2022

Verkkokauppa.com Oyj

Report of the Board of Directors and Financial Statements 2022

Verkkokauppa.com's Annual reporting 2022

Verkkokauppa.com has published four separate reports, which together form the company's Annual reporting for 2022. The reports are available in Finnish and English, and the reporting components are the Company brochure, Report of the Board of Directors and the Financial Statements, Statement of non-financial information, and Corporate Governance statement including the Remuneration report. The Statement of non-financial information is about company's sustainability work and its progress during 2022. Reports can be read and downloaded on the Verkkokauppa.com website as separate pdf files.

Report of the Board of Directors and Financial Statements 2022

Report of the Board of Directors

Fiscal year 2022 in brief

In 2022, the market environment was exceptionally challenging. The crisis in Ukraine that started in February led to deepening economic uncertainty over the course of the year. The strong acceleration of inflation, the energy crisis, and the rise in interest rates weakened consumers' purchasing power and confidence in their own finances, and thus postponed discretionary spending. Purchase intentions, especially for larger items such as TV's and other home electronics, fell sharply, especially in the last quarter of the year. Verkkokauppa.com's revenue in 2022 declined 5.5 percent compared to the previous year and was EUR 543.1 million (574.5). Company made its first acquisition in its history, and e-ville.com was consolidated on Verkkokauppa.com's figures starting from April. e-ville.com's impact on Verkkokauppa.com's revenue in 2022 was EUR 5.4 million. The financial development in the fiscal year was particularly affected by the quiet consumer market, which caused a 10.9 percent decline in consumer sales. Operating profit for the financial period declined EUR 18.0 million and was EUR 2.3 million (20.3) and its share of revenue was 0.4 percent (3.5%). The operating profit was weakened by an inventory write-down of 1.6 million euros related to the streamlining of the assortment. The comparable operating profit was 3.5 million euros (20.3) and the result for the period was 0.3 million euros (15.1). In 2022, the items affecting the comparability of the operating profit totaled EUR 1.2 million and were related to e-ville.com acquisition.

Revenue and profitability development

Verkkokauppa.com's revenue in 2022 declined by 5.5 percent compared to the previous year and was EUR 543.1 million (574.5). The impact of the e-ville.com acquisition that took place in April, on Verkkokauppa.com's revenue in 2022, was EUR 5.4 million.

Verkkokauppa.com's self-financed customer financing income was EUR 4.7 million (4.3), including both interest income and commissions. Provisions for credit losses remained at the level of the comparison period and amounted to EUR 0.8 million (0.8) at the end of December.

Personnel costs increased by 10.0 percent in January–December and amounted to EUR 40.2 million (36.6). The growth was mainly due to talent investments in IT and procurement organizations related to the promotion of long-term strategic growth projects. Other operating expenses for the review period increased and amounted to EUR 33.4 million (30.3). The increase was mainly due to higher costs related to warehouse, logistics and technology development.

In 2022, the company's operating profit (EBIT) declined by EUR 18.0 million and was EUR 2.3 million (20.3) and its share of total revenue was 0.4 percent (3.5%). Profitability was weakened by an inventory write-down of EUR 1.6 million related to streamlining of the assortment. The comparable operating profit was EUR 3.5 million (20.3) and the result for the period was EUR 0.3 million (15.1). The profitability of the whole year was weakened by the tight price competition seen in all product categories and the resulting lower sales margins, as well as the lower sales volume resulting from declined consumer demand. In addition, the increase in fixed costs and the e-ville.com acquisition also affected the operating profit.

Earnings per share in January–December were EUR 0.01 (0.34).

Key events during the fiscal year

On 9 February, Verkkokauppa.com announced that it will acquire e-ville. com to strengthen own brand offering.

On 23 March, the company issued a profit warning due to the challenging operating environment and quietter-than-expected consumer business, and lowered its financial guidance for 2022.

On 1 April, Verkkokauppa.com completed the e-ville.com acquisition and executed the directed share issue connection with the transaction.

On 27 June was published the composition of the Shareholders' Nomination Board. The Nomination Board consists of three members, which represents the three largest shareholders at the end of May. Company Board shareperson acts as an expert member. The following members were appointed: **Samuli Seppälä**, Founder of Verkkokauppa.com, representing himself; **Erkka Kohonen** (Chair), Senior Portfolio Manager, appointed by Varma Mutual Pension Insurance Company; **Jukka Järvelä**, Director, Head of Listed Equities, Mandatum Asset Management, nominated by Mandatum Life Insurance Company Limited.

On 13 July, company gave a profit warning due to weak consumer confidence and high inflation that undermines outlook for the second half of the year, and lowered its financial guidance for 2022.

On 24 October, company gave a profit warning and lowered its financial guidance for 2022. At the same time company provided preliminary information on the financial development of the third quarter of 2022.

On 20 December, due to the change into group structure, Verkkokauppa.com announced that it will report the parent company separately in accordance with Finnish Accounting Standards (FAS), and the Group is reported in accordance with IFRS.

Operating environment

In 2022, the market environment was exceptionally challenging. The crisis in Ukraine that started in February led to deepening economic uncertainty over the course of the year. The strong acceleration of inflation, the energy crisis and the rise in interest rates weakened consumers' purchasing power and confidence in their own finances and thus postponed the making of discretionary purchases. Consumers' purchase intentions, especially for larger purchases such as televisions and other home electronics, fell sharply, especially in the last quarter of the year. In this case, the quieting of demand was also seen in corporate sales, which grew well at the beginning of the year, and especially in the segment of small and medium-sized companies. As a positive factor, we believe that our customers' transition to doing business online to an increasing extent will be permanent. In the last quarter of the year, more than a third of the consumer market for home electronics took place online.

The Finnish economy started to contract during the third quarter of the year and the risk of an economic recession was obvious. In 2023, GDP is estimated to shrink by 0.2 percent in Finland. Private consumption decreases when the rapid rise in prices weakens the real disposable income of households. The energy crisis prolongs and intensifies inflation, which started with production bottlenecks in 2021.

Source: Statista, Economic survey from the Finland's Ministry of Finance, December 2022, GfK.

Finance and investments

In 2022, the operating cash flow was a total of EUR 1.5 million (6.7). Operating cash flow before the change in working capital was EUR 8.5 million (25.6). The operating cash flow was mainly impacted by the high inventories and the development of EBITDA. Net finance costs were 1.6 (1.3) million euros.

Liquid assets totaled EUR 21.2 (20.9) million. Interest-bearing liabilities totaled EUR 41.0 (20.1) million including lease liabilities. Interest-bearing net debts totaled EUR 19.8 (-0.8) million. Equity ratio was 15.8 percent (21.4%).

Investments totaled EUR 9.3 million euros (4.9) in 2022. The investments were mainly aimed at the Jätkäsaari warehouse automation project and the e-ville.com acquisition. During the year, the company capitalized EUR 0.8 million (0.5) of wage costs in the balance sheet. In January-December, a dividend of EUR 11.1 million (20.1) in total was distributed to shareholders.

At the end of 2022, the Verkkokauppa.com group had a total of EUR 24.1 million loans from financial institutions (0.00). The company has revolving credit facilities totaling EUR 25 million, which have not been utilized and that are valid until 2025.

Financial key figures

	2022	2021	2020
Revenue, MEUR	543.1	574.5	553.6
Opertaing profit, %	0.4%	3.5%	3.5%
Comparable operating profit, %	0.6%	3.5%	3.7%
Equity ratio, %	15.8%	21.4%	24.5%
Gearing, %	74.6%	-2.2%	-52.2%
Investments, MEUR	9.3	4.9	1.4
Cash flow from the operations, as stated in the cash flow statement, MEUR	1.5	6.7	16.9
Personnel at the end of the period	838	825	818

Personnel

In 2022, the number of employees increased, and the total number of employees was 838 (825) at the end of December. The increase related mainly to the e-ville.com acquisition. The number of employees includes both full- and part-time employees.

In 2022, Verkkokauppa.com put efforts on corporate and learning culture, coaching management, well-being and occupational safety. More than 30 different types of coaching and training were offered to supervisors during the year. An internal mentoring program and a Talent management process was launched. Also, a new online learning platform was launched, which improved the way we produce learning content and learn in everyday life. Almost 60 of the employees trained in studies leading to a degree, and skills were also developed in face-to-face and hybrid training.

Non-financial information statement

Verkkokauppa.com reports on corporate responsibility matters in compliance with legislation on the reporting of non-financial information. The section of non-financial information is published separately from the Board report and has not been verified by a third party. The figures presented in the financial statement and repeated in the sustainability part have been audited. In the preparation of the material, general key figures and subject-specific key figures according to GRI Standards 2016-2021 have been used.

Information presented in the notes to the financial statements

Information on the Company's personnel and related parties are provided in the notes to the financial statements.

Share trading and shares

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

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

No. of shared traded	Share of no. of total shares, %	Total value, EUR million	Last, EUR	High, EUR	Low, EUR	Average, EUR
9,196,645	20.28	42.2	2.84	7.43	2.83	4.59

Verkkokauppa.com Market Capitalization and Shareholders

	31 December 2022
Market capitalization (excl. Own shares), EUR million	127.8
Number of shareholders (of which nominee shareholders)	20,963 (8)
Nominee registrations and direct foreign shareholders, %	10.0
Households, %	56.4
Financial and insurance corporations, %	14.0
Other Finnish investors, %	19.5

At the end of the year, the company's largest shareholders were **Samuli Seppälä** (35.2%), Varma Mutual Pension Insurance Company (8.5%), Mandatum Life Insurance Company Limited (5.0%), Ilmarinen Mutual Pension Insurance Company (4.8%) and Nordea Small Cap Fund (3.1%).

On 31 December 2022, the share capital was EUR 100,000 and the total number of shares in the company was 45,354,532 including 271,257 treasury shares held by the company. The treasury shares have no voting rights, and no dividend is paid on them. The treasury shares accounted for 0.6 percent of all shares. In January-December 2022, the company transferred a total of 52,140 treasury shares as part of the remuneration of Board members and key employees.

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

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 a 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 7.12.

On 2 March 2022, Verkkokauppa.com transferred a total of 20,000 of its own shares held by the company to seven key persons in accordance with the second matching period 2019–2021 of the Matching share plan 2018–2020 in order to pay share rewards. 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 has no diluting effect. On 31 December 2022, Verkkokauppa.com Oyj held 271,257 treasury shares.

Verkkokauppa.com's management team

On 22 August 2022, Verkkokauppa.com announced that it strengthens its management team and appoints **Nina Anttila** as a new Chief Supply Chain Officer and **Perttu Meldo** as Chief Strategy and Innovation Officer. **Miika Heinonen**, Verkkokauppa.com's Logistics Director and a member of the management team since 2011, took up a new role within the company. **Kalle Koutajoki**, Verkkokauppa.com's Chief Strategy and Development Officer did not continue in the service of the company.

On 22 October 2022, **Suvituuli Tuukkanen** was appointed as the new Marketing and Communications Director. **Seppo Niemelä**, Verkkokauppa.com's Marketing and Communications Director at the time and a member of the management team since 2018, did not continue working for the company.

As a result of these appointments, the Verkkokauppa.com Management Team will comprise the following members as of 1 November 2022:

Panu Porkka, CEO
Mikko Forsell, CFO
Nina Anttila, Chief Supply Chain
Vesa Järveläinen, Commercial Director
Pekka Litmanen, Chief Experience Officer
Perttu Meldo, Chief Strategy and Innovation Officer
Saara Tikkanen, HR Director
Jyrki Tulokas, Chief Technology Officer
Suvituuli Tuukkanen, Marketing and Communications Director

Acquisitions

On 1 April 2022, Verkkokauppa.com acquired the Finnish online store e-ville.com. The purchase price was approximately EUR 4.0 million, and an additional purchase price installments of approx. EUR 6.7 million. The total aggregate purchase price can amount to EUR 10.7 million. The acquired business has a positive impact of EUR 5.4 million on Verkkokauppa.com's revenue in 2022. The business was consolidated into Verkkokauppa.com figures as of April 2022. For more information on the acquisition, see Note 7.20. Business combinations.

Company strategy

Verkkokauppa.com reviews and updates its long-term strategy during the first half of 2023. The vision to remain a pioneer of ecommerce is strong, and the customer focus continues to be emphasized in innovation and operational development. In the coming years, the company will continue to invest in optimizing and enhancing core business functions through technology and data. Through this, the company is increasingly seeking to free up resources for scaling new profitable growth innovations and renewing the trade sector.

Board authorizations

The Annual General Meeting held on 24 March 2022 authorized the Board of Directors to decide on the repurchase of a maximum of 4 506 513 shares of the company.

At the end of December 2022, the Board of Directors had valid authorization to decide on the issuance of a maximum of 4,506,513 shares by one or more decisions (Share Issue Authorization 2022). The Board has utilized authorization for Board remuneration and part of the financing of the e-ville.com acquisition. The authorization is valid until the next Annual General Meeting, which is scheduled to be held on 30 March 2023.

On 1 April 2022, the company announced a directed share issue of EUR 2 million as part of financing the e-ville.com acquisition. The number of newly issued shares is 289,402, representing 0.64 percent of Verkkokauppa.com's shares and votes after the share issue. The new shares represent approximately 0.64 percent of the shares and votes in Verkkokauppa.com Oyj following the share issue. Following the registration of the new shares, the total amount of issued shares in Verkkokauppa.com Oyj is 45,354,532. The new shares were registered in the Finnish Trade Register on 7 April 2022. The shares were be admitted to trading on the Nasdaq Helsinki Ltd on 8 April 2022.

Verkkokauppa.com Oyj's board decided on the directed share issue and the deviation from shareholders' pre-emptive rights based on the authorization given by the annual general meeting on March 24, 2022.

Verkkokauppa.com also exercised its share issue authorizations during the financial year 2022 to transfer a total of 52,140 shares to Board members as part of Board remuneration. The authorization is valid until the following Annual General Meeting, which is planned to be held on 30 March 2023.

In addition to the above, the Board has no other authorizations valid related to shares.

Board of Directors

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 Audit Committee consists of **Kai Seikku** (Chairperson), **Arja Talma** (Vice Chairperson), and **Christoffer Häggblom**; the Remuneration Committee consists of **Arja Talma** (Chairperson), **Christoffer Häggblom**, **Johan Ryding**, and **Kai Seikku**.

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 CEO 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.

Audit firm PricewaterhouseCoopers Oy was elected as the company's auditor and APA **Ylva Eriksson** as the principal auditor.

Dividend

Verkkokauppa.com Oyj's Annual General Meeting resolved to distribute a dividend of EUR 0.060 per share to be paid on 4 April 2022. In addition, the Board of Directors resolved to pay the first dividend installment of EUR 0.061 per share on 9 May 2022; the second dividend installment of EUR 0.062 per share on 25 July 2022; and the third dividend installment of EUR 0.063 per share on 7 November 2022.

After the dividend distribution decided by the Board of Directors on 27 October 2022 and paid 7 November 2022, the company does not have valid dividend authorisations.

Corporate governance statement and remuneration reports

The Corporate Governance Statement will be published in connection with the Company's Financial Statements for 2022 and on the company's website https://investors.verkkokauppa.com/en/governance.

Most significant risks and uncertainties

Verkkokauppa.com's risks and uncertainties reflect the operating environment and general consumer behavior, such as demand for consumer electronics, availability of products, the competitive environment and the regulatory environment. The company's business operations involve risks and uncertainties relating to, for example, business strategy, execution of corporate transactions and investments, risks related to the sourcing operations and logistics, and risks related to information technology, and other operational factors of the company's business.

There is uncertainty about geopolitical conflicts in the world, the crisis in Ukraine, and macroeconomics. General economic uncertainty, growing inflation, and thereby the uncertainty about the behavior of financial markets can further weaken the purchasing power and investment ability of consumers and companies. In addition, global economic cycles may cause intensified volatility between economic growth and recession. Finland's economy is expected to shrink, and due to the slowdown in economic growth in the euro area, the risk of a recession overshadows the development of Finland's economy. At the moment, the visibility of economic development is very limited.

Competition in the consumer electronics market is fierce. As a result, the Company's operating result and profitability are subject to changes and uncertainties in the market and the industry, including changes in consumer behavior and the development of the economy. Changes in the competitive situation may be caused by the company's expansion to cover more and more new product categories. The company's business is seasonal and focused on the early summer and the fourth quarter. The company is also dependent on the uninterrupted operation of its website and IT systems. The further development of the company requires expertise and change management skills from key personnel. The company is affected by risks associated with the implementation of the business strategy or investments and corporate transactions. Operational business risks include logistics and supply chain management, as well as business continuity in the event of exceptional situations. The geographical concentration of product manufacturers into certain countries or areas in those countries increases risks related to the supply chain and the availability of goods. Delays and disruptions in the supply chain, logistics or information systems and uncertainties related to logistics partners may have a negative impact on operations. Every effort is made to manage these operational risks by developing appropriate backup systems and alternative operating models, and by investing in the uninterrupted operation of IT systems. Operational risks are also covered by insurance policies.

Changes and increasing complexity in legislation may require significant changes in operations and may result in additional costs. Noncompliance with laws may result in fines or claims for damages. The company's reputation, brand awareness and trust among consumers are a competitive advantage – negative publicity related to, for example, regulation or the product safety or sustainability of the Company's own brands could have adverse financial impacts on the company. Verkkokauppa.com aims to produce and publish reliable and timely financial information to the market. There is a risk that the company's reporting might fail to meet the requirements. A prolonged business disruption or poor profitability could impact the company's liquidity or financial position.

The aforementioned risks and uncertainties may affect the company's operations, financial position and performance positively or negatively. The company's Board of Directors has approved a risk management operating model for the company based on the ISO 31000 standard. The risks are managed and governed in accordance with the company's risk management policy

Events after the reporting period

On 16 January 2023, Verkkokauppa.com issued a profit warning and intends to adjust its business to meet the declined demand. As part of the adjustment, the company streamlines its assortment and makes a write-down of EUR 1.6 million related to the inventory, which negatively impacted the Q4 and full year 2022 results. At the same time, preliminary information on the financial development of 2022 was announced.

On 16 January 2023, Verkkokauppa.com launched of a profit improvement program to secure profitability, and in connection with that started change negotiations in January. The annualized profit improvement goal of a program was approximately EUR 10 million, of which around EUR 5-8 million is expected to be realized in 2023. The change negotiations cover Verkkokauppa.com's entire personnel, approximately 770 employees. Possible redundancies, part-time shifts and essential changes to employment contracts apply to a maximum of 110 people. The planned measures aim to achieve annual savings of EUR 6 million in personnel costs. Of the savings, EUR 3-4 million are expected to be realized in the second half of 2023 and in full in 2024. Depending on the outcome of the negotiations, the planned restructuring is estimated to result in costs of approximately EUR 1.3 million.

Board proposal for profit distribution

The dividend distribution policy of Verkkokauppa.com states that the company pays out a quarterly growing dividend. The dividend policy is based on Verkkokauppa.com's ambition to continuously grow its business and profit. During the financial year 2022, the company's revenue declined, and its profit and equity ratio declined markedly.

Due to the company's financial performance during 2022, and the prevailing uncertainties in the economic development going forward, the board of directors proposes to the Annual General Meeting that Verkkokauppa.com deviates from its dividend distribution policy and no dividend will be distributed from the profit of the 2022 financial year.

Business outlook

Due to the factors mentioned in the risks section, the consumer demand and business is estimated to continue to be challenging and it is difficult to predict the development of business environment for this year.

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 2023

In 2023, Verkkokauppa.com expects the revenue to decline (2022: EUR 543.1 million) and comparable operating profit (comparable EBIT) to improve (2022: EUR 3.5 million) compared to 2022.

Distribution of shareholders at 31 December 2022

Size of shareholding, shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1–100	10,655	50.8	414,822	0.9
101–500	6,743	32.2	1,727,304	3.8
501–1,000	1,854	8.8	1,431,475	3.2
1,001–5,000	1,461	7.0	3,065,190	6.8
5,001–10,000	140	0.7	1,016,830	2.2
10,001–50,000	79	0.4	1 615,207	3.6
50,001–100,000	6	0.0	384,217	0.8
100,001–500,000	14	0.1	3,523,361	7.8
500,001–	11	0.1	32,176,126	70.9
Total	**20,963**	**100.0**	**45,354,532**	**100.0**
Nominee registered	8		4,495,692	9.91

Shareholder breakdown by sector at 31 December 2022

	Number of shareholders	% of shareholders	Number of shares	% of shares
Private corporates	529	2.5	2,350,778	5.2
Financial and insurance institutions	32	0.2	6,368,609	14.0
Public entities	6	0.0	6,053,984	13.3
Non-profit organizations	57	0.3	431,981	1.0
Households	20,292	96.8	25,604,325	56.5
Non-Finnish shareholders	55	0.2	4,544,855	10.0
Total	**20,971**	**100.0**	**45,354,532**	**100.0**

Major shareholders at 31 December 2022

Shareholder	Number of shares	% of shares
Seppälä Sam Samuli	15,957,000	35.18
Keskinäinen Työeläkevakuutusyhtiö Varma	3,865,932	8.52
Mandatum Henkivakuutusosakeyhtiö	2,287,307	5.04
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	2,174,309	4.79
Nordea Nordic Small Cap Fund	1,411,669	3.11
Sijoitusrahasto Evli Suomi Pienyhtiöt	861,000	1.90
Skogberg Ville Johannes	634,266	1.40
Keskinäinen Vakuutusyhtiö Kaleva	566,475	1.25
Säästöpankki Kotimaa-sijoitusrahasto	403,933	0.89
Erikoissijoitusrahasto Aktia Mikro Markka	350,628	0.77
10 biggest shareholders, total	28,512,519	62.87
Other shareholders	16,842,013	37.13
Total	**45,354,532**	**100.0**

Alternative performance measurement

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

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

Alternative performance measures do not substitute the IFRS key ratios.

Key performance indicators

Financial key figures

	2021	2020	2019
Revenue, thousand euros	543,117	574,514	553,636
Gross profit, thousand euros	80,595	91,191	88,413
Gross margin, %	14.8%	15.9%	16.0%
EBITDA, thousand euros	7,836	25,279	24,593
EBITDA, %	1.4%	4.4%	4.4%
Operating profit, thousand euros	2,285	20,296	19,583
Operating profit, %	0.4%	3.5%	3.5%
Comparable operating profit, thousand euros	3,520	20,296	20,390
Comparable operating profit, %	0.6%	3.5%	3.7%
Profit for the period, thousand euros	324	15,093	14,622
Equity ratio, %	15.8%	21.4%	24.5%
Gearing, %	74.6%	-2.2%	-52.2%
Personnel at the end of the period	838	825	818

Share performance indicators

	2021	2020	2019
Basic earnings per share, EUR	0.01	0.34	0.33
Diluted earnings per share, EUR	0.01	0.33	0.32
Number of issued shares	45,354,532	45,065,130	45,065,130
Number of treasury shares	271,257	323,397	352,898
Weighted average number of shares outstandaing	45,083,275	44,731,007	44,906,590
Dilutes weighted average number of shares outstandaing	45,341,608	45,204,923	45,544,173
Equity per share, EUR	0.59	0.79	0.90
Dividend per share, EUR*	-	0.246	0.450
Payout ratio, %	0%	73%	138%
Effective dividend yield, %	0%	3.5%	6.3%
Price per earnings ratio (P/E ratio)		21.13	21.87
Lowest share price	2.83	6.61	2.49
Highest share price	7.43	10.34	7.90
Average share price	4.59	8,17	4.95
Period end share price	2.84	7,13	7.12
Market value of the shares at period end, MEUR	128.6	321.3	320.9
The number of traded shares	9,196,645	20,923,735	26,714,366
Traded shares of all shares, %	20.28%	46.4%	59.3%

* 2022: The Board proposes to the AGM of 2023, that no dividend to be distributed from the profit of the 2022 financial year.

Formulas for key ratios

Key ratio	Definitions		Basis of alternative performance measures adopted
Gross profit	Revenue – materials and services		Gross profit shows the profitability of the sales
Gross margin, %	(Revenue – materials and services) / Revenue	x 100	Gross margin measures the profitability of the sales of Verkkokauppa.com Group
EBITDA	Operating profit + depreciation + amortization		EBITDA shows the operational profitability
EBITDA, %	(Operating profit + depreciation + amortization) / Revenue	x 100	EBITDA measures the operational profitability of Verkkokauppa.com Group
Operating profit (EBIT)	Result for the period before income taxes and net finance income and costs		Operating profit describes the business results and is a key metric used in medium-term targets
Operating margin (EBIT), %	Operating profit / Revenue	x 100	Operating margin measures operational efficiency of Verkkokauppa.com Group
Items affecting comparability	Material items which are not part of noComparable operating profits 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	Operating profit before taxes and financial net adjusted with items affecting comparability		With the help of a comparable operating profit, it is possible to compare the operating profit realized in different accounting periods without the effect of items that are not essentially part of the usual business
Comparable operating profit margin %	Comparable operating profit / revenue		Comparable operating margin measures comparable operational efficiency of Verkkokauppa.com Group
Equity ratio, %	Total equity / Balance sheet total – advance payments received	x 100	Equity ratio measures Verkkokauppa.com Group's solvency, ability to bear losses and ability to meet commitments in the long run
Interest-bearing net debt	Lease liabilities – cash and cash equivalents		The indicator describes the group's debt position
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 group and shows the indebtedness of the company
Investments	Increases in intangible assets, property, plant and equipment during the financial period		
Net investments	Investments in intangible and tangible assets - proceeds from the sale of fixed assets. Net investments do not include non-capitalized/unfinished acquisitions.		
Earnings per share, Basic	Profit for the period attributable to equity holders of the company Weighted average number of shares outstanding		The key figures describe the distribution of the group's profit to its owners.
Earnings per share, diluted	Profit for the period attributable to equity holders of the company / Weighted average number of shares outstanding + dilutive potential shares		
Equity per share	Equity / Number of shares at reporting day		
Dividend per share	Dividend / Number of shares at reporting day revised by share split		
Dividend payout ratio, %	Dividend per share revised by share split / Earnings by share revised by share split	x 100	
Effective dividend yield %	Dividend per share / Share price at reporting day	x 100	
Price per earnings ratio (P/E ratio)	Share price at reporting day / Earnings per share		
Traded shares of all shares, %	The number of changed share during the reporting period /The average number of share during the reporting period	x 100	

Reconciliation of alternative key ratios

EUR thousand	1–12/2022	1–12/2021
Operating profit	2,285	20,296
- costs related to acquisition	1,235	-
Comparable operating profit	3,520	20,296

Consolidated Financial Statements 2022

1 Consolidated statement of income

EUR thousand	Note	2022	2021
Revenue	7.2	**543,117**	**574,514**
Other operating income	7.3	908	922
Materials and services	7.4	-462,522	-483,323
Employee benefit expenses	7.5,7.6	-40,233	-36,570
Depreciation and amortization	7.7	-5,552	-4,983
Other operating expenses	7.8	-33,434	-30,263
Operating profit		**2,285**	**20,296**
Finance income	7.9	16	6
Finance costs	7.9	-1,686	-1,352
Profit before income taxes		**615**	**18,949**
Income taxes	7.10,7.16	-291	-3,856
Profit for the financial year		**324**	**15,093**
Profit for the financial year attributable to			
Equity holders of the company		324	15,093
Earnings per share calculated from the profit attributable to equity holders			
Earnings per share, basic (EUR)	7.11	0.01	0.34
Earnings per share, diluted (EUR)	7.11	0.01	0.33

The notes are an integral part of these financial statements.

2 Consolidated statement of comprehensive income

EUR thousand	2022	2021
Profit for the financial year	**324**	**15,093**
Other comprehensive income items:		
Conversion differences	30	-
Items that may be transferred to income in the future		-
Realized fair value changes from equity investments	72	-
Income taxes related to items	-14	-
Other comprehensive income after taxes, total	**58**	-
Comprehensive income for the financial year	**412**	**15,093**
Comprehensive income for the financial year attributable to		
Equity holders of the company	412	15,093

3 Consolidated Statement of financial position

EUR thousand	Note	31 Dec 2022	31 Dec 2021
Non-current assets			
Intangible assets	7.13	3,831	1,364
Goodwill		2,846	-
Tangible assets	7.14	6,752	5,214
Right-of-use assets	7.15	12,866	15,776
Equity investments	7.22.2	0	266
Deferred tax assets	7.16	1,380	1,289
Trade receivables	7.17	5,615	3,817
Other non-current receivables		397	425
Non-current assets, total		**33,687**	**28,151**
Current assets			
Inventories	7.18	74,767	87,803
Trade receivables	7.17	28,833	23,124
Loan receivables	7.23.1	427	0
Other receivables	7.17	2,691	3,699
Income tax receivables	7.10	898	0
Accrued income	7.17	9,679	8,627
Cash and cash equivalents	7.19	21,210	20,917
Current assets, total		**138,506**	**144,170**
Total assets		**172,193**	**172,321**

EUR thousand	Note	31 Dec 2022	31 Dec 2021
Equity			
Share capital		100	100
Treasury shares		-1,410	-1,611
Invested unrestricted equity fund		27,472	25,938
Conversion differences		26	-
Retained earnings		-42	-3,838
Profit for the financial year		324	15,093
Total equity	7.21	**26,470**	**35,683**
Non-current liabilities			
Lease liabilities	7.15	12,334	16,105
Deferred tax liabilities	7.16	106	0
Financial institution loans, long-term	7.23.1	23,750	-
Provisions	7.25	745	-
Other long-term liabilities		30	896
Non-current liabilities, total		**36,965**	**17,001**
Current liabilities			
Lease liabilities	7.15	4,477	4,034
Financial institution loans, short-term	7.23.1	394	-
Advance payments received		4,963	5,761
Trade payables		66,834	77,609
Other current liabilities	7.24	11,634	10,718
Accrued liabilities	7.24	20,457	19,778
Income tax liabilities		0	1,738
Current liabilities, total		**108,758**	**119,638**
Total liabilities		**145,724**	**136,639**
Total equity and liabilities		**172,193**	**172,321**

The notes are an integral part of these financial statements.

4 Consolidated cash flow statement

EUR thousand	Note	2022	2021
Cash flow from operating activities			
Profit before income taxes		615	18,949
Adjustments			
Depreciation and impairment	7.7	5,552	4,983
Finance income and costs	7.9	1,670	1,347
Other adjustments		704	299
Cash flow before change in working capital		8,541	25,578
Change in working capital			
Increase (-)/decrease (+) in non-current non-interest-bearing trade receivables		-1,761	-615
Increase (-)/decrease (+) in trade and other receivables		-2,274	-5,892
Increase (-)/decrease (+) in inventories		14,086	-12,419
Increase (+)/decrease (-) in current liabilities		-12,445	4,885
Cash flow before financial items and taxes		6,148	11,537
Interest paid		-615	-155
Interest received		16	5
Interest of lease liabilities		-1,071	-1,198
Income tax paid		-2,967	-3,521
Cash flow from operating activities		**1,511**	**6,668**
Cash flow from investing activities			
Acquisition of subsidiaries		-4,571	-
Investments in tangible assets		-2,773	-3 951
Proceeds from property, plant and equipment		0	0
Investments in intangible assets		-2,254	-903
Proceeds from equity investments		339	0
Cash flow from investing activities		**-9,260**	**-4,854**

EUR thousand	Note	2022	2021
Cash flow from financing activities			
Decrease (-) in lease liabilities		-4,237	-3,868
Dividends paid		-11,066	-20,129
Proceeds from long-term loans		25,000	-
Payments to long-term loans		-1,250	-
Proceeds from short-term loans		5,030	-
Payments to short-term loans		-5,531	-
Cash flow from financing activities		**7,946**	**-23,996**
Increase (+) / decrease (-) in cash and cash equivalents		**198**	**-22,182**
Cash and cash equivalents at beginning of financial year		20,917	43,099
Translation differences		96	
Cash and cash equivalents at end of financial year	7.19	21,210	20,917

The notes are an integral part of these financial statements.

5 Consolidated statement of changes in equity

A Share capital
B Treasury shares
C Invested unrestricted equity fund
D Fair value reserve
E Retained earnings
F Total equity

EUR thousand	Note	A	B	C	D	E	F
Equity 1 Jan 2022		**100**	**-1,611**	**25,938**	**0**	**11,255**	**35,683**
Profit for the financial year		-	-	-	-	324	**324**
Changes in fair values of equity investments		-	-	-	-	30	**30**
Fair value changes from equity investments		-	-	-	0	58	**58**
Comprehensive income for the financial year, total		**-**	**-**	**-**	**0**	**412**	**412**
Dividend distribution		-	-	-	-	-11,068	**-11,068**
Acquisition of treasury shares		-	-	-	-	-	**0**
Disposal of treasury shares - Board fees		-	-	1,403	-	-	**1,403**
Share-based incentives		-	125	131	-	-125	**131**
Share-based remuneration		-	75	-	-	-167	**-92**
Transactions with owners, total		**-**	**200**	**1,534**	**0**	**-11,360**	**-9,626**
Equity 31 Dec 2022		**100**	**-1,410**	**27,472**	**0**	**308**	**26,470**

EUR thousand	Note	A	B	C	D	E	F
Equity 1 Jan 2021		**100**	**-2,206**	**25,816**	**0**	**16,839**	**40,549**
Profit for the financial year		-	-	-	-	15,093	15,093
Changes in fair values of equity investments		-	-	-	0	-	0
Comprehensive income for the financial year, total		**-**	**-**	**-**	**0**	**15,093**	**15,093**
Dividend distribution	0,0	-	-	-	-	-20,129	**-20,129**
Acquisition of treasury shares		-	-	-	-	-	**0**
Disposal of treasury shares - Board fees		-	535	122	-	-535	**122**
Share-based incentives	0,0	-	60	-	-	-13	**47**
Transactions with owners, total		**-**	**595**	**122**	**0**	**-20,677**	**-19,960**
Equity 31 Dec 2021		**100**	**-1,611**	**25,938**	**0**	**11,255**	**35,683**

6 Group accounting principles

To improve the readability and understandability of the consolidated financial statements, Verkkokauppa.com Oyj Group presents some of the accounting policies as part of these notes, highlighted in grey text boxes. The accounting principles repeat the standard when the Group considers it necessary to understand the applied policies.

6.1 Basic information on the Company

Verkkokauppa.com Oyj Group is the best-known and most-visited Finnish online retailer in the country. Verkkokauppa.com Oyj Group is a public limited company, the shares of which are quoted on the official list of Nasdaq Helsinki. The business identity code of the Company is 1456344-5 and it is domiciled in Helsinki, Finland. The registered address of its head office is Tyynenmerenkatu 11, 00220 Helsinki, Finland.

The Board of Directors of the Company approved these Group financial statements for publication at its meeting on 28 febryary 2023. In accordance with the Finnish Corporate Act, shareholders have the right to approve or reject the financial statements at the Annual General Meeting held after the publication of the financial statements. It is also possible to decide upon changes to the financial statements at the Annual General Meeting.

6.2 Basis of preparation

These Group financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and their interpretations (SIC and IFRIC) adopted for use in the EU on 31 December 2022. The notes to the financial statements comply with Finnish accounting and corporate legislation that supplements IFRS.

On April 1, 2022, Verkkokauppa.com Oyj completed the acquisition of the Finnish online store e-ville.com. As a result of the acquisition, Verkkokauppa.com Oyj became the group's parent company, and the Group prepares consolidated financial statements. The comparison period of the financial year (2021) only includes the figures of the parent company and in those respects are not fully comparable with the figures of the consolidated financial statements for 2022. The structure of the group is described in note Group structure 7.20.2.

The Group financial statements have been prepared on a historical cost basis, except for equity investments that are measured at fair value through other comprehensive income, share-based payments measured at fair value at the grant date, and lease liabilities and right-of-use assets discounted at the present value.

The Group financial statements are presented in euros, which is the Group's functional and presentation currency. Transactions denominated in foreign currencies are converted into the functional currency at the exchange rates prevailing on the dates of the transactions. Receivables and liabilities denominated in foreign currencies are converted at the exchange rates prevailing on the balance sheet date. Exchange rate differences arising from transactions related to business operations are recorded as adjustments to purchases, and exchange rate differences on cash assets are recorded as financing income and expenses. Business exchange rate differences are only recorded in the accounts of the Finnish companies of the group.

The figures in the financial statements are presented in thousands of euros. The figures are rounded, and therefore the sum of individual figures may deviate from the aggregate amount presented.

The Group's Combination Principles – subsidiaries

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 considerations transferred, 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.

6.3 Accounting policies requiring judgment by the management and key factors of uncertainty related to estimates

The preparation of the Group financial statements in accordance with IFRS requires management to exercise judgment related to the selection and application of accounting policies.

In addition, management must make forward-looking accounting estimates and assumptions that may affect the amounts of assets, liabilities, income and expenses recognized during the reporting period. The actuals may differ from said estimated.

Management judgment related to the choice and application of accounting policies

Management is required to make judgment-based decisions relating to the selection and application of IFRS accounting policies. This relates in particular to cases where IFRS contain alternate methods of recognition, measurement and/or presentation. The following entail significant judgment:

Segment reporting

The management of Verkkokauppa.com Oyj has exercised judgment in applying the consolidation criteria to combine the operating segments into a single reportable segment. Customers are the same in all operating segments that offer the same goods and services under the same terms 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, joint support functions serving the entire business as well as the volume benefits enabled by centralized business.

Key factors of uncertainty related to estimates

The estimates and assumptions are based on historical knowledge and/or other justifiable assumptions that are considered reasonable at the time of preparing the financial statements. It is possible that actual results may differ from the estimates used in the financial statements.

The factors of uncertainty and assumptions made related to estimates that may give rise to a significant risk of change in the carrying values of assets and liabilities relate to the following items:

Business integration

The valuation of assets and liabilities acquired in a business combination requires management judgment when choosing the valuation techniques used and the assumptions used in them. The management believes that the estimates and assumptions used are sufficiently reasonable to determine the fair value.

Evaluation of the variable additional purchase price portion to be paid for the acquisition

The acquisition completed in the financial year 2022 involves a delayed purchase price, an additional purchase price and an additional purchase price, the combined value of which can be a maximum of 6.7 million euros. The additional purchase price and the delayed purchase price are recorded as an expense and not part of the purchase price, because they are linked to the obligation to take care of the acquired property. At the end of December, the management estimated the additional purchase price to be 1.5 million euros, and 0.4 million euros was recorded as expenses for 2022. The expense recording is treated as an item affecting comparability.

Measurement of leases

The amount of the lease liabilities and the right-of-use assets to be recognized in the Group balance sheet is significantly affected by the discount rate used in calculating their present values and by the inclusion of options to extend the lease. The management of the Verkkokauppa.com Group has taken into account the Group's business model in relation to physical trading locations in an ever-changing business environment when assessing the likelihood of extension options being exercised. The management has taken into consideration the changes in the financial position of the Group when defining the risk premium of the company-specific discount rate.

Measurement of inventories

A significant part of the Group's balance sheet is inventories consisting of goods intended for sale. Inventories bear the risk of the recoverable amount being below cost. To assess the risk, the management of the Verkkokauppa.com Group regularly monitors the item turnover rates and compares the sale price with the inventory value. A write-down is recognized if the sale price of an item at the reporting date is lower than its cost in the balance sheet. In addition, the Group separately recognizes write-down for older items according to the inventory dates.
Risk of credit losses of company-financed consumer

Financing service receivables

The Verkkokauppa.com Oyj offers financing to its customers. These receivables involve a risk of credit loss. The Group recognizes expected credit losses using the provision matrix model. The provision matrix is described in more detail in the note on *Financial risk management 7.22.3.* The sufficiency of credit loss percentages is monitored regularly. The assessment of the expected level of credit losses and the sufficiency of credit loss rates is based on changes in customer payment behavior and the level of actual credit losses.

Rebates related to inventory

The amount and timing of inventory-related rebates are subject to uncertainty. The realization of contractual targets creates uncertainty in the amount of the purchase credit to be recognized. Management regularly assesses the amount of target purchase credits to be recognized by monitoring both actual purchase volumes and potential rebates. In case the contract period extends beyond the balance sheet date, the amount to be amortized includes management estimates.

Provisions

The Group recognizes provisions related to the following items: product warranties and third-year warranties. Estimates are made as to the likelihood and amount of the provisions being realized. The management of the Company regularly assesses the amount of costs incurred based on historical actuals.

6.4 Group Information

The table below shows the parent company and the subsidiaries belonging to the group as of 31 December 2022. Unless otherwise stated, their share capital consists entirely of shares directly owned by the group, and the share of ownership corresponds to the group's voting rights.

The company's country of registration is also their main area of operation.

Subsidiaries

The table below shows the parent company and the subsidiaries belonging to the group as of 31 December 2022. Unless otherwise stated, their share capital consists entirely of shares directly owned by the group, and the share of ownership corresponds to the group's voting rights.

The company's country of registration is also their main area of operation.

The group's subsidiaries are all companies in which the group has control. Control arises when the group has more than half of the subsidiary's voting power, or otherwise has control over the subsidiary. The group has control over the company if, by being part of it, it is exposed to its variable return or is entitled to its variable return and is able to influence this return by using its power to direct the company's operations. Subsidiaries are combined in the consolidated financial statements in their entirety from the day the group acquires control.

Mutual share ownership is eliminated using the acquisition cost method. The acquisition cost is based on the fair value of the acquired assets at the time of acquisition, the issued equity instruments and the liabilities that were incurred or accepted at the time of the transaction. The identifiable assets, liabilities and contingent liabilities of the acquisition target are valued at the fair value at the time of acquisition, from which the share of non-controlling owners has not been deducted.

Intra-group business transactions, balances, and unrealized profits from business transactions between group companies are eliminated. The financial statements of the subsidiaries have been adjusted, if necessary, to reflect the principles of financial statement preparation followed in the group.

Verkkokauppa.com company structure

	Country	Ownership of shares % 31.12.2022
Parent compnay		
Verkkokauppa.com Oyj	Finland	
Subsidiaries		
e-ville.com Distribution Oy	Finland	100%
Arc Distribution Oy	Finland	100%
Digi Electronics Ltd	Hong Kong	100%
Digital Trading (shenzhen) Co. Ltd	China	100%

6.5 Effects of IFRS standards that become effective during or after the financial year

No IFRS amendments, IFRIC interpretations, or annual improvement or amendment to IFRS issued on or after 1 January 2022 have had a material impact on the 2022 Group financial statements.

In addition, no IFRS that come into effect later and would affect the result, financial position or notes of Verkkokauppa.com Oyj Group were known at the balance sheet date.

7 Notes to the consolidated financial statements

7.1 Segment reporting

Verkkokauppa.com Oyj Group reports on the operating segments in a manner consistent with the internal reporting to the chief operating decision maker. The chief operating decision maker of Verkkokauppa.com Oyj Group is the Board of Directors together with the CEO. The chief operating decision maker is responsible for allocating resources to operating segments and evaluating their performance.

Verkkokauppa.com Oyj Group has one reporting segment. All the aggregated operating segments share similar characteristics. Customers are the same in all operating segments that offer the same goods and services under the same terms in one main market, i.e. Finland. At the core of the Group's business model is a strong integration of webstore and retail stores, joint support functions serving the entire business as well as the volume benefits enabled by centralized business.

Due to the large number of customers and the nature of the business, sales to a single customer did not exceed 10 percent of total revenue in 2022 nor in 2021. The total revenue of the Group is mainly generated in one geographical area, Finland.

7.2 Revenue from contracts with customers

Revenue streams

The revenue streams of the Group consist of the sale of goods and services. The product range consists of more than 80,000 products from 26 main product areas that the Group sells to consumers through its own webstore and four retail stores in Finland. The services offered for sale by the Group include installation and maintenance services, subscriptions and visibility sales. The customers of Verkkokauppa.com Oyj Group are both consumers and businesses.

Revenue recognition from sale of goods

The sale of goods to the customer through the retail stores is recognized as revenue upon handover of the good when control is transferred. If the customer has chosen delivery, the sale is recognized when the customer assumes control of the goods.

The transaction price for sale of goods consists of the list price of the goods, the variable consideration for the right of return and the transportation fee where the customer has chosen delivery. In relation to the right of return, the Group uses the expected value method to calculate the return of products within 32 days of the right of return, and recognizes the refund liability (included in accrued liabilities) and the asset (included in accrued income) related to the returned goods.

Verkkokauppa.com Oyj offers its customers various payment methods, the most important of which is customer financing. However, regardless of the method of payment, the price of the good is always the same. By paying through the financing service, the customer is granted the ability to pay for their purchase in installments and Verkkokauppa.com Oyj receives interest on the capital loaned. In addition to Verkkokauppa.com Oyj, a third party may also act as the financier. Verkkokauppa.com Oyj's customers are also offered the Maksuluotto purchase financing solution, which is supplied by Salus Group Oy.

In cases where the customer chooses financing as the payment method and a third party acts as the financier, the revenue from the financing of the customer is treated as a variable element of the transaction price. The management of the Group considers that the estimate of this variable consideration is limited. If the revenue from customer financing were recognized at the time of the transfer of control, a significant reversal of sales revenue could potentially occur. Thus, Verkkokauppa.com Oyj recognizes the revenue from customer financing on a monthly basis according to the actuals.

In the case that Verkkokauppa.com Oyj finances a customer, the income from the financing component is recognized accordingly on a monthly basis according to the actual performance. Verkkokauppa.com sells all its overdue receivables on a "continuous trade" basis, where all receivables overdue for more than 60 days are sold to third parties. This reduces the risk of Group receivables.

The contracts with customers of Verkkokauppa.com Oyj do not contain any separate performance obligations that are to be recognized as income in different periods. The product warranties offered by the Group, third-year warranty and own-brand warranties are treated as assurance-type warranties because they do not render additional service to the customer. Assurance-type warranties are recognized as provisions. Detailed principles can be found in the note on *Provisions 7.24.*

Revenue recognition of sale of services

Revenue from the sale of customer contracts for installation and maintenance services is recognized when the service is performed. The duration of rendering services is short and the duration of the services is usually defined in hours. Revenue from visibility sales is mainly recognized by the Group over time, based on the passage of time. The time-based method of determining the degree of fulfillment is equivalent to an input. The customer will benefit from the visibility during the service. The transaction price of service sales contracts does not contain variable elements but mainly consists of fixed prices. A customer contract receivable is recognized if the billing for visibility services is less than the revenue recognized on an accrual basis. An asset based on a customer agreement is presented as part of accrued income in the balance sheet.

Gift cards

Verkkokauppa.com Group sells gift cards in the amount chosen by the customer. When a gift card is sold, a gift card liability is recorded. When the gift card is redeemed, sales revenue is recognized. Unredeemed gift cards are recognized as revenue when they expire. Gift cards are valid for one year from the date of purchase.

Presentation of revenue

Verkkokauppa.com Oyj Group presents in its net sales the sales revenue from customer contracts, net of indirect taxes. Verkkokauppa.com Oyj Group is the principal for the products and services it sells, except for subscriptions sold on behalf of telecommunications operators, in which case Verkkokauppa.com acts as agent and presents the commission portion in the revenue.

The management of Verkkokauppa.com Oyj has exercised judgment in classifying company-financed Apuraha customer funding revenue as revenue rather than financial income. The interpretation of the management of the Group is that offering customer financing is an integral part of the Group's business and business model.

The visibility the Group sells in-store, online and in various advertising media is presented as part of revenue, as it is part of the business model of Verkkokauppa.com Oyj Group and its ordinary business. To the extent that the consideration received is linked to the purchase volume of Verkkokauppa.com Oyj Group, the consideration received for visibility is mainly presented as purchase adjustments.

Disaggregation of revenue

The Group's revenue consists of revenue from the sale of customer contracts. Other types of income are specified in the notes on *Other operating income 7.3* and *Finance income and costs 7.9*. The Group's entire revenue is generated in its functional currency, the euro, and in one main market area, Finland.

Timing of satisfying performance obligations

Revenue recognized at one point in time relates to the sale of goods. For services, the Company mainly recognizes revenue over time

EUR thousand	2022	2021
At a point in time	537,544	569,424
Over time	5,573	5,090
Revenue, total	**543,117**	**574,514**

Revenue by external customer location

EUR thousand	2022	2021
Finland	502,991	534,954
Rest of the world	40,126	39,560
Revenue by external customer location	**543,117**	**574,514**

Income recognized from customer financing

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

The following table shows the income from company-funded customer financing recognized during the financial year, broken down into interest income recognized using the effective interest rate method and other income. Other income consists of other fees.

EUR thousand	2022	2021
Interest income recognized using effective interest rate method	3,088	2,778
Other income from company-financed customer financing	1,613	1,540
Income from company-funded Apuraha, total	**4,701**	**4,318**

Contract assets and liabilities

EUR thousand	31 Dec 2022	31 Dec 2021
Contract assets	2,053	1,807
Contract liabilities	2,186	2,128

Contract liabilities include the gift card liability and a repayment liability related to the right of return. Verkkokauppa.com Group gift cards are valid for one year from the date of purchase. Unredeemed gift cards are recognized as revenue when they expire. Verkkokauppa.com offers a 32-day right of return. The refund liability linked to the right of return is canceled at the end of the refund period. Contract liabilities have decreased in respect of refund liability due to a reduction in the relative amount of repayments.

During the financial year 2022, the amount recognized as revenue at the beginning of the period, included in the contract liabilities, was EUR 1,605 thousand (1,480).

7.3 Other operating income

In other operating income, the Group presents rental income, capital gains and other income that is not directly related to the Group's ordinary business operations.

Lease income is related to the sublease of right-of-use asset items. The related accounting policies are described in more detail in the note on *Leases 7.15.*

EUR thousand	2022	2021
Lease income from subleasing right-of-use assets	545	530
Other income	363	392
Other operating income, total	**908**	**922**

7.4 Materials and services

EUR thousand	2022	2021
Purchases during the financial year	448,436	494,566
Change in inventories	14,086	-12,419
External services		1,177
Materials and services, total	**462,522**	**483,323**

7.5 Employee benefits

Obligations related to short-term employee benefits

Short-term employee benefits include wages, including benefits in kind and annual leave pay payable within 12 months. Short-term employee benefits are recognized for work performed up to the balance sheet date under other liabilities and are measured at the amount expected to be paid when the liabilities are settled.

Pension obligations

The pension plan of Verkkokauppa.com Oyj Group is a defined contribution plan. Contributions to defined contribution pension schemes are paid to pension insurance companies, after which the Company no longer has any other payment obligations. Contributions to defined contribution pension plans are recognized as an expense in the income statement for the financial year to which they relate. The group's subsidiaries located in Asia do not have a pension plan provided by the company.

EUR thousand	2022	2021
Wages and salaries	31,960	29,285
Pension expenses – defined contribution plans	6,015	4,921
Share-based payments	31	198
Other personnel-related expenses	1,175	1,051
Voluntary employee benefits	1,979	1,538
Total employee benefits before capitalization	**41,159**	**36,994**
Capitalized employee benefits for the financial year		
Wages and salaries	-724	-353
Pension expenses – defined contribution plans	-157	-58
Other personnel-related expenses	-45	-12
Capitalized employee benefits for the financial year	**-926**	**-423**
Total employee benefits	**40,233**	**36,570**

Capitalized employee benefits are mainly related to the development of the Group's enterprise resource planning system, which is described in more detail in note *7.13 Intangible assets*, and to the logistics automation of the Jätkäsaari warehouse.

	2022	2021
Number of employees at the end of the financial year	838	825

The number of employees includes both full-time and part-time employees. The amount does not include temporary agency workers.

Information on management's employee benefits is presented in the note on *Remuneration of key management personnel 7.6.*

Share-based payment is described in more detail in *Share-based payments 7.12* in the notes to the financial statements.

7.6 Remuneration of key management personnel

Key management personnel include the members of the Board of Directors, CEO, and the members of management Team.

The Board's Remuneration committee prepares a reference framework for the remuneration, fees and other benefits of the company's CEO and management team, and the Board of Directors decides on the CEO's remuneration and other benefits. The chairman of the board approves the remuneration, bonuses and other benefits of the management team operating under the CEO.

Remuneration of the CEO and the management team

Short-term employee benefits

The short-term employee benefits of the CEO consist of a fixed salary and benefits in kind (such as a company car and phone) and an incentive bonus for achieving financial and operational targets. The short-term employee benefits of the Management Team consist of basic salary and benefits in kind (such as a company car and phone), and an incentive bonus for achieving financial and operational objectives.

The short-term compensation scheme consists of an annual bonus program with performance criteria (incentive bonus). The performance criteria and the determination of the remuneration are decided annually by the Board based on the proposal of the Remuneration Committee. The 2022 performance criteria were based on 25% of 2022 revenue and 75% of the Company's comparable operating profit. In addition, the Board of Directors may, at its discretion, decide to pay other lump sums (bonus).

Post-employment benefits

The CEO or members of the Management Team do not have any post-employment benefits.

Benefits payable in the event of termination

The notice period of the president and CEO is 12 months. If the company terminates the CEO, the CEO will receive compensation corresponding to a fixed salary of six months, pursuant to the CEO agreement. As a rule, the notice period for other members of the Management Team is six months and the corresponding compensation for certain persons corresponds, as a rule, to six months' salary at the time of termination of contract.

Share-based incentives

The company has the Performance Matching Share Plan 2020–2022. as a share-based incenntive for the CEO and management Team. The plan is designed to align the objectives of shareholders and management to increase the long-term value of the Company, to encourage management to invest personally in the Company's shares, to engage executives in the Company and to provide them with a competitive remuneration package based on the acquisition, earning and accumulation of the Company's shares.

The programs are described in more detail in the note on *Share-based payments 7.12*

The following table shows the remuneration of the president and CEO and the Executive Committee, as well as the shareholdings and holdings as a percentage of the total share capital. The amounts presented are performance-based. The share-based payments are based on an estimate of their realization at the end of the year. The performance share-based payment includes the cost effect on the financial year, regardless of the time of the share transfer.

Management remuneration

2022

EUR thousand	Panu Porkka, CEO	Management Team	2022, total
Short-term employee benefits			
Fixed basic salaries and fringe benefits	409	1,374	**1,783**
Incentive bonus	10	15	**25**
Statutory pension	78	217	**295**
Share-based payments			
Share-based payments			
Total	**498**	**1,606**	**2,104**
Shareholding, pcs	95,000	110,250	**205 250**
% of shares	0.21%	0.24%	**0.45%**

2021

EUR thousand	Panu Porkka, CEO	Management Team	2021, total
Short-term employee benefits			
Fixed basic salaries and fringe benefits	442	1,247	**1,688**
Incentive bonus	120	241	**361**
Statutory pension	92	245	**337**
Share-based payments			
Share-based payments	60	164	**224**
Total	**714**	**1,897**	**2,611**
Shareholding, pcs	90,000	183,922	**273 922**
% of shares	0.20%	0.41%	**0.61%**

Remuneration of the Board of Directors

The Annual General Meeting of Verkkokauppa.com Oyj elects the members of the Board of Directors annually and decides on their remuneration. The term of office of the members shall run until the close of the next Annual General Meeting. The members of the Board of Directors are not members of the share-based remuneration scheme, nor are they employed by Verkkokauppa.com Oyj.

The remuneration of the members of the Board of Directors consists of annual fees paid on the basis of their membership of the Board of Directors and committee fees paid either as an annual fee or as meetings fees. The fees vary depending on the member's role as Chair or Member of the Board or Committee. In addition, the members of the Board of Directors are reimbursed for reasonable actual travel and accommodation expenses and other possible costs related to Board and Committee work.

The Annual General Meeting of Verkkokauppa.com Oyj decided on 24 March 2022 that half of the annual remuneration of the members of the Board will be paid in shares of the Company after each quarterly announcement and the remaining part of the annual remuneration will be paid in cash, which will cover the taxes arising from the remuneration. During the financial year 2022, the company transferred 32,140 (14,501) treasury shares for the payment of the fees. Shares issued as fees do not have any restrictions on ownership or disposal.

The following table shows the total remuneration of the Board of Directors. The amounts presented are performance-based.

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EUR thousand	2022	2021
Board members, 31 Dec 2021		
Arja Talma, Chairman of the Board, Audit Committee vice-chairman, Remuneration Committee chairman	89	77
Christoffer Häggblom, Vice Chair of the Board	66	76
Kai Seikku, Chairman of the Audit Committee	51	52
Samuli Seppälä	35	36
Mikko Kärkkäinen (member since 25 Mar 2021)	35	26
Frida Ridderstolpe (member since 25 Mar 2021)	35	26
Johan Ryding (member since 25 Mar 2021)	39	26
Robert Burén (member until 25 Mar 2021)	-	10
Mikael Hagman (member until 4 Jan 2021)	-	1
Remuneration of the Board of Directors, total	**350**	**331**

The following tables show the shareholdings and holdings of the Board of Directors.

Shareholding, pcs	2022	2021
Arja Talma	23,780	15,290
Christoffer Häggblom	33,339	26,669
Kai Seikku	150,809	146,564
Samuli Seppälä	15,957,000	15,957,000
Mikko Kärkkäinen (member since 25 Mar 2021)	5,858	1,613
Frida Ridderstolpe (member since 25 Mar 2021)	5,858	1,613
Johan Ryding (member since 25 Mar 2021)	5,882	1,613
Number of shares, total	**16,182,526**	**16,150,362**

% of shares	2022	2021
Arja Talma	0.05%	0.03%
Christoffer Häggblom	0.07%	0.06%
Kai Seikku	0.33%	0.33%
Samuli Seppälä	35.18%	35.41%
Mikko Kärkkäinen (member since 25 Mar 2021)	0.01%	-
Frida Ridderstolpe (member since 25 Mar 2021)	0.01%	-
Johan Ryding (member since 25 Mar 2021)	0.01%	-
% of shares, total	**35.68%**	**35.83%**

7.7 Depreciation and amortization

EUR thousand	2022	2021
Intangible assets		
Development costs	362	283
Other intangible assets	125	93
Amortization of intangible assets, total	**487**	**375**
Property, plant and equipment		
Machinery and equipment	1,100	823
Other tangible assets	152	136
Depreciation of tangible assets, total	**1,252**	**959**
Right-of-use assets		
Premises and facilities	3,793	3,577
Machinery and equipment	19	72
Depreciation of right-of-use assets, total	**3,812**	**3,650**
Depreciation and amortization, total	**5,552**	**4,983**

7.8 Other operating expenses

EUR thousand	2022	2021
Premises maintenance and operation costs	7,101	6,305
Financial transactions expenses	1,918	2,246
Marketing	8,166	8,389
Administrative services	15,780	10,298
Other expenses	470	3,024
Other operating expenses, total	**33,434**	**30,263**

Auditor fees

EUR thousand	2022	2021
Statutory audit	155	104
Other services	20	-
Auditor fees, total	**175**	**104**

The audit firm selected by the Annual General Meeting is Price-waterhouseCoopers Oy. The services performed by Pricewaterhouse-Coopers Oy in 2022 mainly consisted of the company's audit services.

7.9 Finance income and expenses

Finance income

EUR thousand	2022	2021
Interest income	16	5
Finance income, total	**16**	**6**

Finance costs

EUR thousand	2022	2021
Lease liability interest	1,071	1,198
Other interest costs	352	30
Other finance costs	50	45
Exchange rate differences on cash and cash equivalents	212	79
Finance costs, total	**1,686**	**1,352**

In addition to financial income and costs, exchange rate differences have been recognized as adjustments to purchases for the financial year.

7.10 Income taxes

The income taxes of the consolidated income statement are calculated on the basis of the taxable profit for the financial year, tax adjustments for earlier reporting periods as well changes in deferred tax liabilities and assets are recognized in the income taxes item in the income statement. The tax effect of items recognized directly in equity is respectively recognized as part of equity. The current tax charge is calculated based on taxable income at the rate fixed on the balance sheet date. The country of registration of each group company is presented in note 6.4 Group information.

Income taxes in the income statement

EUR thousand	2022	2021
Current taxes	399	3,796
Taxes from previous financial periods	20	0
Change in deferred taxes	-129	60
Income taxes, total	**291**	**3,856**

The company has no pending tax disputes.

Reconciliation of the effective tax rate

EUR thousand	2022	2021
Profit before income taxes	615	18,949
Taxes calculated at the Finnish tax rate 20%	123	3,790
Effect of tax-exempt income and non-deductible expenses	168	66
Previously unrecorded fiscal utilization of losses		
Income taxes from previous accounting periods	20	-
Other	-273	-
Unrecognized deferred tax assets from tax losses	253	-
Income taxes recognized in the income statement, total	**291**	**3,856**

The Finnish corporate tax rate was 20 percent in the financial statements for the financial years 2022 and 2021.

Taxes related to other comprehensive income items

2022

EUR thousand	Before taxes	Tax effect	After taxes
Changes in fair values of equity investments	72	-14	58
Other comprehensive income items of the financial year, total	**72**	**-14**	**58**

2021

EUR thousand	Before taxes	Tax effect	After taxes
Changes in fair values of equity investments	-	-	-
Other comprehensive income items of the financial year, total	**0**	**0**	**0**

Changes in deferred tax assets and liabilities are presented in the note on *7.16 Deferred tax assets and liabilities*.

7.11 Earnings per share

Basic earnings per share are calculated by dividing the result for the financial year attributable to the shareholders by the weighted average number of shares outstanding during the financial year. For the calculation of diluted earnings per share, the weighted average number of shares takes into account the dilutive effect of all potentially dilutive shares.

	2022	2021
Earnings per share, basic		
Profit for the year attributable to shareholders, EUR thousand	324	15,093
Weighted average number of outstanding shares, pcs	45,083,275	44,731,007
Basic earnings per share, EUR	**0.01**	**0.34**
Earnings per share, diluted		
Profit for the year attributable to shareholders, EUR thousand	324	15,093
Potentially dilutive shares of share-based incentive plan, pcs	318,333	473,916
Diluted weighted average number of outstanding shares, pcs	45,401,608	45,204,923
Diluted earnings per share, EUR	**0.01**	**0.33**

Further information on the number of shares is presented in the note on *Equity 7.20*.

7.12 Share-based payments

The Group has a share-based incentive plan that is classified as equity-based payment arrangement with a net settlement feature. The Company will, on behalf of the employee, withhold an amount of shares of the share reward that will cover the taxes and parafiscal charges paid in cash.

The benefits granted under the plan are measured at the fair value the share of Verkkokauppa.com Oyj at the grant date and are amortized over the earning and commitment periods. The expense is presented in the employee benefit expenses. For equity-settled share-based payment arrangements, an increase corresponding to the expense entry in the income statement is recognized in equity.

Information on the share-based incentive plan

At the end of December, Verkkokauppa.com has one share-based incentive system for the CEO and members of the management team, the Performance Matching Share Plan 2020–2022.The plan is designed to align the objectives of shareholders and management to increase the long-term value of the Company, to encourage management to invest personally in the Company's shares, to engage executives in the Company and to provide them with a competitive remuneration package based on the acquisition, earning and accumulation of the Company's shares.

Matching Share Plan 2018–2020

Under the Matching Share Plan 2018–2020, a person may earn an additional number of shares, as determined by the Board of Directors, based on their investment in Verkkokauppa.com Oyj shares. The Matching Share Plan has two commitment periods: 2018–2020 and 2019–2021. The fees to be paid for the commitment period 2018–2020 correspond to the value of a maximum of 50,000 Verkkokauppa.com Oyj shares and for the commitment period 2019–2021 to the value of a maximum of 45,000 Verkkokauppa.com Oyj shares, including the proportion payable in cash.

In March 2021, the Board of Directors decided on a directed free share issue in order to pay the share rewards under the Matching Share Plan 2018–2020 for the first commitment period 2018–2020. On 2 March 2021, a total of 15,000 treasury shares were transferred to five key personnel in accordance with the terms of the plan. In addition, part of the remuneration was paid in cash to cover taxes and parafiscal charges incurred by the participant in connection with the remuneration. No new shares were issued at the time of payment of the share premium and the decision, therefore, had no dilutive 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

Under the Performance Matching Share Plan 2020–2022, a person can earn additional shares based on their investment in Verkkokauppa.com Oyj shares and the Total Shareholder Return (TSR) of the share. The Performance Matching Share Plan includes one earnings period covering the calendar years 2020–2022. The reward to be paid to the participant shall be determined by the achievement of the TSR target levels set by the Board of Directors. A maximum of three additional performance-based matching shares will be paid as a reward for each allocated share. Participation and remuneration are subject to the condition that the participant will allocate freely transferable company shares held by it to the program or acquire company shares up to an amount determined by the Board of Directors. The payment of the premium shall also be based on the duration of the participant's employment or service at the time of payment of the premium. As a general rule, the premium shall not be paid if the employment or service of the participant ends before the payment of the premium.

The program covers five people, the Managing Director and four members of the Management Team. The participant is entitled to receive gross shares on the basis of the plan, but receives a net amount of shares after the withholding of the advance. The company will retain some of the shares in order to pay appropriate withholding tax to the tax authorities. The rewards payable under the plan are estimated to be equivalent to the value of approximately 318 333 Verkkokauppa.com Oyj shares (gross amount).

2020–2022 Plan	
Grant date	7 Feb 2020
Vesting start date	1 Jan 2023
Vesting conditions	Share ownership and employment
Payment method	Shares and cash
Share price at grant date, EUR	3.60
Fair value of share at grant date, EUR*	4.19
Estimated number of participants at end of vesting period, %	100%
Estimate change in shares associated with the plan, %	2%
Number of plan participants	5

* The fair value of the share at the grant date is the current value of the share less the estimated dividends to be paid out during the commitment period.

Effect of share-based payments on the operating result

EUR thousand	2022	2021
Expenses related to share-based payments in the income statement	31	198
Total	**31**	**198**

Effect of share-based payments on the balance sheet

EUR thousand	2022	2021
Recognized in equity	428	506
Total	**428**	**506**

7.13 Intangible assets

Intangible assets of Verkkokauppa.com Oyj Group consist of capitalized development costs and other intangible assets.

An intangible asset is recognized when its cost can be measured reliably and it is probable that the economic benefits associated with the asset will flow to the Group. The residual values and the useful lives of the assets shall be reviewed at least at the end of each financial year and adjusted, if necessary, to reflect changes in the expectations of economic benefits. In addition to goodwill, the Group does not have any other intangible assets with an indefinite useful life and no interest costs related to the acquisition of assets that have been capitalized as part of the cost of acquisition.

Annual impairment tests are carried out on the Group's goodwill and intangible assets that are not yet ready for use. In addition, on every balance sheet date, the management of the Group assesses whether there is any evidence of impairment regarding other intangible assets. In case such evidence is present, an estimate is made of the recoverable amount of the asset, which is the fair value of the asset less costs of disposal or a higher value in use. In many cases, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment is recognized in the income statement. The recognized impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount of the asset. The cancellation takes place up to the maximum amount which asset would have been assigned the book value minus depreciation if no impairment loss had been recorded for it in previous years.

Goodwill

The goodwill arising from the combination of businesses is recorded in the amount by which the transferred consideration, the share of the non-controlling owners in the target of the acquisition and the previously owned share combined exceed the fair value of the acquired net assets. Goodwill is not depreciation, but is tested for possible impairment every year and also whenever there are indications of impairment.

Goodwill related considerations

In impairment testing, the group has to evaluate indications of impairment using both internal and external sources of information. Group management must make judgments when analyzing information from these sources and drawing conclusions. When determining the value in use, the group makes estimates of future market development, such as growth rates and profitability. The most significant factors underlying the estimates are the average level of the operating profit margin (operating profit/turnover) and the discount rate. Changes in these assumptions may materially affect estimated future cash flows. More information on the sensitivity of the recoverable amount to changes in the assumptions used is presented in the paragraph goodwill and impairment testing.

Research and development expenditure

Research and development costs are expensed in the accounting period in which they are incurred, except for development costs that meet the criteria for capitalization. Development expenditure is capitalized as an intangible asset when it can be demonstrated how the development project will generate probable economic benefits and the expenditure incurred during the development phase can be measured reliably. Capitalized development costs are presented as a separate item and amortized over their useful life. Development expenditure previously expensed is not capitalized in subsequent periods.

The Group has a self-developed enterprise resource planning (ERP) system, the development costs of which are capitalized by the Company to the extent that the capitalization criteria are deemed to be met. The direct costs of production have been capitalized as acquisition costs. Capitalized development costs are amortized on a straight-line basis over their useful life. The estimated economic impact of capitalized development expenditure is three years.

Other intangible assets

Other intangible assets are recorded in the balance sheet at their original cost and amortized on a straight-line basis over their useful lives. The economic life of intangible assets has been estimated at five years. The intangible assets of the Group consist mainly of intangible rights, IT software and licenses.

EUR thousand	Development costs	Other intangible assets	Advance payments and work in progress	Consolidated goodwill	Total
Cost 1 Jan 2022	3,246	1,777	392		**5,415**
Increases	137	680	2,137	**2,846**	**5,801**
Cost 31 Dec 2022	3,383	2,457	2,530	**2,846**	**11,216**
Accumulated amortization and impairment 1 Jan 2022	-2,743	-1,308			**-4,051**
Amortization for the financial year	-242	-245			**-487**
Accumulated amortization and impairment 31 Dec 2022	-2,986	-1,553			**-4,539**
Carrying amount 1 Jan 2022	**502**	**469**	**392**		**1,364**
Carrying amount 31 Dec 2022	**397**	**904**	**2,530**	**2,846**	**6,677**

EUR thousand	Development costs	Other intangible assets	Advance payments and work in progress	Consolidated goodwill	Total
Cost 1 Jan 2021	2,896	1,268	348	0	**4,511**
Increases	350	509	45	-	**903**
Cost 31 Dec 2021	3,246	1,777	392	-	**5,415**
Accumulated amortization and impairment 1 Jan 2021	-2,461	-1,215	0	-	**-3,676**
amortization for the financial year	-283	-93	0	-	**-375**
Accumulated amortization and impairment 31 Dec 2021	-2,743	-1,308	0	-	**-4,051**
Carrying amount 1 Jan 2021	**435**	**53**	**348**	**0**	**835**
Carrying amount 31 Dec 2021	**502**	**469**	**392**	**0**	**1,364**

Capitalized development costs relate to the development of new features of the Company's ERP system.

The Group has no investment commitments in relation to intangible assets.

Goodwill and impairment testing

Goodwill is created in connection with business transactions as the difference between the fair values of the assets and liabilities included in the agreed acquisition and the purchase price paid. No depreciation is recorded on goodwill, but it is tested for possible impairment at least annually, but always whenever there are indications of impairment. Goodwill testing is a process that requires management judgment. Verkkokauppa.com uses both internal and external data sources in this process. Consideration is used, among other things, in preparing cash flows, determining the discount rate, defining cash flow generating units and allocating goodwill. Revenue, operating profit and net working capital forecasts are based on the company's long-term forecasts.

Verkkokauppa.com's impairment testing has been conducted at the operating segment level. Cash-generating units, i.e. Verkkokauppa.com's individual stores and online store, are tested for impairment by comparing the book value of the cash-generating unit group with its recoverable amount. The book value to be tested includes goodwill, intangible and tangible assets, and net working capital. Annual impairment testing of goodwill is performed by the last day of the financial year, however, always also when there are indications that the recoverable amount of an asset or a group of cash-generating units is below book value. In addition to goodwill, the Group does not have any other intangible assets that are considered to have an unlimited useful life.

An impairment loss is the amount by which the book value of an asset or cash-generating group exceeds the recoverable amount of the corresponding item. The impairment loss is recorded immediately with an effect on profit. Recording an impairment loss weakens the group's profit and thus equity, but it has no effect on the group's cash flows.

The discount rate

In testing the Group's goodwill, the recoverable amount is based on the value in use (present value), which is determined by discounting the estimated future net cash flows at the time of review. Assumptions about the growth of cash flows and the improvement of profitability describe the management's perception of the development of sales and costs in the forecast period. The weighted average cost of capital (WACC) calculated for Verkkokauppa.com before taxes has been used as the discount rate for the amount to be collected. The components of the yield requirement are e.g. risk-free rate, equity beta and market risk premium.

Key Assumptions	3-year average	Residual value
Used discount rate - Stores	9,70 %	9,70 %
Used discount rate - Online shop	8,80 %	8,80 %
Used discount rate - Wholesale	9,50 %	9,50 %
Combined revenue growth assumption	3,40 %	2,00 %
Combined gross margin %	16,5 %	16,7 %
Combined operating profit% assumption	2,40 %	2,70 %
Combined investments M€	3,2	3,9

According to Verkkokauppa.com's sensitivity analysis, a -1% percentage point change in sales margin % would cause a situation where the accounting value of the unit would exceed the recoverable amount. In other key assumptions, a similar situation was not observed in somewhat possible changes.

7.14 Tangible assets

The tangible assets of Verkkokauppa.com Oyj Group include land, servers, other office and warehouse equipment and devices, as well as basic improvements to rental premises.

Tangible assets have been valued in the balance sheet at the original cost less depreciation and impairment. Tangible assets are depreciated on a straight-line basis over the useful life of the asset from the moment the asset is put into use. Real estate is not subject to depreciation. The estimated useful lives of tangible assets are as follows:

Machinery and equipment	3–10 years
Other tangible assets	5–10 years

The residual values and the useful lives of the assets shall be reviewed at least at the end of each financial year and adjusted, if necessary, to reflect changes in the expectations of economic benefits.

Normal maintenance and repair costs are recognized in the income statement as an expense at the time they are incurred. Significant improvements or additional investments are capitalized as part of the cost of the asset and amortized over the remaining useful life of the capital asset if it is probable that future economic benefits associated with the asset will flow to the company. Gains on sales from the write-offs and disposals of tangible assets are presented in other operating income in the income statement, and losses in other operating expenses in the income statement. The Group has no interest expenses related to the acquisition of assets that would have been capitalized as part of the cost of acquisition.

The same principles apply to the assessment of impairment as for intangible assets. The principles are described as part of the notes on intangible assets.

EUR thousand	Land	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total
Cost 1 Jan 2022	2	8,717	3,012	2,412	**14,142**
Increases	-	4,355	38	2,417	**6,811**
Additions, internal reorganisations		4 006	11	-4,017	**0**
Cost 31 Dec 2022	2	13,072	3,050	812	**16,936**
Accumulated depreciation 1 Jan 2022	-	-6,463	-2,465		**-8,928**
Depreciation for the financial year	-	-1,103	-152		**-1,255**
Accumulated depreciation 31 Dec 2022	-	-7,566	-2,617		**-10,183**
Carrying amount 1 Jan 2022	**2**	**2,254**	**546**	**2,412**	**5,214**
Carrying amount 31 Dec 2022	**2**	**5,506**	**433**	**812**	**6,752**

EUR thousand	Land	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total
Cost 1 Jan 2021	2	7,323	2,792	75	**10,191**
Increases	-	1,394	220	2,337	**3,951**
Disposals	-				
Transfers between items	-				
Cost 31 Dec 2021	2	8,717	3,012	2,412	**14,142**
Accumulated depreciation 1 Jan 2021	-	-5,640	-2,330		**-7,970**
Depreciation for the financial year	-	-823	-136		**-959**
Accumulated depreciation 31 Dec 2021	-	-6,463	-2,465		**-8,928**
Carrying amount 1 Jan 2021	**2**	**1,683**	**462**	**75**	**2,222**
Carrying amount 31 Dec 2021	**2**	**2,254**	**546**	**2,412**	**5,214**

The company has no investment commitments in relation to tangible assets.

7.15 Leases

Leases wherein the Group is the lessee

Recognition of leases

At the time the contract was entered into, the Company will assess whether the contract is a lease or whether the contract contains a lease element. The Company recognizes a right-of-use asset and a lease liability at the inception of the lease, except for leases with a short lease term (less than 12 months) and leases with a low value. Rental costs for short-term and low-value leases are recognized in the income statement under other operating expenses on a straight-line basis over the term of the lease.

Measurement and recognition of lease liability

The lease liability is measured at the present value of the lease payments not paid at the commencement date of the contract. The lease payments are discounted at the interest rate implicit in the lease if that interest rate can be easily determined. If the interest rate cannot be easily determined, the interest rate of the Company's incremental borrowing rate shall be used.

The lease agreement for the Jätkäsaari real estate, which covers approximately 69% of the balance sheet of the lease liabilities, has used the interest rate implicit in the lease contract. In other lease agreements, the interest rate of the Company's incremental borrowing rate has been used as the discount rate. The changes in the Company's financing position have been taken into consideration in determining the incremental borrowing rate in determining the risk premium. Discount rates vary between 1.3% and 7.0%.

The lease payments included in the value of the lease liability at the commencement date consist of fixed payments less available incentives related to lease contracts, variable rent based on index, purchase option exercise prices (when reasonably certain), amounts of residual value guarantees and penalties for termination of lease contracts, if the lease term has taken into account that the lessee exercises the option to terminate the lease.

There are no termination options in the leases of Verkkokauppa.com Oyj that have been taken into account in the calculation. Lease contracts with purchase options are related to machinery and equipment and are not significant.

The lease liability is measured at amortized cost using the effective interest method. Revaluation of the lease liability shall be carried out if there is a change in the lease term, the use of the purchase option becomes or ceases to be reasonably certain, the index used to calculate variable lease payments changes or if there is a change in the expected payments on the basis of residual value guarantees. The discount rate to be used for the revaluation depends on the nature of the change.

The payments for all the leases of the Company real estate and facilities are linked to the cost-of-living index. The Company will make revaluations of its lease liability and the right-of-use asset when the index changes.

In those contracts where the lease component and the non-lease component must be separated, the distinction is made on the basis of relative stand-alone selling prices. The Company has office space leases in which the lease component is separated from the service component. The stand-alone price is based on the estimated levels of capital rents for the region in question.

The lease term used to calculate the lease liability is the period during which the lease is non-cancelable, plus the period of the renewal or termination option if it is reasonably certain that the lessee will exercise the renewal option or not exercise the termination option. The Company has extension options related to its real estate. These are not taken into account in the lease term. The decision on extension options is made on a commercial basis when the lessor is to be informed of the use of the extension option. The management of the Company has taken into consideration the business model of the Company and the agility expected in it in relation to the physical market place in an ever-changing business environment when assessing the probability of the realization of extension options.

Measurement of right-of-use assets

The right-of-use asset is measured at cost at the commencement date of the lease. The cost comprises the initial amount of the lease liability at the commencement date, the lease payments less the incentives received under the lease, the initial direct costs and any costs of restoration.

The Company has not recognized the initial direct costs in its leases. The amounts of restoration costs are estimated to be immaterial given the nature of the business and no provision has been recognized for them.

The Company measures the right-of-use assets in accordance with the cost model. Under the cost model, a right-of-use asset is measured at cost less accumulated depreciation and adjusted for the remeasurement of the lease liability. The right-of-use assets are depreciated on a straight-line basis over the useful life of the asset from the moment the asset is put into service In case the lease term is shorter than the useful life, depreciations are done over the lease term. The estimated depreciation periods are as follows:

Machinery and equipment	4–7 years
Real estate and premises	2–15 years

Subleases

The Company has short-term sublease agreements, which are recognized as income on a straight-line basis over the lease term. Lease income is presented in other operating income in the income statement. These sublease agreements are not material.

Description of the Group's lease portfolio

The Group's lease portfolio consists of real estate and facilities leases, as well as leased cars. The real estate lease means the Jätkäsaari real estate that comprises the stores as well as the logistics, office and other spaces. In other aspects, the retail stores are real estate leases.

The lease agreements include several short options for future extension. The leases are not linked to revenue but to the cost-of-living index and are, therefore, taken into account in the calculation of the lease liability. The leases do not include residual value guarantees or purchase options.

At the end of the accounting period, the group does not have any leasing contracts related to cars, machines or equipment.

Right-of-use assets

EUR thousand	Premises and facilities	Machinery and equipment	Total
Cost 1 Jan 2022	35,269	1,662	**36,931**
Increases	130		**130**
Disposals	-11	-42	**-53**
Increase/decrease due to remeasurement	808		**808**
Cost 31 Dec 2022	36,196	1,620	**37,816**
Accumulated depreciation 1 Jan 2022	-19,538	-1,616	**-21,154**
Accumulated depreciation on disposals		16	**16**
Depreciation for the financial year	-3,793	-19	**-3,812**
Accumulated depreciation 31 Dec 2022	-23,331	-1,620	**-24,950**
Carrying amount 1 Jan 2022	**15,731**	**45**	**15,776**
Carrying amount 31 Dec 2022	**12,865**	**0**	**12,866**

EUR thousand	Premises and facilities	Machinery and equipment	Total
Cost 1 Jan 2021	33,181	1,671	**34,852**
Increases	1,202		**1,202**
Disposals		-9	**-9**
Increase/decrease due to remeasurement	887		**887**
Cost 31 Dec 2021	35,269	1,662	**36,931**
Accumulated depreciation 1 Jan 2021	-15,961	-1,544	**-17,505**
Accumulated depreciation on disposals			**0**
Depreciation for the financial year	-3,577	-72	**-3,650**
Accumulated depreciation 31 Dec 2021	-19,538	-1,688	**-21,154**
Carrying amount 1 Jan 2021	**17,220**	**127**	**17,347**
Carrying amount 31 Dec 2021	**15,731**	**45**	**15,776**

The remeasurements carried out in 2022 and 2021 relate to index increases in lease contracts and to renegotiated leases.

Lease liabilities

Maturity analysis, contractual undiscounted cash flows

EUR thousand	31 Dec 2022	31 Dec 2021
Less than one year	5,248	5,055
From one to five years	13,501	18,048
Undiscounted lease liabilities, total	**18,749**	**23,103**

Lease liabilities in the balance sheet

EUR thousand	31 Dec 2022	31 Dec 2021
Current lease liabilities	4,477	4,034
Non-current lease liabilities	12,334	16,105
Lease liabilities, total	**16,812**	**20,139**

Items recognized in the income statement

EUR thousand	2022	2021
Depreciations on right-of-use assets	3,812	3,650
Interests on lease liabilities	1,071	1,198
Lease income from subleasing right-of-use assets	545	530
Expenses related to leases of low-value assets	60	57

Items recognized in the cash flow statement

EUR thousand	2022	2021
Total cash outflow for leases	-5,308	-5,065

7.16 Deferred tax assets and liabilities

The deferred tax is calculated from the temporary differences between the carrying amount and the tax base, using either the tax rate in force at the balance sheet date or a known tax rate that will come into force at a later date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilized.

Change in deferred tax assets

EUR thousand	1 Jan 2022	Recognized through profit or loss	Recognized in equity	31 Dec 2022
Leases	851	-45	-	806
Inventories	102	-59	-	43
Share-based payments	101	-16	-	86
Provisions	179	-30	-	148
Eliminations of Group inventories	-	2	-	2
Non-deductible expenses related to the acquisition of group companies	-	131	-	131
Earn-out costs from the conditional purchase price	-	83	-	83
Profit from sales of investments designated as at FV-TOCI	-	-14	14	-
Unused tax depreciation	56	24	-	80
Deferred tax assets, total	**1,289**	**105**	**14**	**1,380**

EUR thousand	1 Jan 2021	Recognized through profit or loss	Recognized in equity	31 Dec 2021
Leases	898	-46	-	851
Inventories	90	12	-	102
Share-based payments	110	-9	-	101
Provisions	153	26	-	179
Unused tax depreciation	99	-43	-	56
Deferred tax assets, total	**1,350**	**-60**	**-**	**1,290**

For the tax loss of the group companies, EUR -1.27 million (0), no deferred tax asset has been recorded for the financial year.

Change in deferred tax liabilities

EUR thousand	1 Jan 2022	Additions during the accounting period	Recognized through profit or lossy	Recognized in equity	31 Dec 2022
Fair value adjustments made in connection with the acquisition of a subsidiary	-	128	-24	-	**103**
Deferred tax liabilities, total	**-**	**128**	**-24**	**-**	**103**

7.17 Trade receivables and other receivables

Trade receivables are receivables arising from goods or services sold to customers in the ordinary course of business. Other receivables are contract assets, other accrued income and financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables and other receivables are classified as current assets if customer payment in respect of them is expected within one year. Otherwise, they are presented as non-current assets. Non-current trade receivables are receivables related to customer financing and in current trade receivables they represent approximately 73% (2021; approximately 62%) of the balance sheet value of current trade receivables.

The principles relating to impairment are explained in the note on *Financial risk management.7.22.3*

Changes in the contractual assets are explained in the note on *Revenue from contracts with customers 7.2.*

EUR thousand	31 Dec 2022	31 Dec 2021
Non-current		
Trade receivables	5,615	3,817
Other non-current receivables	397	425
Non-current receivables, total	**6,012**	**4,241**
Current		
Trade receivables	28,833	23,124
Contract assets	2,691	1,807
Other accrued income	8,557	6,820
Income tax receivables	**49**	**0**
Other receivables	2,392	3,699
Current receivables, total	**42,522**	**35,450**
Non-current and current receivables, total	**48,534**	**39,692**

Aging analysis of trade receivables

	31 Dec 2022		31 Dec 2021	
EUR thousand	Trade receivables	Loss allowance	Trade receivables	Loss allowance
Not due	29,984	259	22,771	229
Past due 1–60 days	4,942	323	4,629	280
Past due 61–120 days	211	114	135	87
Past due over 121 days	155	147	233	233
Total	**35,291**	**843**	**27,769**	**829**

The bad debt allowance for trade receivables as at 31 December reconcile to opening bad debt allowance as follows

EUR thousand	2022	2021
Opening bad debt allowance at 1 January	829	1,123
Increase in bad debt allowance recognized in profit or loss during year	1,319	354
Receivables written of during the year as uncollectible	-1,251	-1,081
Unused amount reversed	-53	433
Closing bad debt allowance at 31 December	**843**	**829**

During the financial period, the Group recognized net credit losses on trade receivables totaling EUR 1 319 (806) thousand. Verkkokauppa. com Group sells all its overdue receivables on a “continuous trade” basis, where all receivables overdue for more than 60 days and financed by the Company itself are sold to third parties. This reduces the Company’s accounts receivable risk.

7.18 Inventory

The Group’s inventory consists of finished goods for sale, in-store demonstration equipment and serviced products.

Inventories are valued at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

The cost of inventory is determined using the first-in, first-out (FIFO) method. The cost includes direct costs incurred in connection with the acquisition, net of rebates.

The revenue rate of products and the possible reduction of the net realizable value below cost are regularly assessed and, if necessary, an impairment of inventories is recorded. In addition, the Group separately recognizes write-down for older items according to the inventory dates.

EUR thousand	31 Dec 2022	31 Dec 2021
Goods	74,767	87,803
Total	**74,767**	**87,803**

The Group has recorded a total of EUR 4.1 (1.6) million in inventories. The entries have adjusted the book value of the inventory to reflect its actual net realizable value. The amount for the fiscal year 2023 includes a write-down of 1.6 million euros related to inventory. This is part of the group’s adaptation program, in which it enhances its product selection

7.19 Cash and cash equivalents

Cash and cash equivalents consist of cash assets and balances on bank accounts. Cash and cash equivalents belong to the category of financial assets measured at amortized cost. No impairment is recognized on cash and cash equivalents, as the cash is held with well-rated Nordic banks and the related impairment is considered immaterial.

EUR thousand	31 Dec 2022	31 Dec 2021
Cash in hand and at banks	21,210	20,917
Total	**21,210**	**20,917**

The Company’s cash assets were fully available at the balance sheet date.

7.20 Business combinations

The identifiable assets and liabilities acquired in connection with a business combination are measured at fair value at the time of acquisition and the costs related to the acquisition are recognized as expenses. Goodwill arising in a business combination is recognized at the amount by which the consideration given, the non-controlling interests in the acquiree and the previously held interests in the acquiree combined exceed the fair value of the net assets acquired. If the amount by which the consideration given, the non-controlling interests in the acquiree and the previously held interests in the acquiree combined fall below the fair value of the net assets acquired, the difference is recognized through profit or loss as a gain on a favorable transaction.

Acquisitions for the fiscal year 2022

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 in 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	Value of acquired assets
Paid in cash	3,250
Directed issue shares	1,403
Adjustments	-677
Total	**3,976**

As part of the financing of the transaction, Verkkokauppa.com's board decided to carry out a directed share issue of 1.4 million euros. 289,402 new shares were issued and their subscription price, which is based on the average price weighted by the exchange of Verkkokauppa.com shares in Nasdaq Helsinki Oy for the 30-day period prior to February 9, 2022, is EUR 6.91 per share.

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

EUR thousand	Total
Cash and cash equivalents	293.3
Trade receivables	407.0
Inventory	1,166.9
Other receivables	29.5
Prepaid expenses	826.0
Machinery and equipment	20.6
Total assets	**2,743.3**
Prepayments	139.7
Trade payables	330.0
Other payables/liabilities	157.3
Accrued income	38.5
Short term liabilities	1,644.2
Other long term liabilities	0.9
Total liabilities	**2,310.5**
Acquired identifiable net assets	**506.1**
Customer related intangibles	426.0
Marketing related intangibles	225.0
Goodwill	2,946.7
Deferred tax liability	-127.9
Acquired net assets	**3,975.9**

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 2.9 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.

7.20.1 Effect of the acquisition on the group's January-December interim report

Revenue and profit/loss for the period for the acquired company
Since the acquisition date (1 April 2022), the acquisition has contributed EUR 5.4 million on the Group's revenue and EUR -1.4 million negative impact on Group's operating result.
Since the beginning of the financial year (January 1, 2022), the effect of the acquisition on the group's net sales has been 7.8 million euros, and it has had no effect 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 31 December 2022, management estimated the additional purchase price to amount to EUR 1.5 million of which EUR 0.4 million was reported as costs in year 2022. It is recognized as Item affecting the comparability.

Verkkokauppa.com company structure

	Country	Ownership of shares % 31.12.2022	Share of votes % 31.12.2022	Business
Parent compnay				
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

7.21 Equity

Treasury shares

The acquisition of treasury shares, together with the related costs, is presented as a deduction of equity.

Dividend distribution

The dividend proposed by the Board of Directors to the Annual General Meeting has not been deducted from equity, but instead is recognized on the basis of the decision of the Annual General Meeting.

Share capital and treasury shares

	Outstanding shares, pcs (1,000)	Number of treasury shares, pcs (1,000)	Number of shares, pcs (1,000)	Share capital carrying amount, EUR thousand
1 Jan 2022	**44,742**	**323**	**45,065**	**100**
Acquisition of treasury shares	-	-	-	-
Proceeds from issue of share capital	289	-	289	-
Transfer of treasury shares, Board of Directors' remuneration	20	-20	-	-
Transfer of treasury shares, share-based incentive scheme	32	-32	-	-
31 Dec 2022	**45,083**	**271**	**45,355**	**100**

	Outstanding shares, pcs (1 000)	Number of treasury shares, pcs (1 000)	Number of shares, pcs (1 000)	Share capital carrying amount, EUR thousand
1 Jan 2021	44,712	353	45,065	100
Acquisition of treasury shares	15	-15	-	-
Transfer of treasury shares, Board of Directors' remuneration	15	-15	-	-
31 Dec 2021	44,742	323	45,065	100

Verkkokauppa.com Oyj Group has one share class. The share has no nominal value. Each share entitles its holder to one vote at the Annual General Meeting. All issued shares have been fully paid out. At the end of the financial year 2022, the share capital of Verkkokauppa.com Oyj was EUR 100,000 and the number of shares was 45,083 275 including 271,257 (323,397) treasury shares held by the Company. During the financial years 2021–2022, the company has not acquired its own shares.

Fair value reserve

The fair value reserve is a fund that is based on equity investments measured at fair value.

Invested unrestricted equity fund

The invested unrestricted equity fund includes the subscription price of the shares to the extent that they are not entered into share capital on the basis of a separate decision.

Capital management

The aim of the Group's capital management is to support the business through an optimal capital structure by ensuring normal operating conditions. The Group assesses the development and adequacy of its capital structure and equity ratio. Capital management aims to ensure cost-effectively the Group's operating conditions at a competitive level in all business cycles, adequate risk-bearing capacity and good debt management and dividend payment capacity. The objective of capital management is to increase shareholder value and achieve the best possible profit.

The Group has not applied for a credit rating from any external credit rating institution. Capital management is based on continuous monitoring of the objectives set by the Board and of the external financing and defined thresholds, as well as on the approval and implementation of balancing measures in case of any deviations. On the basis of the information it is provided, the Board of Directors evaluates the effects of any deviation and takes the necessary capital management decisions. The Group's net gearing target is defined and monitored as part of normal reporting. The ratio of net liabilities to equity is -2.2% (-52%) as one of the key indicators for the overall management of the balance sheet. The Group evaluates financing needs on a case-by-case basis considering the cyclical nature of business as well as potential business acquisitions.

At the end of the financial year 2022, the Group had revolving credit facilities totaling EUR 20 million that had not been utilized. The terms of the covenants are described in note *7.22.3 Financial risk management.*

EUR thousand	2022	2021
Net debt	-19,745	778
Total shareholders' equity	26,470	35,683
Net debt to equity ratio	-74,6 %	2,2 %

The ratio of net debt to equity remained negative (-2.2%). Both net debt and gross assets decreased during the financial year 2021.

Dividends

Dividends paid

2022

For the previous year	Date of payment	Dividend per share, EUR
	4 Apr 2022	0.060
	9 May 2022	0.061
	25 July 2022	0.062
	27 Oct 2022	0.063
Total dividends, EUR thousand		**11,068**

2021

For the previous year	Date of payment	Dividend per share, EUR
	7 Apr 2021	0.276
	4 May 2021	0.057
	27 July 2021	0.058
	2 Nov 2021	0.059
Total dividends, EUR thousand		**20,129**

Dividend proposed

The Board of Directors will propose to the Annual General Meeting that no dividend be distributed for the financial year 2022.

7.22 Cash flow information

Net debt reconciliation

EUR thousand	2022	2021
Cash	21,210	20,917
Loans from financial institutions	-24,144	
Lease liabilities	-16,812	-20,139
Net debt	**-19,745**	**778**

EUR thousand	2022	2021
Cash	21,210	20,917
Gross liabilities	-40,955	-20,139
Net debt	**-19,745**	**778**

	Liabilities from financing activities			Other assets	
EUR thousand	Financial institution loans	Leases	Total	Cash and cash equivalents	Total
Net debt 1 Jan 2021		-21,929	-21,928	43,099	21,171
Change in liabilities not involving cash flow		3,868	3,868		3,868
Cash flows				-22,182	18,315
Acquisitions		1,202	1,202		1,202
Changes in index		-3,280	-3,280		-3,280
Net debt 31 Dec 2021	**0**	**-20,139**	**-20,139**	**20,917**	**778**
Loan withdrawals	-30,030	0	30,030		30,030
Repayment of financial institution loans	6,781		6,781		6,781
Change in liabilities not involving cash flow		4,237	4,237		4,237
Cash flows				293	293
Additions		130	130		130
Changes in index	-894	-1,040	-1,934		-1,934
Net debt 31 Dec 2022	**-24,144**	**-16,812**	**-40,955**	**21,210**	**-19,745**

The Company's net debt as of 31 Dec 2022 was EUR -19.75 million.

7.23 Funding

Financial assets

The main financial assets of the Group are trade receivables and cash and cash equivalents.

Classification and measurement

On initial recognition, the Group classifies financial assets into the following measurement categories: financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income. Classification depends on the business model used to manage financial assets and contractual terms for cash flows. Financial assets are derecognized when the right to receive contractual cash flows has expired and the significant risks and rewards of ownership of the financial asset have been transferred outside of the Company.

Verkkokauppa.com Oyj has made an irrevocable decision to measure equity investments at fair value through other comprehensive income. Changes in fair value are recognized in other comprehensive income. Dividends are recognized in the profit and loss account under financial income. Changes in the fair value of equity investments are presented in other comprehensive income and are not subsequently reclassified to profit or loss when the investment is derecognized. Verkkokauppa.com Oyj records changes in fair value in the fair value reserve of equity, from which they are transferred to retained earnings upon sale.

Financial assets measured at amortized cost are items that are held to collect contractual cash flows and whose cash flows are solely payments of principal and interest. This category includes trade and other receivables of Verkkokauppa.com Oyj, which consist of non-current lease insurance receivables. Trade receivables are initially recognized in the transaction price if they do not contain a significant financing component. Other receivables in the group are initially recognized at fair value plus transaction costs and measured at amortized cost using the effective interest method. A gain or loss on a financial asset measured at amortized cost is recognized in profit or loss when the asset is derecognized or impaired. Impairment losses on trade and other receivables are recognized in the income statement under other operating expenses.

Impairment of financial assets

Impairment is described in more detail in the note on *Financial risk management 7.22.3.*

Financial liabilities

The group's financial liabilities are classified upon initial recognition as financial liabilities recognized at fair value through profit or loss and financial liabilities valued at amortized cost. For financial liabilities other than those recognized at fair value through profit or loss, transaction costs are deducted from the original acquisition cost. All financial debt transactions are recorded on the contract date, which is the day on which the Group commits to the contractual terms of the financial debt. Financial liabilities are written off the balance sheet when the group's contractual obligation has been fulfilled, canceled or its validity has expired. Arrangement fees related to loan commitments are recorded as transaction costs up to the amount that it is probable that all or part of the loan commitment will be withdrawn, and in that case the fee is recorded on the balance sheet until the loan is withdrawn. In connection with the withdrawal of the loan, the arrangement fee related to the loan commitments is entered as part of the transaction costs. To the extent that it is likely that the loan commitment will not be withdrawn, the arrangement fee is recorded as an advance payment for the service related to the ability to pay and is allocated as an expense for the duration of the loan commitment.

The group's financial liabilities consist of loans from financial institutions as well as purchase and lease liabilities. The principles of recording and valuation of these are described in their own notes, Other short-term liabilities and accruals 7.23 and Leases 7.15.

7.23.1 Financial assets and liabilities by measurement category

31 Dec 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 3)		-	-	
Trade and other receivables *	-	6,012	-	6,012
Non-current financial assets, total		**6,012**	**-**	**6,012**
Current financial assets				
Trade receivables	-	28,833	-	28,833
Loans receivable		427		
Cash and cash equivalents	-	21,210	-	21,210
Current financial assets, total	**-**	**50,470**	**-**	**50,470**
Financial assets by measurement category, total		**56,482**	**-**	**56,482**
Non-current financial liabilities				
Lease liabilities	-	-	12,334	12,334
Liabilities to credit institutions		23,750		
Non-current financial liabilities, total	**-**	**23,750**	**12,334**	**36,084**
Current financial liabilities				
Lease liabilities	-	-	4,477	4,477
Liabilities to credit institutions		394		
Trade payables	-	66,834	-	66,834
Current financial liabilities, total	**-**	**67,228**	**4,477**	**71,705**
Financial liabilities by measurement category, total	**-**	**90,978**	**16,812**	**107,789**

31 Dec 2020 EUR thousand	Recognized at fair value through other compre-hensive income	At amortized cost	Lease liabilities	Carrying amount
Non-current financial assets				
Equity investments (level 3)	266	-	-	**266**
Trade and other 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 assets by measurement category, total	**266**	**48,282**	**-**	**48,549**
Non-current financial liabilities				
Lease liabilities			16,105	**16,105**
Non-current financial liabilities, total	**-**	**-**	**16,105**	**16,105**
	-	-		
Current financial liabilities				
Lease liabilities		-	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**	**16,105**	**97,749**

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

* Other receivables include non-current receivables presented in the balance sheet, which include rental guarantee receivables classified as financial assets.

There have been no transfers between valuation groups during the financial year or in the comparison year. The balance sheet values of trade receivables and other receivables classified as financial assets are substantially equivalent to their fair values.

7.23.2 Information on equity investments

The Company had equity investments classified as fair value through other comprehensive income. The Company has irrevocably classified these investments in this category because they are considered strategic from a business perspective. The company has sold the equity investments it owned in 2022. The shares in question were sold in accordance with the shareholder agreement made in 2020 to the main owner of the company in question. The sale price of the shares was determined based on the calculation formula agreed in the shareholders' agreement.

Determining fair values

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

Level 2: Financial instruments are not traded on active and liquid markets, but their fair values can be calculated on the basis of market data.

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

	31 Dec 2022		31 Dec 2021	
EUR thousand	Level 2	Level 3	Level 2	Level 3
Financial assets				
Equity investments	-		-	266
Total			-	**266**

The equity investments in level 2 include shares for which the Company receives an OTC market price.

The equity investments in level 3 include unquoted shares. The fair value is estimated for the shares and, if necessary, the change in fair value is recognized. Level 3 the shares were sold during 2022.

Level 3 reconciliation statement

EUR thousand	2022	2021
Equity investments		
Carrying amount 1 Jan	266	266
Increases	-	-
Disposals	-266	-
Carrying amount 31 Dec		**266**

7.23.3 Financial institution loans

At the end of 2022, the Verkkokauppa.com group had a total of 23.8 million interest-bearing financial institution loans. EUR (0.00). The company's financial institution loans have variable interest rates. The interest to be paid is determined every six months based on the Euribor reference rate and the net debt/EBITDA ratio. The maturity of the loans is 3 years, from April 6, 2022. The capital of the loans is amortized every six months. No assets have been given as collateral for financial institution loans. The loans are subject to covenant conditions, which are determined based on the net debt/EBITDA ratio and the net debt ratio. The purpose of the taken out financial institution loans is primarily to finance investment projects related to business development and to develop ongoing business. The book values of the loans essentially correspond to the fair values of the loans, because the loans have variable interest rates and the group's risk premium has not changed substantially.

7.23.4 Financial risk management

General information

In business operations, the Group is exposed to several financial risks, of which the main financial risks are financing acquisition and liquidity risk, as well as currency and interest rate risk. The goal of the group's risk management is to minimize the harmful effects of financial market changes on the group's result. The general principles of the group's risk management are approved by the board. The Group's CFO is responsible for the practical implementation of financial risk management by identifying and evaluating risks. The group does not apply hedge accounting in accordance with IFRS 9.

Funding and liquidity risk

The Group seeks to secure access to finance and sufficient liquidity. A business that generates positive cash flow and a solid management of net working capital enable an optimal capital structure and availability of financing. The Group continuously assesses and monitors the amount of financing required for the business in order to provide the Group with sufficient liquid assets to finance its operations and to pay outstanding payables. In accordance with normal seasonal fluctuations, cash flow and payables peak at the turn of the year and are at their lowest at the end of the second quarter.

According to the maturity distribution, the most significant part of the debts will mature within a year, with a priority emphasis. Accounts payable are always due within less than a year because they have short payment periods. The maturities of the lease liabilities depend on the agreement and accordingly, they fall due evenly over the duration of the agreement. However, a significant part of lease contract debts matures within less than five years. The maturity of the guarantee contracts and the maximum amount of liability depend on the customer's creditworthiness and the distribution percentage applied to the guarantee contract. Maturity has spread to many counterparties. The maximum length of credit granted to an individual customer is three years.

Contractual cash flows based of financial liabilities and financial guarantee contracts

31 Dec 2022

EUR thousand	<1 year	1–5 years	>5 years	Total
Financial institution loans	598	25,174		**25,742**
Lease liabilities	5,248	13,501		**18,749**
Trade payables	66,834	-	-	**66,834**
Total	**72,680**	**38,675**		**111,325**

31 Dec 2021

EUR thousand	<1 year	1–5 years	>5 years	Total
Financial institution loans	-	-	-	-
Lease liabilities	5,055	18,048		**23,103**
Trade payables	77,609	-	-	**77,609**
Total	**82,664**	**18,048**		**100,712**

Financial institution loans include an interest period calculated according to the current interest rate.

The balance sheet contains liquid assets of 12%. The Group diversifies the risk of financing (counterparty risk) by entering into various binding revolving credit facilities with large Nordic banks with solid ratings. By varying the amounts as well as the term of the revolving credit facilities, the Group manages the counterparty and maturity risk. It is also Group policy to maximize the use of cash discounts in the current interest environment.

At the end of the financial year 2022, the Company's liquidity reserve consisted of liquid funds. At the end of the financial year, liquid funds amounted to EUR 21,2 (20,9) million. The funds were distributed among various bank accounts.

Interest rate risk

The group's income and operational cash flows are mainly independent of fluctuations in market interest rates, and thus the group's exposure to interest rate risk is mainly related to its external loans. The average annual interest rate of the group's interest-bearing debt excluding lease contract liabilities in accordance with IFRS 16 was approximately 2.3% (0.0%). The table below shows the effects on the group's profit before taxes and the effect on equity. If interest rates were to rise or fall (+/- 1.0 percentage points) and other factors remained unchanged, it would affect the group's result after taxes by EUR 250 thousand (EUR 0 thousand) for the worse or for the better. The sensitivity analysis is based on the interest rate position at the end of the reporting period.

EUR thousand	2022	2021
Change	+/- 1 %	+/- 1%
Impact on profit after tax	250	-

Liquidity risk

The group aims to monitor the amount of financing required by the business by analysing sales cash flow forecasts, so that the group has enough liquid assets to finance operations and to repay maturing loans. The availability and flexibility of the group's financing is aimed at ensuring sufficient credit limit reserves, a balanced maturity distribution of loans and sufficiently long loan periods, as well as by using several financial institutions and forms of financing in the acquisition of financing. On 31 December 2022, the group had EUR 25 million (15) in the credit limit reserve, and their validity period is linked to the validity period of the financing agreement.

Verkkokauppa.com agreed on April 6, 2022, to arrange financing. In the arrangement, the company agreed to 25 million loan which is reduced annually by 2.5 million EUR and the rest will be paid in April 2025. In addition, 25 million euro credit limit was agreed. The credit limit is valid for 3 years.

Contingent liabilities and assets and commitments

No assets have been given as collateral for financial institution loans. Financial loans and credit limit agreements are subject to covenant conditions. The covenant terms determine the required net debt/ EBITDA ratio and the net debt ratio. In 2022, Verkkokauppa.com has fulfilled these covenant conditions. In 2021, the company had a credit limit agreement in effect with the corresponding covenant conditions.

Credit and counterparty risk

Credit risks arise when a counterparty is unable to meet its contractual obligations, causing the Group to suffer a financial loss. Trade receivables and other receivables expose the Group to credit risk. The most significant credit risk relates to the Group consumer financing service.

The Group's main credit risk consists of trade receivables from Group consumer financing and ordinary trade receivables from companies. The open position is larger and longer for Group-financed receivables than for conventional corporate trade receivables. As a result, the credit risk of a Group-financed is greater than that of a conventional corporate trade receivable. The rotation of trade receivables is also faster for corporate trade receivables. The Group has defined a credit policy for customer receivables with the aim of increasing profitable sales in advance, identifying and managing credit risks. The credit policy dictates the minimum principles of Verkkokauppa.com Oyj Group's credit sales and debt recovery. The credit risk is determined by the Credit Committee of the Group.

The Company has credit policies in place for its own customer financing, which describe the principles of risk-taking and risk management. Furthermore, the Company has credit rules that define, among other things, the principles of making credit-granting decisions, the amount of credit limits and the measurement principles of trade receivables. The Board of Directors regularly monitors the development of customer financing. The Credit Committee is responsible for reporting on the financial risks to the Board. The risk of customer-financing receivables is not concentrated but consists of a large amount of receivables with a maximum capital of EUR 3,000. To minimize the credit risk, the customer's credit report and any credit history are checked before a credit-granting decision is made.

Verkkokauppa.com Group sells all its overdue receivables on a "continuous trade" basis, where all receivables overdue for more than 60 days are sold to third parties. This reduces the risk of Group receivables. The credit loss allowance related to trade receivables remained unchanged EUR 0.8 (0.8) million.

The counterparty risk involved with cash and cash equivalents is managed through depositing the cash and cash equivalents in accounts with large Nordic banks with solid ratings. The Group's cash and cash equivalents are fully available. The counterparty risk arising from purchasing activities is managed through using, when necessary, letters of credit as payment method, thus ensuring contractual delivery. The Group's letters of credit are documentary credits.

Impairment

The most significant financial assets of the Group subject to the expected credit loss model required by IFRS 9 are cash and cash equivalents, traditional trade receivables from companies and the receivables from the company-financed consumer financing service. In addition, it is necessary to apply the impairment model to the financial guarantee contracts. The Group's cash and cash equivalents are deposited in accounts with solid Nordic banks and are consequently not recognized for impairment. In addition to the aforementioned financial assets, the contract assets are subject to impairment. The management of the Company monitors the development of counterparty risk.

The Group recognizes a lifetime expected credit loss on trade receivables using a simplified method (matrix model). The model based on expected credit losses is anticipative, and the expected portion of credit losses is based on the amounts of historical credit losses. The historical credit loss percentage is adjusted when necessary, taking into account the macroeconomic impact on customers' ability to pay. The expected credit losses over the entire life of the receivable are calculated by multiplying the gross value of the trade receivables with the expected loss portion in all maturity classes. In addition, at each reporting date, the Company assesses whether there is further evidence of impairment of an asset, for instance due to insolvency. In these cases, the Company recognizes the impairment immediately. Impairment losses are recognized in other operating expenses in the income statement. Recoverable credit losses are recognized in other operating expenses in the income statement.

The Group has defined different matrix models for standard trade receivables from corporates and for company-financed consumer financing service receivables due to their different risk characteristics. The clients of the company-financed consumer financing service are individuals.

To determine the credit default rates for individual customers in the company-financed consumer financing service, the customers' historical payment behavior, the aging of receivables and their development were examined. The percentages of credit losses are regularly updated based on historical credit losses and the 12-month rolling model. The maximum exposure to credit risk corresponds to the total amount of trade receivables. The Group has not received any guarantees regarding trade receivables. Expected credit losses are recognized as reducing trade receivables.

When determining the credit loss rates for corporate customers, the customer's historical payment behavior, the aging of receivables and their development were examined.

Changes in expected credit losses are recognized in other operating expenses in the income statement. The total net credit losses recognized in 2022 amounted to EUR 1 319 (806) thousand. The effects of the company's net credit losses are described in the note Accounts receivable and other receivables 7.17.

Foreign exchange rate risk

Foreign exchange rate risk is the uncertainty of cash flows, profit and balance sheet resulting from changes in foreign exchange rates.

The currency risk of Verkkokauppa.com Oyj arises mainly from the purchase of goods, as the company has purchasing activities in several different currencies. However, the management of the Company does not consider the foreign exchange rate risk to be significant, as most purchases are made in euros. In respect of purchases made in foreign currencies, trade payables in the balance sheet are exposed to foreign exchange rate risk. In addition, the Company has advance payments in foreign currency in the balance sheet, with short open positions.

Foreign exchange risk is managed from a commercial point of view through rapid inventory turnover and by seeking to transfer possible exchange rate changes into sales prices or by changing supplier. The Company does not hedge against foreign exchange rate risk. Revenue is not exposed to foreign exchange rate risk, as all revenue is generated in euros.

The group has currency accounts in US dollars (USD), Hong Kong dollars (HKD) and Chinese yuan renminbi (CNY). The currency risks of foreign currency accounts relate to exchange rate differences that arise from the conversion of monetary assets to the exchange rate on the balance sheet date. Exchange rate differences of monetary assets are presented in the note Financial income and expenses 7.9.

At the end of the financial year 2022, the amount of currency-denominated open trade payables amounted to EUR 1 068 (209) thousand. Exchange rate differences in accounts payable were irrelevant in 2022 and the comparison year.

7.24 Other current liabilities and accrued liabilities

EUR thousand	31 Dec 2022	31 Dec 2021
Contract liabilities	2,186	2,128
Accrued personnel expenses	7,391	7,302
Other accrued liabilities	13,065	12,476
Withholding tax liability	879	994
VAT liability	8,569	7,596
Other current liabilities and accrued liabilities, total	**32,090**	**30,496**

Payables related to contracts with customers are presented in the note on *7.2 Revenue from contracts with customers*.

7.25 Provisions

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision represents the best estimate of the management with regard to the expenditure required to settle the obligation at the end of the reporting period. At each balance sheet date, the management assesses the amount of the provisions and updates them to reflect the best estimate at the balance sheet date. Changes in provisions are recognized in the income statement in the same line item where the original provision was recognized. Provisions have not been discounted due to the minor effect of such discounting.

The provisions recognized by the Group relate to the Company's own product guarantees and the third-year warranty.

A warranty reserve is recognized at the time of sale of a product based on management's estimate of the product degradation rate, which is based on historical experience. A provision for expected credit losses is recognized based on historical actuals. The profit-sharing model adopts the expected credit loss model according to IFRS 9, the principles of which are described in more detail in the note on *7.22.3 Financial risk management.*

EUR thousand	2022	2021
Provisions 1 Jan	896	766
Increases in provisions		134
Decreases in provisions	-151	-5
Reversal of unused provisions	-	-
Provisions 31 Dec	**745**	**896**

7.26 Transactions with related parties

Verkkokauppa.com Oyj Group's related parties are considered to include the members of the Board of Directors and the CEO of Verkkokauppa.com Oyj Group and other members of the Management Team of Verkkokauppa.com Oyj Group, close family members of the aforementioned persons and controlling entities of the aforementioned persons. Transactions with related parties have been carried out under normal commercial terms.

Transactions with related parties

EUR thousand	2022	2021
Sales of goods and services		
To key management personnel and their related parties	72	86
Purchases of goods and services		
From key management personnel and their related parties	-	-

EUR thousand	31 Dec 2022	31 Dec 2021
Closing balances from purchases/sales of goods/services		
Trade receivables from key management personnel and their related parties	5	-
Trade payables to key management personnel and their related parties	-	-

7.27 Guarantees and commitments

EUR thousand	31 Dec 2022	31 Dec 2021
Collateral given for own commitments		
Guarantees	1,894	3,463
Other commitments and contingent liabilities	15	9

The guarantees are related to rental, customs guarantees and letters of credit. Other responsibilities and liability commitments are related to residual value responsibilities.

7.28 Subsequent events

On 16 January 2023, Verkkokauppa.com issued a profit warning and adjust its business to meet the declined demand. As part of the adjustment, the company streamlines its assortment and makes a write-down of EUR 1.6 million related to the inventory, which negatively impacted the Q4 and full year 2022 results. At the same time, preliminary information on the financial development of 2022 was announced.

On 16 January 2023, Verkkokauppa.com launched of a profit improvement program to secure profitability, and in connection with that started change negotiations. The annualized profit improvement goal of a program was approximately EUR 10 million, of which around EUR 5-8 million is expected to be realized in 2023. The change negotiations will cover Verkkokauppa.com Oyj's entire personnel, approximately 770 employees. Possible redundancies, part-time shifts and essential changes to employment contracts apply to a maximum of 110 people. The planned measures aim to achieve annual savings of EUR 6 million in personnel costs. Of the savings, EUR 3-4 million are expected to be realized in the second half of 2023 and in full in 2024. Depending on the outcome of the negotiations, the planned restructuring is estimated to result in costs of approximately EUR 1.3 million.

8 Financial Statements 2022

Income statement

EUR thousand	Note	2022	2021
Revenue	4.1	**538,602**	**574,514**
Other operating income	4.2	**977**	**922**
Materials and services			
Materials and services			
Purchases during the year		-442,965	-494,566
Stock change		-14,228	12,479
External services		-1,205	-1,177
Materials and services total		**-458,398**	**-483,263**
Employee benefit expenses			
Salaries and fees	4.3,4.4	-30,915	-29,130
Personnel incidentals			
Pension expenses	4.3,4.4	-5,799	-4,863
Other personnel side costs	4.3,4.4	-1,128	-1,039
Employee benefit expenses total		**-37,842**	**-35,032**
Depreciation and amortization			
Planned depreciation	4.5	-1,615	-1,334
Depreciation and amortization total		**-1,615**	**-1,334**
Other operating expenses	4.6	**-38,673**	**-36,836**
Operating profit		**3,051**	**18,971**

EUR thousand	Note	2022	2021
Financial income and expenses			
Other interest and financing income			
From companies of the same group	4.7	22	-
From others	4.7	15	5
Interest expenses and other financial expenses	4.7		
For others	4.7	-600	-155
Financial income and expenses total		**-562**	**-149**
Profit (loss) before appropriations and taxes		**2,489**	**18,822**
Financial statement transfers			
Change in depreciation differences	4.19	-400	-
Financial statement transfers total		**-400**	**0**
Income taxes			
Taxes for the financial year	4.8	-399	-3,796
Taxes of previous fiscal years	4.8	-20	-
Profit for the financial year		**1,669**	**15,026**

Balance

EQUIVALENT

EUR thousand	Note	2022	2021
NON-CURRENT ASSETS			
Intangible assets			
Other intangible asset	4.9	397	502
Immaterial rights	4.9	17	35
Other intangible assets	4.9	357	434
Prepaid expenses	4.9	2,530	392
Total intangible assets		**3,300**	**1,364**
Tangible assets			
Land and water areas	4.10	2	2
Machines and hardware	4.10	5,491	2,254
Other tangible assets	4.10	433	546
Advance payments and unfinished purchases	4.10	812	2,412
Total tangible assets		**6,738**	**5,214**
Investments			
Shares in companies of the same group	4.11	6 138	-
Other shares and participations		0	266
Total investments		**6 138**	**266**
NON-CURRENT ASSETS TOTAL		**16,176**	**6,844**
CURRENT ASSETS			
Inventories	4.15	**74,084**	**88,312**
Long-term receivables			
Accounts receivable	4.12	5,615	3,817
Receivables from companies of the same group	4.13	1,830	-
Other receivables	4.12	372	425
Total long-term receivables		**7,817**	**4,241**
Short-term receivables			
Accounts receivable	4.12	**28,709**	**23,124**
Receivables from companies of the same group	4.13	**232**	**00**
Other receivables	4.12	**2,629**	**3,699**
Accruals	4.12	**8,984**	**8,627**
Income tax receivables	4.14	**892**	**-**
Total short-term receivables		**41,445**	**35,450**
Cash and cash equivalentses	4.16	**20,667**	**20,917**
CURRENT ASSETS TOTAL		**144,014**	**148,921**
ASSETS TOTAL		**160,190**	**155,765**

RESPONSIBLE

EUR thousand	Note	2022	2021
EQUITY			
Share capital	4.17	100	100
Invested unrestricted equity fund	4.17	28,069	25,938
Retained earnings	4.17	1,624	-2,323
Profit for the financial year	4.17	1,669	15,026
Total equity		**31,462**	**38,741**
Appropriations			
Depreciation difference 4	4.19	400	-
Appropriations total		**400**	**-**
Provisions			
Other provisions	4.23	745	896
Provisions total		**745**	**896**
Long-term liabilities			
Long-term debt			
Loans from financial institutions	4.22	22,500	-
Total long-term liabilities		**22,500**	**-**
Short-term debt			
Loans from financial institutions	4.20	**1,250**	**-**
Received prepayments		**6,433**	**7,132**
Trade payables		**66,677**	**77,609**
Liabilities to companies of the same group	4.21	**102**	**-**
Other short-term liabilities	4.20	**9,472**	**8,608**
Accrued liabilities	4.20	**21,149**	**21,041**
Income tax liabilities	4.20	**-**	**1,738**
Total short-term liabilities		**105,083**	**116,128**
LIABILITIES TOTAL		**127,583**	**116,128**
EQUITY AND LIABILITIES TOTAL		**160,190**	**155,765**

Statement of cash flows

EUR thousand	Note	2022	2021
Cash flow from operating activities			
Profit before income taxes		2,089	18,822
Adjustments			0,00
Depreciations and amortizations		1,615	1,334
Finance income and expense		563	149
Other adjustments		296	343
Cash flow before change in working capital		4,562	20,648
Change in working capital			
Increase (-)/decrease (+) in non-current n-i-b trade receivables		-1,745	-615
Increase (-)/decrease (+) in trade and other receivables		-5,103	-5,892
Increase (-) /decrease (+) in inventories		14,228	-12,479
Increase (+) /decrease (-) in accounts payable and other current liabilities		-10,557	4,810
Cash flow before financial items and taxes		1,385	6,471
Interest paid		-21	-30
Other finance expenses paid		-579	-124
Interest received		37	5
Income tax paid		-3,049	-3,521
Cash flow from operating activities		**-2,227**	**2,801**

EUR thousand	Note	2022	2021
Cash flow from investing activities			
Acquisition of subsidiary companies		-2,888	,
Purchase of property, pland and equipment		-2,771	-3,951
Purchases of intangible assets		-2,304	-903
Granted loans		-3,080	-
Sales proceed from disposal of equity investments		339	-
Cash flow from investing activities		**-10,705**	**-4,854**
Cash flow from financing activities			
Dividends paid		**-11,068**	**-20,129**
Withdrawals of long-term loans		**25,000**	**-**
Repayments of long-term loans		**-1,250**	**-**
Withdrawals of short-term loans Repayments of short-term loans		**5,000**	**-**
Repayments of short-term loans		**-5,000**	**-**
Cash flow from financing activities		**12,682**	**-20,129**
Increase (+) / decrease (-) in cash and cash equivalents		**-250**	**-22,182**
Cash and cash equivalents at beginning of financial year		20,917	43,099
Cash and cash equivalents at end of reporting period		20,667	20,917

Notes to the Financial Statements 31.12.2022

8.1 Notes on the preparation of the financial statements

Verkkokauppa.com Oyj is the parent company of the group, which is headquartered in Helsinki, Finland.

Verkkokauppa.com Oyj's financial statements have been prepared in accordance with local requirements and those generally accepted in Finland in accordance with accounting principles (Finnish Accounting Standards, FAS). The financial statements are presented in euros.

When preparing the financial statements, the company's management is subject to valid regulations and good accounting practices accordingly to make estimates and assumptions that affect the valuation of financial statement items and for periodization. Realized figures may differ from the estimates made.

The parent company Verkkokauppa.com Oyj bought 100% of the shares of e-Ville Distribution Oy on April 1, 2022.

Verkkokauppa.com Oyj's wholly owned Finnish subsidiary Arc Distribution Oy (founded in February 2022) on April 1, 2022, acquired 100% ownership of Digi Electronics Ltd. (Hong Kong) and Digital Trading (Shenzhen) Co. Ltd (China) shares.

In 2022, Verkkokauppa.com Oyj has switched to reporting in accordance with Finnish accounting principles (FAS).The company presents the transition calculations between IFRS and FAS from the income statement and balance sheet for 2021 in note 8.26. In this regard, the comparative information has changed from the 2021 financial statements.

Net sales

Net Sales is calculated by deducting direct taxes and other sales related adjustments from gross sales. Impaired receivables are accounted as credit losses by applying good accounting principles. Credit losses are reported in other operational expenses.

The company sells various visibility in brick-and-mortar stores, the web and other media to its suppliers. Some of the suppliers pay marketing support based on jointly agreed marketing activities. The company posts the above mentioned marketing sales to revenue and the corresponding costs are posted in raw materials purchases.

The revenue include income from customer financing service.

Revenue recognition

Revenue is recognized at the time of product delivery.

Items in foreign currencies

Transactions in currencies other than EUR are translated using the transaction date exchange rate.

At year-end, the outstanding foreign currency receivables and liabilities are translated to EUR using the closing date average exchange rates.

Receivable exchange rate differences are entered in the income statement as sales adjustments and when translating account payables, foreign exchange rate differences are booked as adjustments to purchases. Exchange rate differences deriving from other posts are booked as financial exchange rate differences.

Other operating income

Other income continuously includes income from subletting space and the sale of fixed assets.

Intangible and tangible assets

Intangible and tangible assets are measured at their historical cost, less depreciation according to plan. Planned depreciation is recorded on a straight-line basis over the useful life of an asset.

IT-applications produced for the company's own use have been capitalized in other intangible assets and include the direct personnel costs of the development work. These related staff expenses have been reclassified from the profit and loss statement into other intangible assets. The book value of the fixed assets does not contain any appreciations. Maintenance and repair expenses are booked as running costs with the exception of substantial upgrades to rented premises, which are activated in fixed assets.

The carrying value of land and water areas as well as the carrying value of other tangible assets are based on historical costs.

No write-downs have been done on land and water areas.

The periods for planned depreciations are as follows:

Intangible rights	5 years
Research and Development	3–5 years
Machinery and Equipment	3–10 years
Upgrades to premises	5–10 years

Accounts receivables

The expected credit losses are deducted from the value of the trade receivables.

The expected credit losses are recognised based on the ageing and the origin of the trade receivable.

All over 90 days past-due trade receivables are recognised entirely as credit lossess.

Point of payment receivables

All payment and credit card etc. receivables are reported in the balance sheet group cash in hand and at banks.

Income taxes

The income taxes include taxes based on the Verkkokauppa.com Oyj's taxable profit.

Deferred taxes

Deferred taxes are not booked in the financial statements.

Provisions

The company recognises a provision for product warranty obligations. The provision is estimated based on realised warranty costs and on assumptions on failure rates of sold products.

Inventory valuation

Inventories are stated at the lower of original acquisition costs or selling price including

8.2 Revenue

Revenue by external customer location

EUR thousand	2022	2021
Finland	499,316	534,954
Rest of the world	39,286	39,560
Revenue by external customer location	**538,602**	**574,514**

8.3 Other operating income

EUR thousand	2022	2021
Lease income from subleasing right-of-use assets	545	530
Other income	431	392
Other operating income, total	**977**	**922**

8.4 Employee benefits

EUR thousand	2022	2021
Salaries and fees	31,639	29,285
Pension costs - contribution-based arrangements	5,956	4,921
Share-based payments		
Other personnel-related expenses	1,173	1,249
Total personnel costs before activation	**38,768**	**35,455**
Capitalized employee benefits for the financial year		
Wages and salaries	-724	-353
Pension expenses -defined contribution plans	-157	-58
Other personal expenses	-45	-12
Capitalized employee benefits for the financial year	**-926**	**-423**
Total personnel costs	**37,842**	**35,032**

The capitalized personnel costs are mainly related to the development of the company's enterprise resource planning system, which is explained more in note Intangible assets 8.10, and the logistics automation of the Jätkäsaari warehouse.

	2022	2021
Number of employees at the end of the financial year	821	825

The number of employees includes both full-time and part-time employees. The amount does not include temporary agency workers. Information on management's employee benefits is presented in the note on Remuneration of key management personnel 4.4.

8.5 Management remuneration

The following table shows the remuneration of the president and CEO and the Executive Committee, as well as the shareholdings and holdings as a percentage of the total share capital. The amounts presented are performance-based. The share-based payments are based on an estimate of their realization at the end of the year. The performance share-based payment includes the cost effect on the financial year, regardless of the time of the share transfer.

Management remuneration

2022

EUR Thousand	CEO Panu Porkka	Management team	2022, total
Short-term employee benefits			
Fixed basic salaries and fringe benefits	409	1,374	**1,783**
Incentive bonus	10	15	**25**
Statutory pension	78	217	**295**
Share-based payments			
Share-based payments			**0**
Total	**498**	**1,606**	**2,104**
Shareholding, pcs	95,000	110,250	**205,250**
% of shares	0.20%	0.41%	**0.61%**

2021

EUR Thousand	CEO Panu Porkka	Management team	2021, total
Short-term employee benefits			
Fixed basic salaries and fringe benefits	442	1,247	1,688
Incentive bonus	120	241	361
Statutory pension	92	245	337
Share-based payments			
Share-based payments	60	164	224
Total	714	1,897	2,611
Shareholding, pcs	90,000	183,922	273,922
% of shares	0.20%	0.41%	0.61%

Board fees

EUR Thousand	2022	2021
Board members 31 Dec 2022		
Arja Talma, Chair of the Board	89	77
Christoffer Häggblom, Vice Chair of the Board, Chair of the Remuneration Committee	66	76
Kai Seikku, Chairman of the Audit Committee	51	52
Samuli Seppälä	35	36
Mikko Kärkkäinen (member since 25 Mar 2021)	35	26
Frida Ridderstolpe (member since 25 Mar 2021)	35	26
Johan Ryding (member since 25 Mar 2021)	39	26
Robert Burén (member until 25 Mar 2021)	-	10
Mikael Hagman (member until 25 Mar 2021)	-	1
Remuneration of Board of Directors, total	350	331

During the financial year 2022, the company transferred 31,140 (14,501) treasury shares for the payment of the fees.

Shareholding, pcs	2022	2021
Arja Talma, Chair of the Board	23,780	15,290
Christoffer Häggblom, Vice Chair of the Board, Chair of the Remuneration Committee	33,339	26,669
Kai Seikku, Chairman of the Audit Committee	150,809	146,564
Samuli Seppälä	15,957,000	15,957,000
Mikko Kärkkäinen (member since 25 Mar 2021)	5,858	1,613
Frida Ridderstolpe (member since 25 Mar 2021)	5,858	1,613
Johan Ryding (member since 25 Mar 2021)	5,882	1,613
Number of shares, total	16,182,526	16,150,362

Board members' shareholdings on 31.12.

% of shares	2022	2021
Arja Talma, Chair of the Board	0.05%	0.03%
Christoffer Häggblom, Vice Chair of the Board, Chair of the Remuneration Committee	0.07%	0.06%
Kai Seikku, Chairman of the Audit Committee	0.33%	0.33%
Samuli Seppälä	35.18%	35.41%
Mikko Kärkkäinen (member since 25 Mar 2021)	0.01%	-
Frida Ridderstolpe (member since 25 Mar 2021)	0.01%	-
Johan Ryding (member since 25 Mar 2021)	0.01%	-
% of shares, total	35.68%	35.83%

8.6 Depreciation and amortization

EUR thousand	2022	2021
Intangible assets		
Development costs	283	283
Other intangible assets	85	93
Amortization of intangible assets, total	367	375
Tangible assets		
Machinery and equipment	1,095	823
Other tangible assets	152	136
Depreciation of tangible assets, total	1,247	959
Depreciation and amortization, total	1,615	1,334

8.7 Other operating expenses

EUR thousand	2022	2021
Premises maintenance and operation expenses	12,157	6,305
Financial transactions expenses	1,880	2,246
Marketing	7,652	8,389
Administrative services	11,231	10,298
Other expenses	5,753	9,597
Other operating expenses, total	38,673	36,836

Auditor fees

EUR thousand	2022	2021
Statutory audit	142	104
Other services	20	-
Auditor fees, total	162	104

The auditing firm chosen by the general meeting is Pricewaterhouse-Coopers Oy. The non-auditing services performed by Pricewaterhouse-Coopers Oy totaled 20 thousand euros.

8.8 Finance income and costs

Finance income

EUR thousand	2022	2021
Interest income	15	5
Interest income from companies of the same group	22	0
Capital gain on other financial investments	0	0
Total	**37**	**6**

Finance costs

EUR thousand	2022	2021
Other interest costs	21	30
Other finance costs	212	45
Exchange rate differences on cash and cash equivalents	69	79
Monetary institution Loans interest expenses	298	0
Total	**600**	**155**

In addition to financial income and costs, exchange rate differences have been recognized as adjustments to purchases for the financial year.

8.9 Income taxes

EUR thousand	2022	2021
Current taxes	399	3,796
Taxes for previous accounting periods	20	-
Income taxes, total	**420**	**3,796**

8.10 Intangible assets

Tuhatta euroa	Development costs	Other intangible assets	Advance payments and work in progress	Total
Cost 1 Jan 2022	3,246	1,777	392	**5,415**
Increases	82	29	2,192	**2,304**
Disposals				
Transfers between items	55		-55	
Cost 31 Dec 2022	3,383	1,806	2,530	**7,719**
Accumulated amortization and impairment 1 Jan 2022	-2,743	-1,308		**-4,051**
Accumulated amortization on disposals				
Transfers between items				
Amortization for the financial year	-242	-125		**-367**
Accumulated amortization and impairment 31 Dec 2022	-2,986	-1,433		**-4,419**
Carrying amount 1 Jan 2022	**502**	**469**	**392**	**1,364**
Carrying amount 31 Dec 2022	**397**	**373**	**2,530**	**3,300**

EUR thousand	Development costs	Other intangible assets	Advance payments and work in progress	Total
Cost 1 Jan 2021	2,896	1,268	348	**4,511**
Increases	350	509	45	**903**
Disposals				
Transfers between items				
Cost 31 Dec 2021	3,246	1,777	392	**5,415**
Accumulated amortization and impairment 1 Jan 2021	-2,461	-1,215	0	**-3,676**
Accumulated amortization on disposals				
Transfers between items				
amortization for the financial year	-283	-93	0	**-375**
Accumulated amortization and impairment 31 Dec 2021	-2,743	-1,308	0	**-4,051**
Carrying amount 1 Jan 2021	**435**	**53**	**348**	**835**
Carrying amount 31 Dec 2021	**502**	**469**	**392**	**1,364**

8.11 Property, plant and equipment

EUR thousand	Land	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total
Cost 1 Jan 2022	2	8,717	3,012	2,412	**14,142**
Increases	-	327	28	2,417	**2,771**
Disposals	-				
Transfers between items	-	4,006	11	-4,017	
Cost 31 Dec 2022	2	13,050	3,050	812	**16,913**
Accumulated depreciation 1 Jan 2022	-	-6,463	-2,465		**-8,928**
Accumulated depreciation on disposals	-				
Transfers between items	-				
Depreciation for the financial year	-	-1,095	-152		**-1,247**
Accumulated depreciation 31 Dec 2022	-	-7,558	-2,617		**-10,176**
Carrying amount 1 Jan 2022	**2**	**2,254**	**546**	**2,412**	**5,214**
Carrying amount 31 Dec 2022	**2**	**5,491**	**433**	**812**	**6,738**

EUR thousand	Land	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total
Cost 1 Jan 2021	2	7,323	2,792	75	**10,191**
Increases	-	1,394	220	2,337	**3,951**
Disposals	-				
Transfers between items	-				
Cost 31 Dec 2021	2	8,717	3,012	2,412	**14,142**
Accumulated depreciation 1 Jan 2021	-	-5,640	-2,330		**-7,970**
Accumulated depreciation on disposals	-				
Transfers between items	-				
Depreciation for the financial year	-	-823	-136		**-959**
Accumulated depreciation 31 Dec 2021	-	-6,463	-2,465		**-8,928**
Carrying amount 1 Jan 2021	**2**	**1,683**	**462**	**75**	**2,222**
Carrying amount 31 Dec 2021	**2**	**2,254**	**546**	**2,412**	**5,214**

8.12 Investments

EUR thousand		2022	2021
Holdings in group companies		-	-
Aqcuisition costs 1.1.		-	-
Increases		6,138	-
Carrying amount 31 Dec		**6,138**	-
Ownership of shares%	**Country**		
Arc Distribution Oy	Finland	100%	-
e-ville.com Distribution Oy	Finland	100%	-
Digi Electronics Ltd	Hong Kong	100%	-
Digital Trading (shenzhen) Co. Ltd	China	100%	-

8.13 Trade receivables and other receivables

EUR thousand	2022	2021
Non-current		
Trade receivables	5,615	3,817
Other non-current receivables	372	425
Non-current receivables, total	**5,987**	**4,241**
Current		
Trade receivables	28,709	23,124
Other accrued income	8,984	6,820
Income tax receivables	892	
Other receivables	2,629	3,699
Current receivables, total	**41,213**	**33,643**
Non-current and current receivables, total	**47,200**	**37,884**

8.14 Receivables from companies of the same group

EUR thousand	2022	2021
Group loan receivables, long-term	1,830	0
Group accounts receivable	205	0
Group accruals	5	0
Group interest receivables	22	0
Receivables from companies of the same group in total	**2,062**	**0**

8.15 Other short-term receivables and accruals

EUR thousand	2022	2021
Prepayments	2,629	2,128
Support for purchases	6,481	7,302
Other transfer receivables	**2,504**	**12,476**
Income tax receivables	892	994
Other short-term receivables and accruals	**12,505**	**30,496**

8.16 Inventory

EUR thousand	2022	2021
Goods	74,084	88,312
Total	**74,084**	**88,312**

8.17 Cash and cash equivalents

EUR thousand	2022	2021
Cash in hand and at banks	20,667	20,917
Total	**20,667**	**20,917**

8.18 Equity

EUR thousand	2022	2021
Equity 1.1.	100	100
Invested unrestricted equity fund at the beginning of the period	25,938	25,816
Invested unrestricted equity fund additions	2,131	122
Invested unrestricted equity fund at the end of the period	28,069	25,938
Retained Earnings	12,692	17,806
Dividends, annual general meeting	-11,068	-20,129
Profit/ Loss of the accounting period	1,669	15,026
Equity total	**31,462**	**38,741**
Restricted equity at the end of the period	100	100
Unrestricted equity at the end of the period	31,362	38,641
Unrestricted and restricted equity total	**31,462**	**38,741**

8.19 Calculation of distributable funds

EUR thousand	2022	2021
Invested unrestricted equity fund	28,069	25,938
Result from Previous years	12,692	2,323
- Dividends	-11,068	-20,129
- Capitalization of development costs	-2,589	-68
Profit/Loss of the accounting period	1,669	15,026
Distributable funds total	**28,773**	**37,746**

8.20 Financial statement transfers

EUR thousand	2022	2021
Financial statement transfers1 Jan	0	0
Increases in financial statement transfers	400	0
Financial statement transfers31 Dec	**400**	**0**

8.21 Other current liabilities and accrued liabilities

EUR thousand	2022	2021
Accrued personnel expenses	7,461	7,390
Other accrued liabilities	13,783	13,734
Withholding tax liability	821	929
VAT liability	8,556	7,596
Muut lyhytaikaiset velat ja siirtovelat	**30,621**	**29,649**

8.22 Liabilities from companies of the same group

EUR thousand	2022	2021
Group accounts payable	2	0
Group accrued liabilities	100	0
Liabilities from companies of the same group	**102**	**0**

8.23 Long-term debt capital

EUR thousand	2022	2021
Loans financial loans	22,500	753
Long-term debt capital	**22,500**	**753**

8.24 Provisions

EUR thousand	2022	2021
Provisions 1 Jan	896	766
Increases in provisions	-78	134
Decreases in provisions	-72	-5
Provisions 31 Dec	**745**	**896**

8.25 Guarantees and commitments

EUR Thousand	2022	2021
Collateral given for own commitments		
Guarantees	1,909	3,463
Leasing liability	30,658	9,075
Other commitments and contingent liabilities	1,940	3,473

8.26 Bridge calculations in accordance with FAS

	IFRS balance on 31 December 2021		FAS adjustments requirement	FAS balance on 31 December 2021
Revenue	574 513 965			**574 513 965**
Other operating income	921 848			921 848
Materials and services	-483 322 953	3b)	59 749	-483 263 203
Employee benefit expenses	-36 570 478	1b)	1 538 289	-35 032 189
Depreciation and amortization	-4 983 439	2)	3 649 630	-1 333 809
Other operating expenses	-30 263 077	1b), 2.)	-6 572 454	-36 835 531
Operating profit	**20 295 867**		**-1 324 786**	18 971 081
Finance income	5 629			5 629
Finance costs	-1 352 447	2)	1 197 715	-154 732
Net financial costs	**-1 346 818**		**1 197 715**	**-149 102**
Profit before income taxes	**18 949 049**		**-127 071**	**18 821 978**
Taxes in the accounting period	-3 795 968			-3 795 968
Taxes from current accounting periods	261			261
Income taxes	-60 205	5)	60 205	0
Income taxes total	**-3 855 912**		**60 205**	**-3 795 706**
Profit for the period	**15 093 138**		**-66 866**	**15 026 272**

	IFRS balance on 31 December 2021		FAS adjustments requirement	FAS balance on 31 December 2021
Intangible assets				
Property, plant and equipment	1 363 597			1 363 597
Right-of-use assets	5 214 014			5 214 014
Equity investments	15 776 459	2)	-15 776 459	0
Deferred tax assets	266 484	3a)	-265	266 219
Trade receivables	1 289 163	5)	-1 289 163	0
Loan receivables	3 816 537			3 816 537
Other non-current receivables	424 764			424 764
Non-current assets, total	**28 151 019**		**17 065 887**	**11 085 132**
Current assets				
Inventories	87 802 963	3c)	-509 341	88 312 304
Trade receivables	23 123 801			23 123 801
Other receivables	3 699 415			3 699 415
Accrued income	8 627 205			8 627 205
Cash and cash equivalents	20 917 082			20 917 082
Current assets, total	**144 170 466**		**-509 341**	**144 679 807**
Total assets	**172 321 485**		**16 556 546**	**155 764 939**
Equity				
Share capital	**100 000**			100 000
Treasury shares	-1 610 616	4b)	-11 173	-1 599 443
Invested unrestricted equity fund	25 937 990			25 937 990
Retained earnings	-3 837 936	1.),2.),3.),4.),5.)	**-3 114 194**	-723 742
Profit for the period	15 093 138	1.),2.),3.),4.),5.)	**66 866**	15 026 272
Total equity	**35 682 576**		**-3 058 501**	**38 741 077**

	IFRS balance on 31 December 2021		FAS adjustments requirement	FAS balance on 31 December 2021
Non-current liabilities				
Lease liabilities	16 104 849	2)	-16 104 849	0
Provisions	895 743			895 743
Non-current liabilities, total	**17 000 591**		**-16 104 849**	**895 743**
Current liabilities				
Lease liabilities	4 034 477	2)	-4 034 477	0
Advance payments received	5 760 991			5 760 991
Trade payables	77 609 210			77 609 210
Other current liabilities	10 717 909	1a)	-756 967	9 960 942
Accrued liabilities	19 777 727	1a),2.),4)	1 281 246	21 058 973
Income tax liabilities	1 738 004			1 738 004
Current liabilities, total	**119 638 319**		**-3 510 198**	**116 128 120**
Total liabilities	**136 638 910**		**-19 615 047**	**117 023 863**
Total equity and liabilities	**172 321 485**		**-16 556 546**	**155 764 939**

FAS notes

Outlined below are the accounting policies that have had the most significant effects on the income statement, and statement of financial position statement of Verkkokauppa.com Oyj due to the adoption of FAS.

1. Changes in classification

a) Classification changes related to the balance sheet.

*b) Voluntary personnel costs*The company has presented in the IFRS financial statements that all personnel expenses included in employee benefits are presented as part of personnel expenses.

In FAS, all voluntary personnel expenses are included in other business expenses.

c) Own shares
In previous years, the company has recorded transaction costs resulting from the acquisition cost of its own shares in equity as part of the IFRS acquisition cost of the shares.

In FAS, the acquisition costs of the company's own shares are treated as expenses in the income statement.

2. Leases
The company is, according to IFRS, the company must record in the balance sheet of all lease agreements the equivalent of the present value of the minimum rents at the beginning of the lease agreement asset and liability. The standard includes a practical aid for recording, according to which low-value and short-term (less than 12 months) leases may not be recorded. Verkkokauppa.com Corporation has decided to apply both means of assistance. Asset and liability based on leasehold the amount is calculated by discounting future minimum rents. With the processing according to IFRS The rental expense shown in the FAS is compensated by depreciation of the asset. In addition, it is

recorded the interest expenses of the lease debt, which are presented in the financial expenses of the income statement. As far as lease agreement payments have been allocated to accrued liabilities, they have been transferred as part of the lease agreement debt.

In FAS, the income statement records the costs of leases according to the passage of time to other business expenses. At the end of the accounting period, the rental obligations are reported on the balance sheet as external items as part of liability commitments.

3. Financial instruments

a) Classification of equity investments at fair value through other comprehensive income

IFRS requires the classification of financial assets based on the business model. The company is IFRS evaluated the business model of equity investments and made an irrevocable decision classify the equity investments in question at fair value through other comprehensive income. In FAS, the company treats investments initially at acquisition cost.

According to IFRS, changes in the fair value of investments are recorded in other comprehensive income. Equity in connection with the transfer of conditional investments, related to accumulated other items of comprehensive income the included balance is transferred to retained earnings.

b) Annual credits for inventory

In accordance with IFRS, when determining the purchase costs of inventory, it is minus annual credits. In accordance with FAS, not all annual credits have been allocated to the acquisition cost of the inventory.

In this regard, the company must adjust the book value of the warehouse and the book adjusted deferred taxes. In the income statement, the effect is reflected in the materials and services item, in the change of current assets and as a change in deferred taxes.

4. Other adjustments

In 2021, Verkkokauppa.com had 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.

In 2021, Verkkokauppa.com handed over the rewards according to the first commitment period of the Additional Share Program 2018–2020 in a directed free share issue.

Share-based incentive plans has been classified in the IFRS reporting as an equity-settled transaction, because Verkkokauppa.com Oyj will deduct, on behalf of the employee, from the share award such number of shares which covers taxes and tax-like charges paid in cash.

This equity-settled shared-based payment was measured at grant date fair value and recognized as an expense and in retained earnings during its validity period.

In FAS, the share-based payment is recognized as an expense and accrued liabilities.

5. Deferred tax assets and liabilities

The company has recorded an IFRS deferred tax asset related to lease agreements and inventory for correction. The company will not record deferred taxes for these items in the FAS financial statements.

Signatures for the financial statements and the Board of Directors' report

Helsinki, 28 February 2023

Arja Talma
Chair of the Board

Christoffer Häggblom
Vice Chair of the Board

Kai Seikku
Board member

Samuli Seppälä
Board member

Frida Ridderstolpe
Board member

Johan Ryding
Board member

Mikko Kärkkäinen
Board member

Panu Porkka
Managing Director

Auditor’s Report (Translation of the Finnish Original)

To the Annual General Meeting of Verkkokauppa.com Oyj

Report on the Audit of the Financial Statements

Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group’s financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company’s financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report to the Audit Committee.

What we have audited

We have audited the financial statements of Verkkokauppa.com Oyj (business identity code 1456344-5) for the year ended 31 December 2022. The financial statements comprise:

- the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies
- the parent company’s balance sheet, income statement, statement of cash flows and notes.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

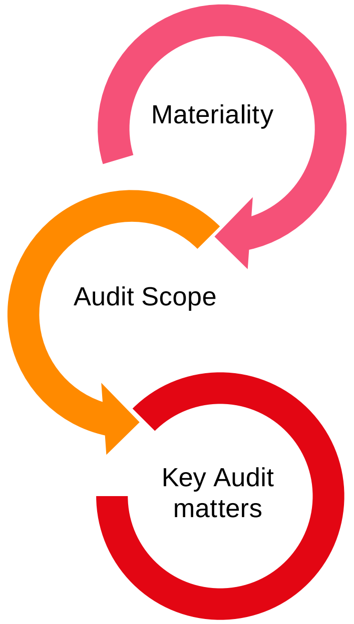
Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note 7.8 to the Financial Statements.

Our Audit Approach

Overview



- Overall group materiality: € 5 400 000, which represents 1 % of group´s revenue

- Audit scope: The audit scope includes Verkkokauppa.com Oyj

- Timing of revenue recognition
- Valuation of inventories

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall group materiality	€ 5,400,000
How we determined it	1% of the group’s revenue
Rationale for the materiality benchmark applied	We chose revenue as the benchmark because, in our view, it is the benchmark against which the performance of the company is most commonly measured by users. We chose 1 % which is within the range of acceptable quantitative materiality thresholds in auditing standards.

How we tailored our group audit scope

We tailored the scope of our audit, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

Our audit scope includes Verkkokauppa.com Oyj. Verkkokauppa.com Oyj has four subsidiaries which are not material to consolidated financial statements and we have performed analytical procedures on their balances

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matter in the audit	How our audit addressed the key audit matter
Timing of revenue recognition *Refer to note 7.2 of the consolidated financial statements and to note 8.1 and 8.2 of the parent company´s financial statements* The Group´s revenue, € 543 million, and Parent company´s revenue, € 539 million, consist of sale of goods and services. The transaction price of sale of goods consists of the list price of the goods, the variable consideration related to the right to return, as well as the transportation fee. The sale of goods is recognized when the customer assumes control of the goods. When a customer is paying using Apuraha financing, the Company recognizes the revenue from customer financing on a monthly basis according to the actuals. The transaction price for service contracts with customers consists mainly of fixed prices. The Company recognizes revenue from service contracts with customers when the service has been rendered or over time. Verkkokauppa.com´s revenue comprise a large amount of transactions and revenue is a significant item in the consolidated financial statements and parent company´s financial statements. Management exercises judgement e.g. when defining the variable consideration related to sale of goods. Given these factors, we have considered timing of revenue recognition to be a key audit matter.	Our audit procedures included test of controls related to timing of revenue recognition and test of details procedures. Our test of details included e.g. the following procedures: • We gained an understanding of the nature of the revenue streams and different contractual terms used. • We assessed the Company's accounting policies over revenue recognition. • We compared the accounting treatment of a sample of sales transactions and variable consideration to the terms of underlying contracts. • We tested a sample of sales transactions against incoming cash. • We tested a sample of sales invoices recorded in December 2022 and January 2023 to evaluate that revenue had been recognised in the right period. • We compared selected accounts receivable balances against payments received after the period end.
Valuation of inventories *Refer to note 7.18 of the consolidated financial statements and to note 8.1 and 8.16 of the parent company´s financial statements* Inventories form a significant part of the Group's assets, amounting to € 74.8 million, and Parent company´s assets, amounting to € 74.1 million, as of 31 December 2022. Inventories are measured at the lower of cost and net realizable value. The cost of inventory is assigned by using the FIFO (first-in, first-out) method. The cost contains direct costs of purchase less rebates. The goods inventory turnover and possible reduction in the net realizable value below cost is assessed regularly and a write-down of inventories is recognized when necessary. In addition, the Company recognizes a write-down of aged products, based on days in stock. Inventories are a significant item in the consolidated financial statements and parent company´s financial statements. Management exercises judgement and applies assumptions when estimating the need for an obsolescence provision. Given these factors, we have considered valuation of inventories to be a key audit matter.	Our audit procedures included test of controls and test of details procedures related to valuation of inventories. Our test of details included e.g. the following procedures: • We assessed the adequacy of the obsolescence provision and checked adherence to the Company's accounting policy. • We compared, on a sample basis, the value of inventory items against purchase invoices and sales invoices to ensure that inventory items are measured at the lower of cost and net realizable value. • For a sample of warehouses, we attended the physical stock-take counting or reconciled third party confirmations with the accounting records.
There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the consolidated financial statements or the parent company financial statements.	

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Appointment

We were first appointed as auditors by the annual general meeting on 15 March 2016. Our appointment represents a total period of uninterrupted engagement of 7 years.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion

- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 28 February 2023
PricewaterhouseCoopers Oy
Authorised Public Accountants

Ylva Eriksson
Authorised Public Accountant (KHT)

Verkkokauppa.com

empowers its customers to follow their passion by providing a wide product assortment of around 90,000 products. Verkkokauppa.com Oyj serves its retail and corporate customers through its webstore, megastores, 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
PROBABLY ALWAYS CHEAPER

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