subsidiaries				
e-ville.com Distribution Oy	Finland	100%	100%	Retail
Arc Distribution Oy	Finland	100%	100%	Retail
Digi Electronics Ltd	Hong Kong	100%	100%	Retail
Digital Trading (Shenzhen) Co. Ltd	China	100%	100%	Retail

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 35.18% of all shares and votes in Verkkokauppa.com on 30 June 2022.

EUR thousand	30 Jun 2022	31 Dec 2021
Sales of goods and services		
To key management personnel and their related parties	20	86
Purchases of goods and services		
From key management personnel and their related parties	-	-

EUR thousand	30 Jun 2022	31 Dec 2021
Closing balances from purchases/sales of goods/services		
Trade receivables from key management personnel and their related parties	2	-
Trade payables to key management personnel and their related parties	-	-

1.10 Long-term incentive plans

At the end of the quarter, Verkkokauppa.com has one share-based incentive plan for the CEO and members of the Management Team, the Performance Matching Share Plan 2020–2022.

Matching Share Plan 2018–2020

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 March 2021, The Board of Directors of Verkkokauppa.com Oyj resolved on a directed share issue without consideration for the payment of share rewards in the first matching period 2018-2020 of the Matching Share Plan 2018-2020. On 2 March 2021, in the directed share issue without consideration, a total of 15,000 treasury shares held by the Company was transferred to five key employees according to the terms and conditions of the Matching Share Plan 2018-2020. Additionally, a part of the reward was paid in cash intended to cover taxes and tax-related costs arising from the reward to the participant. No new shares will be issued in connection with the payment of the share rewards and therefore the resolution will have no diluting effect.

In March 2022, Verkkokauppa.com transferred the fees under the second commitment period 2019-2021 of the Matching Share Plan 2018–2020 in a directed share issue without payment by authorization granted to the Board of Directors by the Annual General Meeting held on March 25, 2021. On 2 March 2022, a total of 20,000 of the company's own shares held by the company were transferred to seven key personnel in the share issue. No new shares were issued in connection with the payment of the share rewards and the decision therefore has no dilutive effect. This programme has now been paid in full and ended.

Performance Matching Share plan 2020-2022

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 seven persons, the CEO and six 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 based on the plan correspond to the value of approximately 440 thousand Verkkokauppa.com Oyj shares in total (gross amount).

1.11 Guarantees and commitments

EUR thousand	30 Jun 2022	31 Dec 2021
Collateral given for own commitments		
Guarantees	3,463	3,463
Other commitments and contingent liabilities	9	9

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

1.12 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 interim reports.

1.13 Subsequent events

On 13 July 2022, company updated its financial guidance for 2022:

Verkkokauppa.com: Profit warning: Weak consumer confidence and high inflation undermines outlook for the second half of the year

Verkkokauppa.com's business environment has continued to be challenging. Consumer confidence is at an all-time low and inflation continues to grow. This has undermined consumers' purchasing power and dampened discretionary demand. In light of this development in the operating environment, demand and costs, the company estimates that its revenue and operating profit will fall short of its previous estimates. According to new financial guidance for 2022, the company expects the revenue to be between EUR 530–570 million (in 2021: EUR 574.5 million) and adjusted operating profit (adjusted EBIT) to be between EUR 8–14 million (in 2021: EUR 20.4 million).

ADDITIONAL INFORMATION

Quarterly income statement

EUR thousand	1-6/ 2022	1-3/ 2022	10-12/ 2021	7-9/ 2021	4-6/ 2021
Revenue	125,681	124,755	168,938	141,039	130,503
Other operating income	198	159	148	265	386
Materials and services	-106,312	-105,497	-142,758	-120,184	-108,074
Employee benefit expenses	-9,996	-9,995	-9,669	-8,468	-9,383
Depreciation and amortization	-1,388	-1,323	-1,264	-1,244	-1,241
Other operating expenses	-9,087	-7,439	-10,060	-6,756	-7,083
Operating profit	-904	660	5,335	4,652	5,108
Finance income		2	1	2	2
Finance costs	-538	-361	-340	-321	-369
Profit before income taxes	-1,442	301	4,996	4,333	4,741
Income taxes	386	-104	-1,005	-868	-953
Profit for the period	-1,056	197	3,990	3,464	3,788
Profit for the period attributable to					
Equity holders	-1,056	197	3,990	3,464	3,788
Earnings per share calculated from the profit attributable to equity holders					
Earnings per share, basic (EUR)	-0.02	0.00	0.09	0.08	0.08
Earnings per share, diluted (EUR)	-0.02	0.00	0.09	0.08	0.08

Alternative performance measurement

In this Financial Statements 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.

	2022				FY 2022	2021				FY 2021
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4	
Revenue, thousand euros	124,755	125,681			250,436	134,034	130,503	141,039	168,938	574,514
Gross profit, thousand euros	19,257	19,369			38,626	21,727	22,429	20,856	26,180	91,191
Gross margin-%	15.4%	15.4%			15.4%	16.2%	17.2%	14.8%	15.5%	15.9%
EBITDA, thousand euros	1,983	484			2,466	6,435	6,349	5,896	6,599	25,279
EBITDA-%	1.6%	0.4%			1.0%	4.8%	4.9%	4.2%	3.9%	4.4%
Operating profit, thousand euros	660	-904			-244	5,201	5,108	4,652	5,335	20,296
Operating profit-%	0.5%	-0.7%			-0.1%	3.9%	3.9%	3.3%	3.2%	3.5%
Comparable operating profit, thousand euros	876	-192			683	5,201	5,108	4,652	5,335	20,296
Comparable operating profit-%	0.7%	-0.2%			0.3%	3.9%	3.9%	3.3%	3.2%	3.5%
Profit for the period, thousand euros	197	-1,056			-859	3,851	3,788	3,464	3,990	15,093
Interest-bearing net debt, thousand euros	18,154	28,605			28,605	-10,710	2,385	-682	-778	-778
Investments, thousand euros	1,412	4,276			5,688	433	1,681	849	1,891	4,854
Equity ratio, %	20.2%	-92.4%			-92.4%	20.3%	23.3%	22.4%	21.4%	21.4%
Gearing, %	54.7%	18.2%			18.2%	-33.5%	7.2%	-2.0%	-2.2%	-2.2%
Personnel at the end of period*	753	815			815	738	801	736	825	825
Basic earnings per share, euros	0.00	-0.02			-0.02	0.09	0.08	0.08	0.09	0.34
Diluted earnings per share, euros	0.00	-0.02			-0.02	0.09	0.08	0.08	0.09	0.33
Number of issued shares, 1,000 pcs	45,065	45,355			45,355	45,065	45,065	45,065	45,065	45,065
Number of treasury shares, 1,000 pcs	298	290			290	336	332	328	323	323
Weighted average number of shares outstanding, 1,000 pcs	44,715	45,047			45,047	44,715	44,721	44,727	44,731	44,731
Diluted weighted average number of shares outstanding, 1,000 pcs	45,157	45,488			45,488	45,221	45,227	45,232	45,205	45,205

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

** Q2 2022 Key figures are the key figures of the Verkkokauppa.com Oyj group, formed in April 2022.

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
NET INVESTMENT	Investments in intangible and tangible assets - proceeds from the sale of fixed assets. Net investments do not include non-capitalized / work in progress		
EARNINGS PER SHARE, BASIC	Profit for the period attributable to equity holders of the company / Weighted average number of shares outstanding		Earnings per shares measures the profit for the period attributable to equity holders of the company
EARNINGS PER SHARE, DILUTED	Profit for the period attributable to equity holders of the company / Weighted average number of shares outstanding + dilutive potential shares		

Reconciliation of alternative key ratios

EUR thousand	4-6/ 2022	4-6/ 2021	1-6/ 2022	1-6/ 2021	1-12/ 2022
Operating profit	-904	5,108	-244	10,309	20,296
- advisory costs related to business acquisition	712	-	928	-	-
Comparable operating profit	-192	5,108	683	10,309	20,296