



Annual report 2020

Verkkokauppa
TODENNÄKÖISESTI AINA HALVEMPI **.com**

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CEO's review

Reaching record-breaking results together

The year 2020 was a strong year of profitable growth in the exceptional operating environment. Our revenue increased by 10%, and we have 30 consecutive quarters of growth behind us. Our profitability development was even stronger, and we reached a record result in every quarter. Compared to the previous year, our like-for-like operating profit increased by 81%. Fixed costs constituted 11.3% of revenue, providing us with a significant advantage to operate profitably also in highly competitive circumstances. Our experience of 28 years of ecommerce has provided us with a strong capability to serve the growing number of customers who shifted to online channels due to the COVID-19 pandemic. During the year, we gained a significant number of new customers in both B2C and B2B business, while also improving our customer satisfaction.

Agile responses in unforeseeable circumstances

The most significant pandemic of our time began to cause severe disruption around the world in March. Great uncertainty made spring in particular a challenge, as the world was adapting to the new normal. Thanks to our agile measures, our business continued smoothly and we were able to take into consideration the safety of both our customers and our staff. We quickly made several decisions and executed measures to ensure safety and product availability. A task force was established for the exceptional time and it worked tirelessly on many fronts. During the challenging time, we were able to utilize our position as Finland's most popular and most visited webstore. In addition to gaining new customers, existing customers' awareness of our wide assortment developed considerably during the year, as consumers learned to purchase new product categories online. In several product categories the sales growth was over 30% during the year, and a growing number of customers ordered their purchases to their front door. Despite the increased

volume of customers, we succeeded in improving our customer satisfaction significantly. This was largely thanks to our logistics, which operated with nearly peak season volumes throughout the year. This also gave a good starting point to create long-term customer relationships.

Moving to the Main Market of Nasdaq Helsinki

A new era started for the Company at the beginning of June, as we entered to the official list of Nasdaq Helsinki. The listing gave us increased visibility, which in part supported increased trading volumes and the expansion of our shareholder base. In the latter half of the year, the trading volume of our stock nearly doubled, as did the number of our shareholders. I want to thank our long-standing shareholders for their trust, and welcome new shareholders to the journey of the pioneer of retail!

2020 highlights

During the year, we continued our journey towards the top of Finnish consumer brands. We continued our corporate responsibility work on many fronts, and Finland's most popular webstore developed with record-breaking speed to be even more customer-oriented than before. In January, we launched an affordable same day delivery service in the capital region, which increased express delivery volume by nearly six-fold. Additionally, we carried out several development projects in the background to improve short- and long-term scalability. Various projects were started to digitalize and automate the supply chain. We invested in new marketing technologies and launched a chatbot on our website.

During the summer and fall, we sought for new Finnish partner companies and opened the verkkokauppa.fi service focusing on the products of Finnish companies. At the end of the year, we opened an online Outlet as a new sales channel for customer returns still fit for sale, which helped us to resell returned products more efficiently.



Alongside everything else, we worked to update our strategy during the year. The year-long process defined the Company's focus areas for the next strategy period, during which we aim to increase our revenue to one billion euros and to increase our operating profit to five percent. We will search for growth by, for instance, continuing to expand our assortment and market share, by investing in B2B sales and by developing our private label business. We mainly aim for organic growth, but we also see acquisitions as a potential way to support growth.

Thank you to our personnel

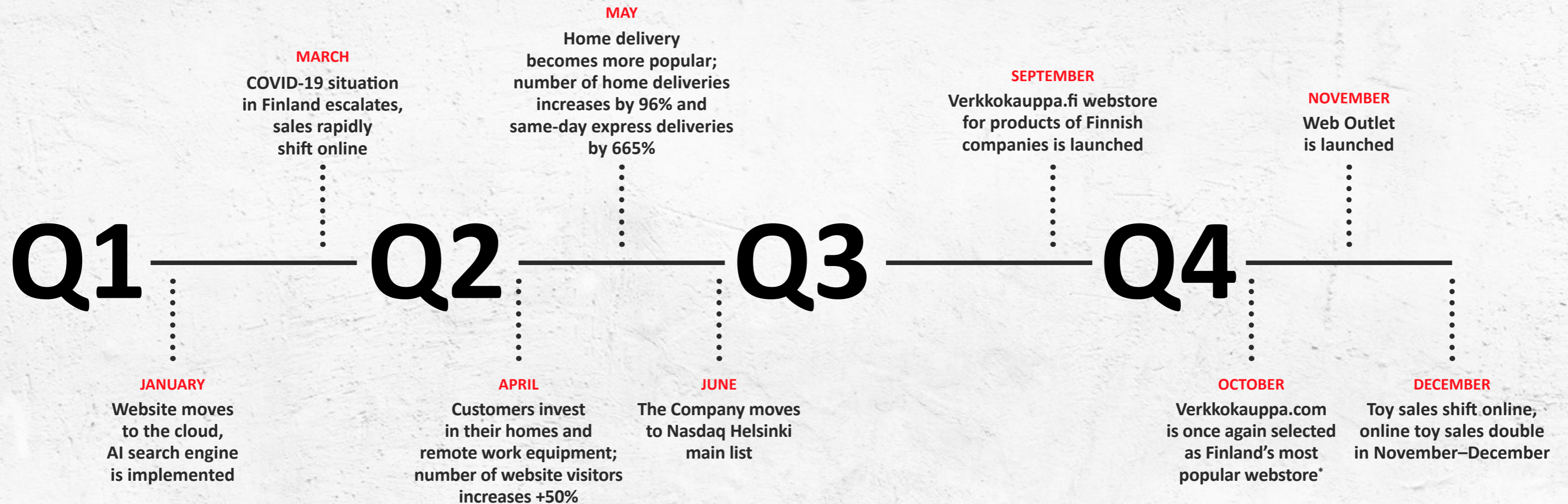
Our staff deserves the biggest thanks for their effort during this exceptional year. They enabled us to exceed our goals month after month. Our irreplaceable employees, who all pulled in the same direction with amazing work throughout this time of uncertainty, strengthened our culture of community. As a sign of gratitude for their hard and relentless work, we rewarded our personnel with a one-off EUR 500 bonus at the end of the year. Strong cooperation creates an excellent foundation to continue our profitable growth together with our satisfied customers. I want to extend my gratitude to all Verkkokauppa.com employees for the year 2020 – our sense of community will carry us to succeed in the coming years as well.

Panu Porkka

CEO

The year 2020 at Verkkokauppa.com

Total website visits increased by 20% during the year



* Source: Posti's Suuri verkkokauppatutkimus 2020 online store survey

Operating environment

Accelerated shift of retail to online channels

Retail is rapidly going online globally. According to Statista's estimates, the share of e-commerce of all retail was 14.1 percent globally in 2019, and the share is expected to increase to 22 percent in 2023. The situation in online commerce and retail in the Finnish market remains competitive in the future as well, and the number of specialty stores with a mainly brick-and-mortar presence will likely continue to decline after the COVID-19 pandemic. For its part, this supports the online shift of growing number of product categories.

The year 2020 was exceptional in many ways due to COVID-19. The pandemic accelerated the global megatrend of retail going online. The Company believes that the change brought on by COVID-19 is permanent and sees that we are moving to a new era of online retail with a broader target group and the perception that any product or service can be purchased online. According to a study of webstores conducted by Posti, online shopping increased significantly in Finland from the previous year in all customer segments. Internationally, Finland lags behind in the development in comparison with many other western nations, so potential for growth remains (see picture below).

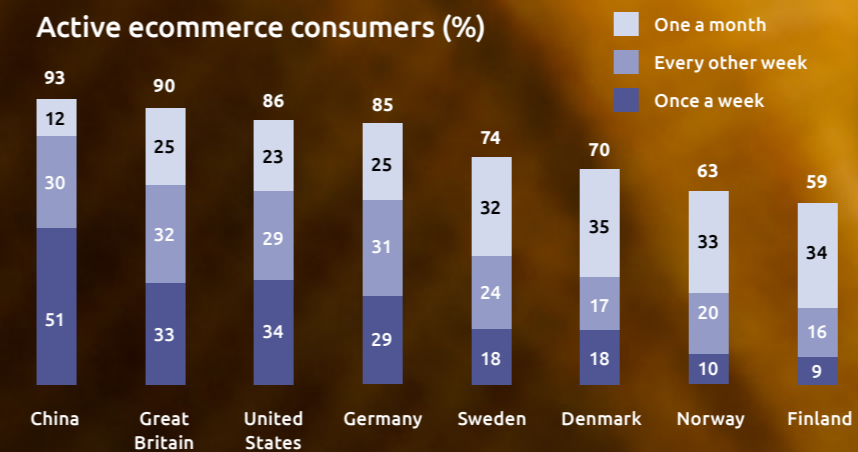
With the growth of online retail, consumers have a continuously growing range of products and services at their disposal. The competition in online retail is international by nature, as it is easy for consumers to compare products and also order them from abroad.

Finnish retail companies increasingly have to compete with foreign operators. The success of Verkkokauppa.com in the rapidly developing field of online retail stems from its quick deliveries enabled by local warehouses, growing assortment and continuously developing omnichannel business model. International competition has been reflected for a long time also in Verkkokauppa.com's business; for instance, in pricing.

Business purchases also shifting online

The shift to online retail has in recent years also affected the procurement habits of businesses. A personalized customer experience, transparency, smooth purchases, fast deliveries and delivery reliability are drivers for online purchasing in B2B commerce as well. This market transformation affects especially small and mid-sized enterprises, which act in a very consumer-like manner. However also, large companies have an increased interest towards modernizing purchasing processes and to offer employees more freedom in, for instance, choosing work equipment according to their personal needs. Verkkokauppa.com has responded to the transformation by developing B2B sales on the basis of feedback from customers. The Company has, for instance, automated the process of requesting quotations, enabled users to define different roles, and included more flexible payment options. Of Finland's approximately 250,000 companies, nearly 50,000 are already active customers of Verkkokauppa.com.

// Lot of potential in ecommerce activity – weekly buying in Finland can multiply by 2-7 times



* Source: Posti's Suuri verkkokauppatutkimus 2020 online store survey

Verkkokauppa.com's strategy

Verkkokauppa.com is a pioneer of ecommerce. In February 2021, the Company announced its refined strategy for the period 2021–2025. The Company's vision is to remain as a pioneer of ecommerce also in the next decades through continuous innovation and development.

Verkkokauppa.com aims for a revenue of one billion euro and a 5% EBIT margin by the end of 2025.

Verkkokauppa.com's future growth will be built on five pillars:

1. Excellent customer experience and strong brand

Verkkokauppa.com has more than 1.7 million registered customers. The company's more than 400,000 customer reviews, over 115,000 monthly active customers, NPS score of 70 and a product return rate of only 1.0% are testimonial to the Verkkokauppa.com's continuous investments into the best possible customer experience.

2. Efficient fulfilment

Today, Verkkokauppa.com's next day delivery network covers already 70% of Finns. The company is continuously improving its delivery options further with stores acting as logistic hubs.

3. Superior technology backbone

Thanks to inhouse technology expertise provided by a team of skilled IT professionals, the company has an advanced technology platform on top of which to build new services and features in order to provide the best possible customer experience.

4. Extensive assortment

Verkkokauppa.com offers the widest assortment in its chosen categories in Finland. Highly transparent product information and fair pricing are important elements of company's customer promise of "Probably always cheaper".

5. Cost competitiveness

The company aims to push its fixed costs below 10% of revenue by 2025 through targeted investments into logistics, processes and automation, supply chain and product management, as well as marketing.

Road to one billion

Verkkokauppa.com is seeking growth both within its core categories as well as by expanding into new categories with attractive margin potential, especially online. Additionally, the company sees attractive growth opportunities in the B2B segment, private labelling and in value added services. The company's aim is to double its B2B and private label business by 2025. In addition, Verkkokauppa.com is looking for potential new business and M&A opportunities, especially among local complementary ecommerce companies. Verkkokauppa.com's refined strategy describes the future growth path, which is primarily organic and driven by the accelerating transition from brick-and-mortar stores to online.



**Revenue EUR 1 billion
and 5% EBIT margin
by the end of 2025**

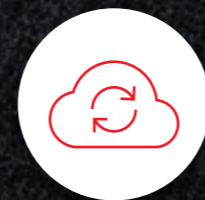
Our five pillars



Excellent customer
experience and
strong brand



Efficient
fulfilment



Superior technology
backbone



Extensive
assortment



Cost competitiveness

Business review

Profitable growth in both B2C and B2B sales

Verkkokauppa.com's business can be divided into two main customer segments: consumer and business customers. There was double-digit growth in the number of customers in both segments in 2020. The number of active consumer customers* was more than 800,000, increasing by over 20% from the previous year. The number of active business customers* totaled nearly 50,000, with an increase of 13%. Sales to consumers and businesses increased by 14% in total. The growth was mainly driven by online sales, in which consumer sales increased by 29% and business sales by 15%. In addition to consumer and business retail customers, the Company conducts wholesale business with foreign customers, which declined nearly 22% due to COVID-19 and accounted for 8% of the Company's revenue.

The positive development of gross margin was the main driver of the Company's profitability development. In 2020, average gross margin was 16.0% compared to 14.7% in the previous year. The gross margin development was positive in nearly all product categories. The gross margin improved, as the sales of product categories with better-than-average margins increased considerably.

Omnichannel business model a key competitive strength

Verkkokauppa.com's business is based on an omnichannel approach: online sales are supplemented by four megastores that attract consumers over long geographical distances. The popular webstore acts as a backbone of the business and often as a first touchpoint for customers who finalize their purchase at the store. More than half of the Company's revenue consists of online sales, which largely accounted for the growth in 2020.

In 2020, the Company's website received a total of 87 million visits, an increase of over 20% from the previous year. Several measures were carried out in order to improve customer experience on the website. AI and machine learning were utilized to personalize the website more efficiently based on the user's browsing and order history. A chatbot was developed at the end of the year to support serving the growing number of customers. It is already capable of handling more than 60% of chat customers. In addition to the increased number of visitors, the conversion rate of the website also improved during the year. All in all, the growing figures indicate that the Company is on the right path in developing the shopping experience.

Customers often combine the online and physical store on their customer journey. The Company has been determined in developing an omnichannel shopping experience, and a well-received click&collect service was launched at the end of 2019 in the Jätkäsaari store. At the end of 2020, most click&collect customers chose advance picking of items, significantly decreasing the waiting time of customers. Customer satisfaction improved in Jätkäsaari as well as in other stores, with the satisfaction index increasing to the record level. In 2020, customer satisfaction measured with HappyOrNot feedback terminals was 70 in comparison with the previous year's 66. (*on a scale -100 – +100)

Growth by expanding assortment and detecting trends

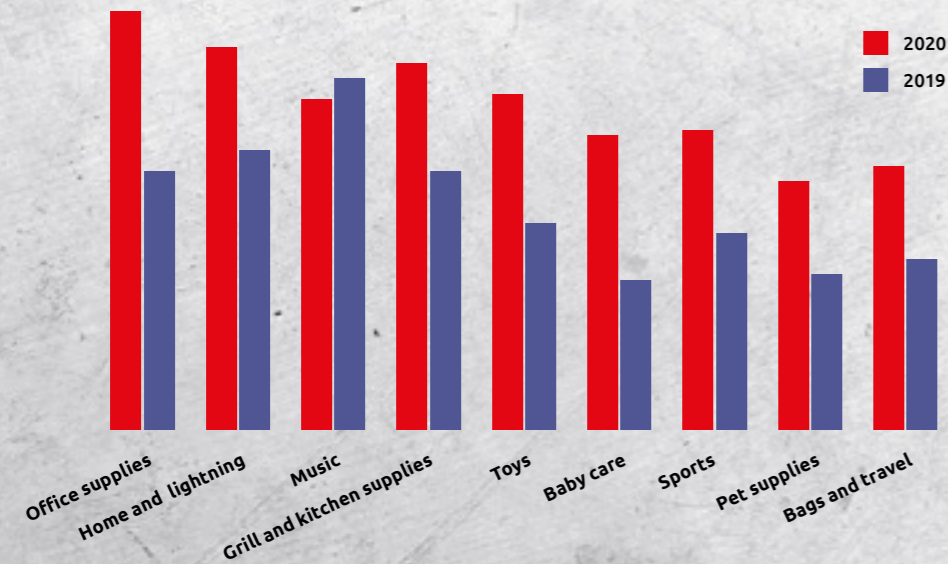
Verkkokauppa.com aims to offer readily available products with a broader assortment than its competitors. Depending on the season, the Company has 65,000–70,000 products in its assortment, and contrary to main competitors, its warehouses are located in Finland, which creates a competitive edge on account of better

* at least one purchase within the previous 12 months.

** J. Helske Research, 12/2020, n=511.

*** Source: Posti's Suuri verkkokauppatutkimus 2020 online store survey 07/2020, n=2,380.

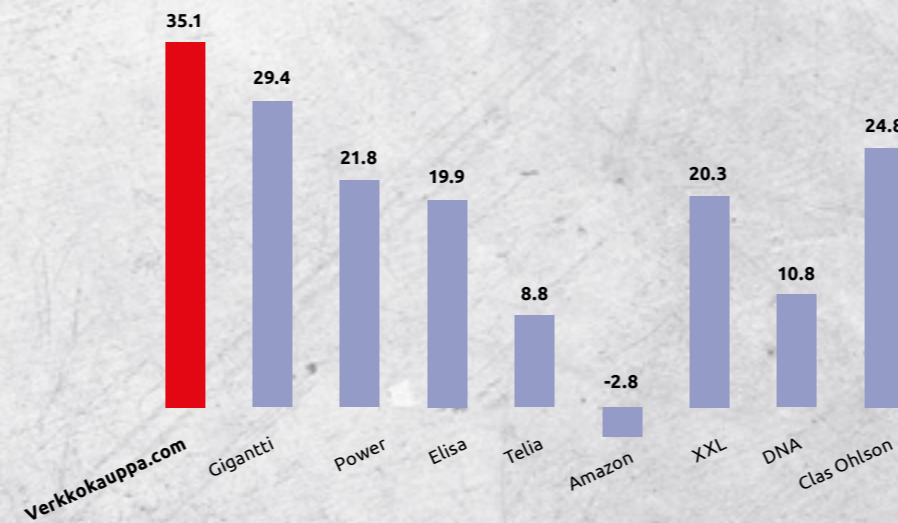
Awareness of the product assortment of Verkkokauppa.com among consumers



Awareness of the product assortment of Verkkokauppa.com among consumers increased significantly from 2019, which supported the Company's strong growth.

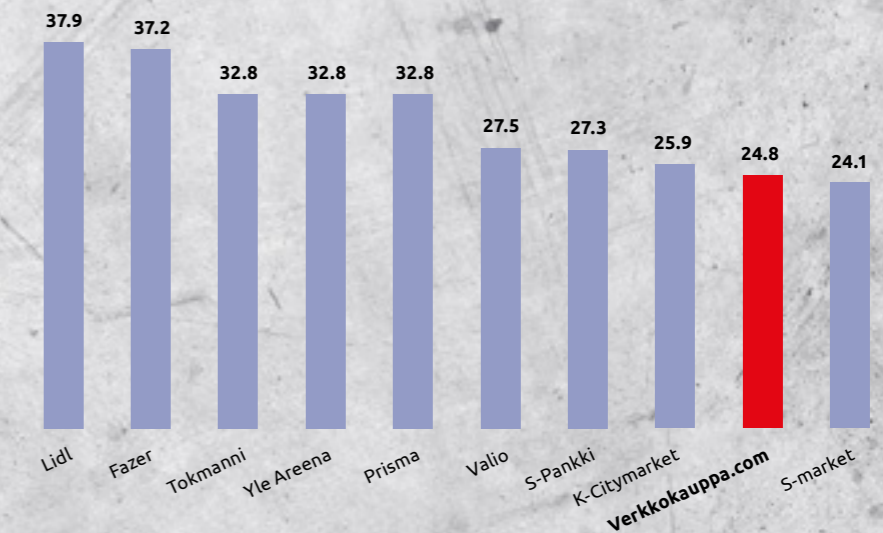
Year 2020 research J. Helske Research 12/2020, n=511. Year 2019 research Omnicom Media Group 10/2019, n=537.

Verkkokauppa.com is the most recommended brand among its peers. Net score.



Source: YouGov, BrandIndex 2020, n= over 3,000.

Finland's most talked about brands 2020. Net score.



Verkkokauppa.com's ranking climbed one place from the previous year in BrandIndex's most talked about brands ranking.

Source: YouGov, BrandIndex 2020, n= over 3,000.

availability and faster deliveries. The Company's agile business model enables quick reaction to changing situations and flexible responding to latest trends.

The Company has been determined in expanding its assortment, and in 2020, product categories added to the assortment included, among others, hot tubs, stand-up paddleboards, echo depth sounders, and electric vehicle charging stations. In the spring, response to the COVID-19 situation was swift also in terms of assortment; hand sanitizers and face masks were quickly added to the assortment, and the Company decided to act responsibly and sell them at cost price. The Company's agile business model enabled reacting quickly also in many existing product categories. Due to COVID-19, demand increased for products related to remote work; for instance, the assortment of electric height-adjustable desks expanded significantly as sales increased almost ten-fold. During the year, new additions to the broad assortment included brands such as Miele, Sonos, Webasto, Novita, Tom Dixon and Ecovacs.

In 2020, the COVID-19 pandemic affected people's everyday lives, as traveling declined and people spent significantly more time at home. Online purchasing was emphasized in consumers' shopping behavior during the year, and it was evident from sales data that people invested in their homes and remote work equipment. There was an online shift in a growing number of product categories. Toy sales increased by almost 80% from the previous year. Additionally, sales grew by over 30% in home appliances, sports equipment, office supplies, the BBQ and kitchen category, and the home and lighting category. The sales of cameras and suitcases, however, were adversely affected by the ongoing situation.

Consumers increasingly want their orders delivered to their front door

The strong growth of online orders also affected the development of delivery options. A large share of customers still prefers to click&collect and pick up their orders from the store. However, home deliveries and deliveries to parcel lockers demonstrated the biggest

growth. Home deliveries increased by 61% during the year, and deliveries to parcel lockers increased by 44%. In express deliveries, same day delivery was launched in the capital region for a competitive price of €14.99, alongside the existing three-hour delivery. The service proved to be popular and increased the number of express deliveries by nearly six-fold. Due to high demand, the service was also launched in the Tampere region in June. In addition, the sales of appliance installation and recycling services increased by 21% in 2020 when compared to the previous year, even though they were not offered in April–May due to COVID-19.

A nationally recognized brand and Finland's most popular webstore

Verkkokauppa.com's nationally recognized brand offers excellent support for business growth. 99% of Finns recognize Verkkokauppa.com, and 80% of men and 70% of women have purchased something either from a store or the webstore.* Verkkokauppa.com is known especially for consumer electronics, but an increasing number of

the new product categories launched in recent years have reached consumer awareness in 2020. During the year, familiarity with the assortment increased significantly in almost all product categories.*

In 2020, Verkkokauppa.com was selected as Finland's most popular webstore for the second time in Posti's study of online retailers.** According to the study, consumers value Verkkokauppa.com's broad assortment, affordable prices and fast deliveries.* In the BrandIndex monitor of research company YouGov, Verkkokauppa.com remained as the most recommended brand among its peers also in 2020, with a clear lead over other brands. In a ranking of Finland's most talked about brands, the Company once again reached the Top 10, ranking ninth, an improvement of one place compared to the previous year. In 2021, the Company's goal is to further develop the top-of-mind awareness of its brand and to increase customer purchase activity.

* J. Helske Research, 12/2020, n=511.

** Source: Posti's Suuri verkkokauppatutkimus 2020 online store survey 07/2020, n=2,380.

Sustainability at Verkkokauppa.com

The Company's way of working

Transparency and sustainability are an integral part of Verkkokauppa.com's culture, success and values. The Company's Code of Conduct defines the core principles of responsible operations. Verkkokauppa.com respects and promotes internationally recognized human rights and pays special attention to matters concerning the sustainability of its private label products. The Company develops its environmental work by minimizing adverse environmental impacts resulting from its operations and by promoting positive impacts. Offering customers a long-lasting and high-quality product that is suitable for their needs is important from the perspective of both customer experience as well as environmental responsibility.

Dialogue with stakeholders supporting sustainability work

Active dialogue with stakeholders has a key role in understanding the expectations towards the Company

as well as in choosing the correct path to conducting more responsible business operations. Respondents of a stakeholder survey conducted in 2020 considered sustainability to be important for the Company's operations (average 4.2 on a scale 1 not at all important – 5 very important). The more than 2,600 respondents of the survey included customers, personnel, partners and investors. When asked to choose the five most important themes that Verkkokauppa.com should concentrate on as part of its sustainability work, 75% of the respondents highlighted long-lasting products and ways to promote long product life.

The survey results and other stakeholder engagement were used in the Company's materiality analysis and selecting of focus areas of sustainability work. The results also have their impact on, for instance, the Company's marketing, communications, private label strategy and personnel management practices.

Building the Company's story together

Fairness and equality are key principles of personnel management at Verkkokauppa.com, as well as respect for different backgrounds. The Company wants to foster its culture of community, providing everyone

Based on the survey results, the five most important sustainability themes for stakeholders were:

1. Long-lasting products and ways to promote long product life
2. Minimizing waste, recycling and reusing materials
3. Staff well-being, skills development and equality
4. Social responsibility in the supply chain
5. Responsible marketing



Sustainability manager
Johanna Stenbäck started at
Verkkokauppa.com in 2020

// Personnel are a key factor of Verkkokauppa.com's success.

with opportunities to influence operations and to bring forward constructive ideas. In 2020, a workplace communications strategy was implemented throughout the organization, aiming at a more open atmosphere of communication and improved transparency of matters taking place within the Company. Personnel were engaged in development work through, for example, a variety of workshops as well as active discussions on Verkkokauppa.com's internal communication channel regarding ongoing matters.

Personnel are a key factor of Verkkokauppa.com's success. Good work performance and everyday successes were recognized, for instance, by naming an employee of the month and by rewarding the supervisor of the year and employee of the year. The entire personnel were

rewarded with a bonus to thank employees for their coping and valuable work during an exceptional year.

Leadership by immediate supervisors is a strategic priority of the Company, and it is developed systematically. In 2020, development continued with trainings for about 50 supervisors, arranged as face-to-face and virtual trainings with consideration for the ongoing COVID-19 situation.

Health and well-being a priority

The safety and well-being of personnel and customers were highlighted as special priorities during the reporting year due to the COVID-19 pandemic. The Company established a task force to coordinate the exceptional situation, with representatives from different parts of the organization including the

Management Team. Changes in the COVID-19 situation and in the Company's practices were communicated to personnel actively throughout the year via a dedicated COVID-19 communication channel. In addition to increased sanitation and security, a variety of measures also supported staff coping. Supervisors were supported in leadership under exceptional circumstances, and sales personnel were offered the possibility for group meetings with an occupational psychologist. Remote work practices were made flexible and borrowing work equipment for use at home was supported.

Focus areas of sustainability work

Verkkokauppa.com aims to develop the transparency and responsibility of its operations continuously. One objective is also to engage the entire work community

and raise their awareness of corporate responsibility themes. The Company's sustainability work is built around the selected focus areas, related to which the Company will set, as applicable, measurable and monitored goals.

Verkkokauppa.com's corporate responsibility, operating practices and work results are described in more detail in the section *Non-financial information statement* on page 18.

Focus areas of Verkkokauppa.com's sustainability work

AT THE CUSTOMERS' SERVICE AND ON THEIR SIDE

We sell products that customers actually need: our products are safe and of high quality, and product information and communications are transparent.

We offer services supporting sustainable consumption.

We promote responsible working conditions and environmental practices throughout the supply chain.

SMALLER ENVIRONMENTAL IMPACT

We minimize our impact on the climate.

We promote the use of responsibly sourced materials and material efficiency.

We promote the circulation of materials.

VERKKOKAUPPA.COM AS A COMMUNITY

We invest in our community and in a coaching leadership style.

We ensure appropriate working conditions and skills development.

We value different backgrounds and do not discriminate anyone.

PROFITABLE BUSINESS AND GOOD GOVERNANCE

We run profitable business operations.


We adhere to good governance principles and manages risks.

We ensure strong information security.

Value creation for diverse stakeholders

Resources and enablers:

-  **Professionals of Verkkokauppa.com**
 - Company employed an average of 730 persons in 2020
-  **Omnichannel marketplace**
 - The most popular webstore in Finland*
 - Four megastores
 - Maintenance and value-added services
-  **Enablers of business**
 - Procurement chain and supplier relations (approx. 750 suppliers)
 - Local warehouses
 - Fast and versatile deliveries
 - Company's own and continuously evolving ERP system and webstore platform
-  **Intellectual capital**
 - Brand image and brand awareness
 - Concept of omnichannel customer experience
 - Product knowhow and category management
 - Customer and transaction data
 - Product information and reviews
-  **Financial Resources**
 - Balance sheet total EUR 173.7 million
 - Cash and cash equivalents EUR 43.1 million
-  **Owners**
 - 14,000 shareholders



The address of all passions

Excellent customer
experience and
strong brand

Efficient
order-to-delivery
process

Unparalleled
technical back-end
system

Broad
assortment
of products

Competitive
cost structure

Added value and its effects:

-  **Personnel**
 - Career paths and developing competence
 - Community and employee engagement
 - Wages and salaries EUR 28.6 million
-  **Customers**
 - More than 65,000 products
 - Probably always cheaper
 - Easy and fast shopping on all devices
 - Personalized customer experience for consumer, corporate and wholesale customers
 - Tailored services for businesses of all sizes
 - More than 50,000 active
 - Customer satisfaction
-  **Suppliers**
 - A modern distribution channel to reach consumer and corporate customers
 - Purchases over EUR 420 million
-  **Shareholders**
 - Operating profit for the financial year EUR 14.6 million
 - Increasing quarterly dividend
 - Dividends paid in 2020 EUR 9.6 million
-  **Society**
 - Taxes and tax-like payments EUR 36.7 million
 - All taxes are paid to Finland
-  **Environment**
 - Renewable electricity in all stores
 - Carbon-neutral deliveries via Posti
 - Waste recovery rate 100%, recycling rate 78%
 - Recycled waste electrical and electronic equipment (WEEE) 316 tonnes

Our values

Courage

+

Transparency

+

Agility

+

Community

* Source: Posti's Suuri verkkokauppatutkimus 2020 online store survey

Verkkokauppa.com as an investment

Verkkokauppa.com is a pioneer of ecommerce. The Company's refined strategy for the period 2021–2025 announced in early 2021 presents a clear roadmap for strong and profitable revenue growth in the future.

<p>Omnichannel, scalable and proven business model</p>	<p>Verkkokauppa.com's business model is an effective combination of a webstore and four brick-and-mortar megastores. Verkkokauppa.com's delivery next day network covers already 75% of Finns. The Company is continuously improving its delivery options further with stores acting as logistic hubs.</p> <p>The Company's strategy is built on excellent customer experience and strong brand, efficient fulfilment, superior technology backbone, extensive assortment and cost competitiveness. Verkkokauppa.com is seeking growth both within its core categories</p>	<p>as well as by expanding into new categories with attractive margin potential, especially online. Additionally, the Company sees attractive growth opportunities in the B2B segment, private labelling and in value added services. The Company's aim is to double its B2B and private label business by 2025. Verkkokauppa.com offers the widest assortment in its chosen categories in Finland. Highly transparent product information and fair pricing are important elements of Company's customer promise of <i>"Probably always cheaper prices"</i>.</p>
<p>Strong market position as retail shifts increasingly online</p>	<p>In 2020, online shopping became the preferred way of shopping for a growing number of Finns. This migration from offline to online was accelerated by the COVID-19 pandemic. As a pioneer of ecommerce, Verkkokauppa.com clearly benefitted from this trend. Verkkokauppa.com has more than 1.7 million registered customers,</p>	<p>and more than 400,000 customer reviews have been published on the Company's products. The Company's over 115,000 monthly active customers, high NPS score of 70 and a low product return rate of only 1.0% are testimonial to the Verkkokauppa.com's continuous investments into the best possible customer experience.</p>
<p>Solid financial position supports growth</p>	<p>Verkkokauppa.com is a debt-free company with a strong balance sheet. The Company aims to push its fixed costs below 10% of revenue by 2025. The Company's solid financial position enables both organic growth as well as growth through the acquisition of local complementary ecommerce companies.</p>	<p>Verkkokauppa.com targets an annual revenue of one billion euros and a 5% EBIT margin by the end of 2025.</p>
<p>Target to distribute growing dividend</p>	<p>Verkkokauppa.com aims to distribute a quarterly growing dividend to shareholders. The Board of Directors proposes to the Annual General Meeting that for the financial year 2020 a total dividend of EUR 0.450 per share be distributed, divided into EUR 0.230 per</p>	<p>share in quarterly instalments and an additional dividend of 0.220 euro per share to be distributed in conjunction with the Annual General Meeting.</p>

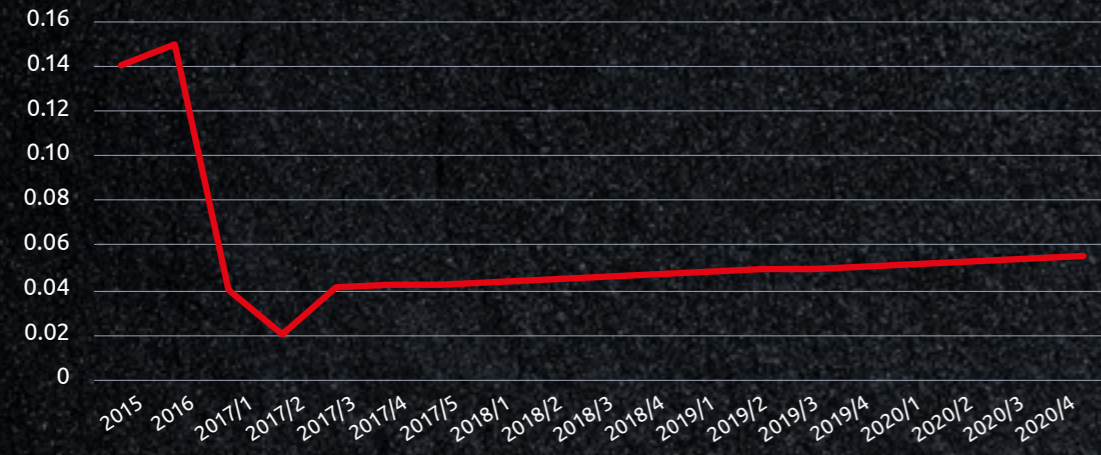
Verkkokauppa.com moved to the Main Market of Nasdaq Helsinki on 5 June 2020.

Since our entry on the main list, our share trading volume has increased significantly, and the number of our shareholders has grown by more than 50% to nearly 14,000 shareholders, which is a great result. I am especially happy about the large number of small investors, who has invested in Verkkokauppa.com. I would like to thank all of our long-standing and new shareholders for their trust in Verkkokauppa.com.

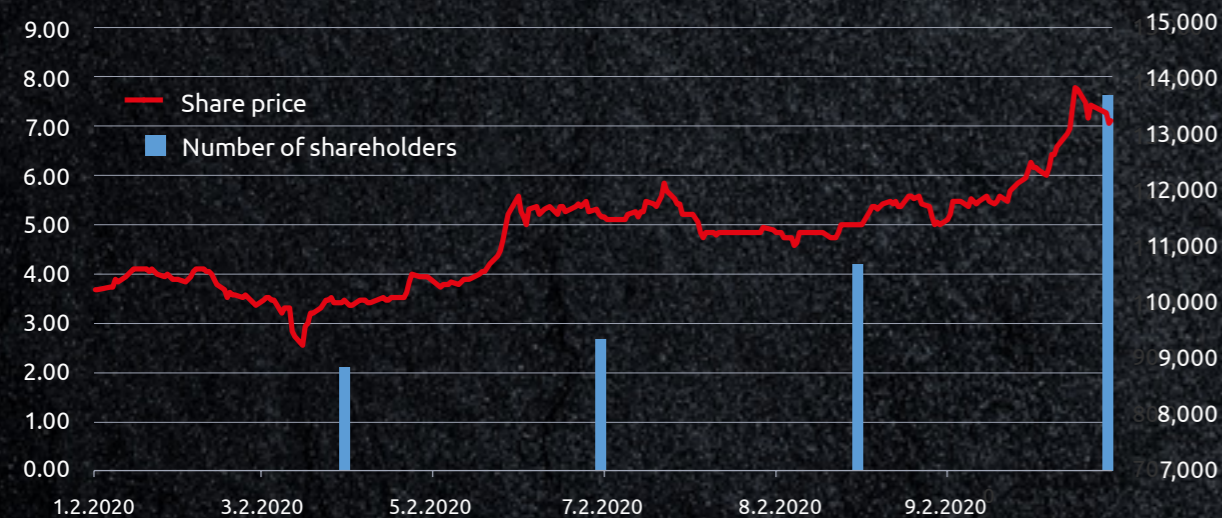
Mikko Forsell

CFO

Dividends paid in 2015–2020, EUR



Share price development 2016–2020 and number of shareholders during 2020



Report of the Board of Directors and Financial Statements 2020

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REPORT OF THE BOARD OF DIRECTORS

Report of the Board of Directors 2020

Year 2020 in brief

Verkkokauppa.com's revenue increased by 9.8% to EUR 553.6. (504.1) million. Operating profit was EUR 19.6 (11.3) million and comparable operating profit was EUR 20.4 (11.3) million. Profit for the financial year was EUR 14.6 (7.8) million.

Revenue and profitability development

Revenue grew by 9.8% in January–December 2020 year on year. Revenue grew by EUR 49.5 million, totaling EUR 553.6 (504.1) million. The Company's sales grew in most of the product categories. Sales increased particularly in major domestic appliances (MDA), sports, Audio & Hi-Fi, Office & Supplies, BBQ and Toys. The profitability improvement was driven by strong sales in medium and evolving categories and a decrease in the relative share of wholesale.

The demand for consumer electronics products grew strongly as the COVID-19 pandemic affected consumer demand and consumer purchasing behavior in 2020.

In the reporting period, personnel costs increased by 9.1% to EUR 35.6 (32.6) million. The increase resulted mainly from the growing personnel costs in IT administration, marketing, retail stores and from bonus payment covering the whole staff.

During the reporting period, other operating expenses increased by 13.1% to EUR 28.8 (25.5) million. The increase was mainly driven by advisory costs relating to transferring to the official list of Nasdaq Helsinki, increased credit loss allowance, external logistics service costs and IT-related costs.

Verkkokauppa.com's company-financed customer financing service Apuraha grew from the previous year. Its proceeds totaled EUR 3.6 (3.3) million, including both interest income and fee income. Verkkokauppa.com sold past due receivables as part of its risk management. The credit loss allowance increased to EUR 1.1 (0.6) million. As of April 2019, Verkkokauppa.com has been selling past due receivables in a so-called continuous debt sales model, where receivables overdue more than 60 days will be sold to third parties. This decreases company's accounts receivable risk.

Operating profit in January–December 2020 was EUR 19.6 (11.3) million. Comparable operating profit in January–December 2020 was EUR 20.4 (13.3) million. Earnings per share was EUR 0.33 (0.17) As a result of increased brand awareness the number of visitors in stores as well as on the webstore increased. In 2020, Verkkokauppa.com Oyj focused on improving profitability with the current product portfolio and developing its capabilities for the future growth.

Key events during the financial year

On 13 February 2020 Verkkokauppa.com announced that the company is currently evaluating the possibility of transferring to the main list of Nasdaq Helsinki during 2020.

On 13 February 2020 Verkkokauppa.com announced to establish a new share-based incentive plan for the CEO and the members of the Management Team.

On 24 April 2020 Verkkokauppa.com announced that it will start purchasing the company's own shares. The repurchase of own shares ended on July 2, 2020.

The company repurchased a total of 296,920 of its own shares.

On 28 May 2020 Verkkokauppa.com announced that it will apply for its shares to be listed on the official list of Nasdaq Helsinki Ltd.

On 29 May 2020 Verkkokauppa.com announced that the Finnish Financial Supervisory Authority has approved Verkkokauppa.com Oyj's Finnish-language prospectus.

On 4 June 2020 Verkkokauppa.com announced that Verkkokauppa.com Oyj's listing application has been approved and trading of the company's shares on the official list of Nasdaq Helsinki Ltd will commence on 5 June 2020.

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

On 22 September 2020 Verkkokauppa.com held the Shareholders' Nomination Boards organizational meeting, where the following members were appointed to the Shareholders' Nomination Board: **Samuli Seppälä**, **Peter Lindell** (Chair), **Erkka Korhonen**, **Christoffer Häggblom**.

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

In 2020, the company has transferred a total of 25,318 treasury shares as part of the remuneration of Board members.

Market development

According to the market research institute GfK, the consumer electronics market grew by 11.8% during year 2020 in Finland. The COVID-19 pandemic had a positive impact on the development of the company's business in 2020. The change in consumer behavior and the emphasis of private consumption on the products offered by the company increased the company's sales. The general economic situation and its development as the pandemic continues will increase the risk to the development of consumer demand and its diversion to product consumption during 2021. The company predicts that the change in consumers' purchasing behavior and its own business model will improve the company's relative competitive position in the future. The Finnish Ministry of Finance estimated on 17 December 2020 that the Finnish GDP will decrease 3.5% during 2020 and grow by 2.5% during 2021.

Finance and investments

Operating cash flow was EUR 16.9 (9.7) million. The operating cash flow was mainly increased due to improved profitability of the business. The cash flow from investments was EUR -1.4 (-1.1) million. Net finance costs were EUR 1.4 (1.5) million.

The Company is solid. Liquid assets totaled EUR 43.1 (42.5) million. Interest-bearing liabilities totaled EUR 21.9 (23.4) million including lease liabilities and interest-bearing net debts totaled EUR -21.2 (-19.1) million. Equity ratio was 24.5% (23.4%).

Ordinary seasonal fluctuations are reflected in cash and cash equivalents, cash flow and accounts payable,

which usually reach the highest point at the end of the fourth quarter and the lowest point at the end of the second quarter. The Company's practice is to maximize the use of cash discounts in the current interest rate environment.

During the reporting period the Company invested in new IT systems and in development of new features to its own ERP system, and as a result the Company capitalized EUR 0.6 (0.4) million of the IT department's employee benefit expenses and external technology consulting fees. Capital expenditures totaled EUR 1.4 (1.2) million in January–December 2020.

Verkkokauppa.com has revolving credit facilities totaling 20 million euros, which have not been utilized. Of these credit facilities, 15 million euros are for three years, and 5 million euros for five years as of 1 July 2019.

Key figures

	2020	2019	2018
Revenue, EUR million	554	504	478
Operating profit-%	3.5%	2.2%	2.8%
Comparable operating profit-%	3.7%	2.2%	2.8%
Equity ratio, %	24.5%	23.4%	23.0%
Gearing, %	-52.2%	-52.1%	-54.3%
Investments, EUR million	1.4	1.2	1.4
Operating CF as presented at Cash Flow statement, EUR million	16.9	9.7	8.9
Personnel at the end of period	818	758	683

Non-financial information statement

Verkkokauppa.com reports on corporate responsibility matters in compliance with legislation on the reporting of non-financial information. The information in this statement has not been verified by a third party. The figures presented in the financial statement and repeated here have been audited.

Operational model and value creation

Verkkokauppa.com is Finland's best known and most visited Finnish online retailer, whose goal is to be the probably always cheaper place to shop for its customers. In 2020, the Company's revenue increased to EUR 553.6 million (504.1), and profit for the period totaled EUR 14.6 million (7.8). Verkkokauppa.com provides its services to consumers as well as wholesale and corporate clients through an online store and four brick-and-mortar retail megastores. The Company's own warehouse in connection with the Helsinki megastore and a rental warehouse in Vantaa enable broad product availability in stores and fast deliveries. The omnichannel service model covers different delivery and pickup options, connecting online purchases to store services and logistics partners' delivery services. The Company's product range covers more than 65,000 products in 26 product categories from electronics to sports equipment and from household products to select foodstuffs. In addition to international brands, the Company provides a selection of private label products totaling approximately 3,000 products manufactured by contract suppliers. In 2020, the Company had a total of about 750 international and domestic suppliers, for whom the Company offers a modern distribution channel. In addition to product sales, Verkkokauppa.com's service sales include, for instance, installation and repair services, cell phone and internet plans, visibility,

and financing services. The Company's economic and social impacts include direct and indirect employment and taxes. The Company is also a stable payer of dividends, and the goal is to pay out a quarterly growing dividend. The Company's business model and value creation are described on page 11.

Business impact of the COVID-19 pandemic

During 2020, the Company benefited from the shifting consumer behavior accelerated by the COVID-19 pandemic, as the sales in the online sales channel have shown strong growth. The Company expects the accelerated shift to online sales channels to be permanent. However, future outlook includes significant uncertainty related to macroeconomic trends and the ongoing COVID-19 pandemic. The Company reacted swiftly to the changing COVID-19 circumstances, the primary objective being to ensure the safety of personnel and customers. Business continued without interruptions during the whole reporting period, with only minor and temporary effects caused by the pandemic on, for example, add-on services such as installation and photography, as well as the opening hours of the 24h kiosk. The fluctuating volumes of work were levelled out flexibly between units, with staff transferring temporarily according to their interests either from sales to logistics or to the Contact Center, where the volume of work grew. The impacts of the COVID-19 pandemic on business are also discussed in section '*COVID-19 impacts on personnel*' on page 24, as well as in sections '*Market development*' on page 16 and '*Business outlook*' on page 27.

The Company's way of working

Verkkokauppa.com wants to operate transparently and responsibly. The commitment to responsibility is an integral part in the Company's culture, success and values. Responsibility and confidentiality play a key role in the relationships between Verkkokauppa.com

Oyj and its stakeholders. The Company's operations are based on compliance with the Code of Conduct, good governance, and strict adherence to currently applicable requirements. Verkkokauppa.com complies with applicable local laws, rules and regulations. Taxes and other payments are performed in accordance with local legislation.

Managing sustainability

The Company's sustainability work and its development are led by the sustainability steering group involving top-level management and subject matter experts depending on subject. The steering group is chaired by the Director of Marketing and Communications, who also heads the Company's sustainability work. The sustainability unit, led by the Director of Marketing and Communications, is responsible for coordinating and reporting on sustainability work. Operative responsibility for planned measures is distributed across the organization. Sustainability is also a regular item in Management Team meetings, and it is reported to the Board of Directors on a regular basis. The Board of Directors confirms the Company's Code of Conduct and sustainability program and oversees corporate environmental and social responsibility.

Materiality and sustainability focus areas

Verkkokauppa.com's sustainability work focuses on topics identified through materiality analysis and active dialogue with stakeholders. Material topics are determined on the basis of the environmental, social and economic impacts of the Company's activities, the expectations of key stakeholders, and the Company's values and strategic priorities, taking into account the special characteristics of the business and operating environment, key international agreements and the evolving reporting requirements. In mapping stakeholder expectations, the Company utilized, for instance, an annual personnel survey, procurement terms of corporate clients, and a stakeholder

survey conducted for the materiality analysis. The sustainability-themed stakeholder survey conducted in August–September 2020 received 2,600 responses from the Company's key stakeholders. Identified material issues were formulated into focus areas and they will be used as a basis for setting a sustainability program and, where applicable, measurable and monitored targets.

Focus areas of Verkkokauppa.com's sustainability work

At the customers' service and on their side

- We sell products that customers actually need: our products are safe and of high quality, and product information and communications are transparent.
- We offer services supporting sustainable consumption.
- We promote responsible working conditions and environmental practices throughout the supply chain.

Smaller environmental impact

- We minimize our impact on the climate.
- We promote the use responsibly sourced materials and material efficiency.
- We promote the circulation of materials.

Verkkokauppa.com as a community

- We invest in our community and in a coaching leadership style.
- We ensure appropriate working conditions and skills development.
- We value different backgrounds and do not discriminate anyone.

Profitable business and good governance

- We run profitable business operations.
- We adhere to good governance principles and manage risks.
- We ensure strong information security.

Stakeholder relations

Verkkokauppa.com engages in active and continuous dialogue with its stakeholders to strengthen the relationship and to understand stakeholders' expectations and hopes. The Company's key stakeholders comprise personnel, customers, partners and shareholders. The table 'Stakeholder engagement' describes these relationships in more detail.

Code of Conduct and operating policies

The Company's Code of Conduct and values define the Company's core sustainability principles, which personnel and partners are expected to adhere to. The Code of Conduct encompasses the Company's principles and practices concerning customer-oriented operations, communications, marketing, disclosure of information, personnel and corporate culture, collaboration with partners, anti-bribery and anti-corruption, human and labor rights, information security and data protection, the environment, legal compliance, and the reporting channel.

The Code of Conduct is supplemented and further defined by other policies of the Company, the most important of which are the anti-bribery and anti-corruption policy, personnel policy, Supplier Compliance Policy, disclosure policy, risk management policy, information security policy, and insider guidelines. Additionally, the Company has various internal policies and guidelines. The Company adheres to provisions on the prevention of money laundering and financing of terrorism. During the reporting year, the Company adopted a process to monitor cash payments.

The Company's Code of Conduct as well as the anti-bribery and anti-corruption policy were renewed during the reporting year. In addition, a personnel policy was drafted for Verkkokauppa.com. The Company's Board of Directors approved the Code of Conduct and the policies in its January 2021 meeting, and their

Stakeholder engagement

Key stakeholders	Engagement and interaction channels	Key interests and concerns in 2020	How Verkkokauppa.com addressed the stakeholders' expectations
Customers	Daily customer encounters, customer service channels, social media, surveys, customer panels, newsletters	Typical customer contact topics focused on orders, repair inquiries, product information, delivery times, and availability. Customers were also interested in new products and product launches. The acquisition of new customers was visible in questions concerning ordering and pickup. In addition, procurement terms and Code of Conduct were discussed with corporate customers. Supporting long life of products emerged as a theme in the sustainability survey.	More than 406,500 customer contacts were handled, chat service and chatbot launched, sales concept renewed on the basis of customer interviews, click & collect service launched for faster pickup
Personnel	Personnel survey and other surveys, performance reviews, daily interaction, weekly bulletins, cooperation with personnel, workplace communications and discussion channels, trainings, personnel information sessions, employee suggestion box, reporting channel	Concern and coping in relation to COVID-19 pandemic, renewal of shift planning system, supervisor trainings	Investments and support actions in occupational safety and well-being, possibility of remote group discussions with occupational psychologist, informative cooperation negotiations, surveys and other engagement, development of workplace communications, trainings and workshops, development of employee benefits, bonus for all personnel, rewarding, processing employee suggestions
Suppliers and other partners	Partner meetings and day-to-day interaction. For suppliers: supplier exhibitions, Supplier Compliance Policy, sustainable import plan, audits, surveys, reporting channel	Product availability, freight schedules, effects of COVID-19 pandemic on cleaning and maintenance at premises, calculating greenhouse gas emissions in waste management, solar energy assessments	Verkkokauppa.fi sales channel for Finnish companies, solar energy assessments at stores, calculating greenhouse gas emissions in waste management
Shareholders	Annual General Meeting, interim reports, investor and analyst reviews, investor site, press and stock exchange releases, meetings with investors and analysts, responding to inquiries and estimates	Listing on the official List of Nasdaq Helsinki Ltd, ESG reporting, especially climate topics, supply chain, product safety and circular economy	Investor interviews to improve IR communications, statements in financial media

enrollment to personnel and partners starts in 2021. The Code of Conduct and other public policies are available on the Company's website.

Respect for human rights

Verkkokauppa.com respects and promotes internationally recognized human rights from the perspective of customers as well as the supply chain and the work community. Respect for human rights is included in the Company's Code of Conduct. Additionally, the Supplier Compliance Policy specifies the requirement of respecting human and labor rights, taking into account collaboration with suppliers in countries where human and labor rights are not adequately protected by law. Moreover, Verkkokauppa.com's operations are guided by international declarations, conventions and recommendations, such as the UN Universal Declaration of Human Rights and the Convention on the Rights of the Child, the ILO Declaration of Fundamental Principles and Rights at Work, the OECD Guidelines for Multinational Enterprises, and the UN Guiding Principles on Business and Human Rights. Due diligence in supply chain management is described in the section '*Sustainable procurement*' and the risks related to human rights in the section '*Sustainability risk management*'.

Anti-corruption and anti-bribery

The Company has zero tolerance for any type of bribery, corruption or any other form of unethical influencing in the course of the Company's business. The Company's anti-corruption and anti-bribery principles are stated in the Code of Conduct and specified in the anti-bribery and anti-corruption policy. The policy is designed to aid in detecting and preventing situations involving a risk of unethical influencing. The policy guides the allowed practices for personnel and management in terms of giving or accepting gifts, hospitality, product loans or discounts,

participation in trips or sales contests, and defines the Company's approval process for such activities. In addition, the policy defines the principles for avoiding conflicts of interest, interacting with the authorities, sponsorships, charity, and donations.

In 2020, there were no confirmed cases of corruption or lawsuits concerning corruption filed against the Company or its partners. None of the cases of misconduct concerning personnel arising during the year were related to corruption. In 2020, there were no lawsuits or court decisions against the Company concerning the violation of antitrust provisions, cartels or the abuse of dominant position on the market.

Reporting channel for suspected violations

The Company has a reporting channel through which employees and other stakeholders can report their concerns regarding misconduct or the violation of the Code of Conduct. The channel can be used anonymously if necessary, and all notifications submitted through the reporting channel are investigated internally and processed in accordance with the reporting procedure. In 2020, one notification was submitted through the reporting channel. The case was closed with no suspicion of misconduct.

Sustainable procurement

Verkkokauppa.com selects its suppliers carefully in accordance with the Company's procurement process and expects all partners to adhere to the Code of Conduct. Suppliers are also required to commit to a more detailed Supplier Compliance Policy, which is a part of the supplier contract terms. The Company adheres to all applicable trade sanctions and customs provisions on import and export. Verkkokauppa.com aims to form long-term partnerships, and the Company's way of working is based on fairness and transparency.

Verkkokauppa.com has private label products in several product categories, the procurement of which

adheres to the Company's sustainable import plan set for the years 2020–2022, integrating sustainability issues into contract negotiations. In 2020, there were more than 3,000 private label products manufactured by 116 suppliers. Significant private label product categories included, for example, televisions, home appliances, e-bikes, cables and ergonomic products. Most of the products were manufactured in so-called high-risk countries, which have a risk of violations against human and labor rights based on the Worldwide Governance Indicators of the World Bank. In 2020, about 68% of the products were manufactured in China and 20% in Turkey, measured in purchase price. The ten biggest suppliers constituted approximately 70% of private label manufacturing, measured in purchase price. Tier 1 supplier factories manufacturing the Company's private label products were not located in the Xinjiang region of China, where the risk of human rights violations against Uyghurs is particularly high.

Verkkokauppa.com pays special attention to matters concerning the sustainability of its own private label products and own imports, including, among others, human and labor rights, environmental work, governance, and procurement practices. To ensure commitment to human rights, the Company requires suppliers of private label products to provide proof of, or consent to, an external corporate social responsibility audit commissioned by the Company. Social responsibility audits approved by the Company include, for example, amfori BSCI, SMETA and SA8000, as well as third-party audits commissioned by the Company. Only reliable and internationally recognized companies with the appropriate authority are used for audits. In recent years, the Company's auditing partner has been research company SGS, using an audit framework that is based on SA8000 standard, that pays attention to, for instance, employee well-being, health, safety, wages and working hours.

Of the private label orders placed in 2020, 62% of the Tier 1 supplier factories (measured in purchase price) had undergone and passed a sustainability audit within 24 months. The Company's goal is that all its private label suppliers have undergone a sustainability audit. In 2020, the Company commissioned 13 sustainability audits (2019: 4, 2018: 4), which are included in the share of audited factories. Of the audits, 11 passed and 2 failed. Corrective action plans are formulated for suppliers failing an audit, and no new orders can be placed until all the required corrective actions have been taken. The discrepancies detected in the audits were related to, for instance, occupational health and safety, wages, excess working hours and environmental practices.

In 2020, Verkkokauppa.com mapped the general situation concerning the sustainability auditing of its private label suppliers and sent one third of its private label suppliers a survey concerning the suppliers' practices and systems in place for social and environmental responsibility, diligence practices concerning so-called conflict minerals used in the manufacture of electronic products, and measures to mitigate greenhouse gas emissions. Based on the results, the Company will revise supplier collaboration to better take into consideration the aforementioned issues and risks.

Safety

The aim of the Company's safety work is to create a safe work and customer environment for all of Verkkokauppa.com's stakeholders both in its premises and online. Verkkokauppa.com divides safety work into occupational safety, physical safety, personal safety, and information security and data protection. Safety is maintained with technical solutions, processes, employee induction and supervision. Detected deviations are reported and handled with stakeholders in the appropriate scope. The entire personnel

is responsible for maintaining general safety. In addition, the Company has defined safety-related responsibilities for different tasks and roles within the organization. Occupational safety is described in the section '*Occupational well-being and safety*'.

Product safety

Together with suppliers, Verkkokauppa.com is responsible for ensuring that each product complies with national and EU legislation, is safe to use, and meets the quality promises given. Quality and safety assurance is carried out, for instance, by testing product samples and by conducting quality assessments at factories. Product labels comply with legal requirements and recommendations issued by the authorities. In 2020, there were no product recalls concerning the Company's private label products. In 2020, one own import product was recalled due to faulty labeling. During 2020, the Company commenced a plan to develop practices regarding battery safety.

Information security and data protection

Information security and confidentiality are critical success factors for Verkkokauppa.com in producing reliable and high-quality online services. The operating models and principles related to ensuring the security of information and information systems are specified in the Company's information security policy. Improving information security practices is continuous work that is regularly addressed in risk management, process development and planning.

Information security and data protection management systems were developed considerably during the year, and the information security organization was redefined. Capability for Security Information and Event Management (SIEM) was developed for monitoring information security events, and this development continues in 2021. Information categorization was redefined and automated.

Changes visible to customers include limiting means of payment to alternatives requiring strong identification and revising the recycling practices of waste of electrical and electronic equipment containing data, in order to protect customer data. The Company's online training for information security and data protection is revised and enrolled to the entire personnel annually. By the end of 2020, the latest training had been completed by 82% of personnel, including employees on longer leaves. The training will also be included in employee induction in the future. There were no notable information security incidents during 2020. All information security deviations and events were investigated in accordance with the procedure, and they did not cause considerable adverse impacts or disruptions to the course of business.

The Company receives approximately ten inquiries per month related to personal data processing, all of which are addressed as quickly as possible. During 2020, there were three limited cases of data breach concerning customers' personal data. The cases were caused by human error, and one of these cases was reported to the Office of the Data Protection Ombudsman.

Marketing communications

In accordance with the Company's Code of Conduct, Verkkokauppa.com's marketing can be bold and though-provoking, all the while ensuring that all communications are truthful and in accordance with good practice. The Company did not receive any notices in 2020 from the Council of Ethics in Advertising, which assesses the adherence of advertising to currently prevailing standards of decency in Finland, applying the Advertising and Marketing Communications Code of the International Chamber of Commerce (ICC). During the reporting year, the Company made changes to the way information on consumer instalment loans is presented on the Company's website and

in advertisement leaflets, in addition to which, the Finnish Competition and Consumer Authority brought to an end a case concerning the communication of information relating to consumer instalment loans in a clear, easily noticeable and concise manner.

Due to the large number of products, sometimes human errors may occur in the pricing of products in the company's online store. Such situations will be resolved on a case-by-case basis and, if necessary, a transaction may be canceled in the event of a manifest price error. Such cases, for example, are also dealt with from time to time by the Consumer Disputes Board, on the recommendation of which, during the reporting year, the company ended up offering a small number of customers a product at the price originally announced.

Environment

The key principles of the Company's environmental work are stated in the Code of Conduct. Verkkokauppa.com monitors its environmental impact and aims to develop its environmental work by minimizing the adverse environmental impacts of its operations and by promoting positive impacts. In terms of the direct environmental impacts of the Company's activities, material issues include responsible selling, offering services supporting sustainable consumption, energy choices and energy efficiency at stores, packing material choices and consumption, minimizing loss and waste, and recycling. Indirect impacts relate to manufacturing, transportation and use of the products sold.

The Company exercises due diligence by using recognized partners, either directly or through a network, and by ensuring that partners have the necessary certifications. The Company purchases sustainability-certified energy in cases where the Company is not obligated to purchase energy from a certain provider. In accordance with the Supplier

Compliance Policy, the Company requires suppliers to use natural resources responsibly, adhere to environmental laws and international conventions, have processes and rules in place for waste management as well as chemicals and dangerous substances, and to manage emissions in accordance with the law. Suppliers are expected to consider environmental perspectives in their own supply chain, as well.

Responsible selling

An important part of Verkkokauppa.com's environmental responsibility is to offer customers a durable and high-quality product that is suitable for their needs and, if possible, extend its lifecycle with support services. The Company aims to reach this objective by offering wide and transparent information to customers to aid them in decision making, including extensive product information, product-specific repair and return percentages and product reviews submitted by earlier customers. In 2020, the Company's sales concept was renewed with the aim to improve the customer experience even further through acknowledging customers and mapping their needs. The stores use a HappyOrNot feedback terminals that work with the press of a smiley button. They were used for measuring customer satisfaction, which increased to 70 in 2020 (2019: 66, 2018: 63). Customer satisfaction in the Contact Center was measured with the Net Promoter Score (NPS), which was 63 in 2020 (57). Both figures are measured on a scale from -100 to +100.

Services supporting sustainable consumption and waste prevention

Extending the lifecycle of products being sold is an important part of mitigating the Company's environmental impacts. Depending on the product, customers are directed to either manufacturer-authorized service centers or the Company's own repair

services, which are developed continuously. During the reporting year, the repair services were extended to cover new products, and the availability of spare parts was improved. Data on repairs and returns is monitored closely, and the information is forwarded to the purchasing organization to aid in decision making.

The Company aims to improve transparency about waste by showing product-specific returns data in the online store and by publishing reports on the products most commonly returned or sent in for repair. The Company has extensive exchange and return conditions, and warranty was extended during the reporting year to three years for computers, televisions, cameras and tablets. The Company's return rate for purchases is low for online retail*, 1,0%. Product waste is minimized by selling customer returns as outlet products. During the reporting year, this work was improved by opening an online Outlet to supplement the Helsinki Outlet store, and by piloting temporary category-specific Outlet shop-in-shops in other stores. Due to the measures, an almost full product cycle was achieved. A pilot project to promote circular economy by reselling second-hand phones was carried out together with Swappie. The foodstuffs sold by the Company are generally suitable for long-term storage, and food waste is negligible. In 2020, the Company prevented 3,337 kilograms of food waste through a collaboration with Fiksuruoka.fi, a company specializing in reselling products with a 'best before' date approaching. Waste was also reduced by donating pet food products.

Energy choices and efficiency

Verkkokauppa.com is constantly looking for ways to improve energy efficiency and reduce emissions. The Company has outlined that all electricity purchased by the Company itself be produced with emissions-free hydropower. During the reporting year, the Company negotiated a transition to renewable energy also in stores with energy included in the lease.

Information on electricity consumption is presented in diagram 'Electricity specific consumption'. Electricity consumption decreased slightly from the previous year. The Company is continuously seeking to improve its energy efficiency, for instance, by using LED lighting and utilizing opportunities provided by building services engineering and building automation. The aim is to continue the introduction of LED lighting in all stores. In addition, the Company has studied the potential of artificial intelligence in premises automation to increase energy efficiency. Possibilities for using solar energy have been evaluated in all retail locations together with lessors. Verkkokauppa.com is committed to purchasing solar energy in the stores where solar energy produced. In October 2020, solar energy production began in the Oulu store, and the positive impacts are expected to be seen during 2021. The evaluations continue in the Raisio and Pirkkala stores. Production potential at the Helsinki Jätkäsaari store was deemed insufficient for implementation.

All stores are heated with district heating. The waste heat generated by Verkkokauppa.com's own server room located at the Helsinki warehouse is used for heating the warehouse. Cooling at the Helsinki store is produced with eco-friendly district cooling. Geothermal heat has been used to produce part of the heating at the Pirkkala store property since 2019. The Company's headquarters, warehouse and store premises in Jätkäsaari, Helsinki, have been awarded with the environmental certificate for Leadership in Energy and Environmental Design (LEED).

Emissions

Verkkokauppa.com has started to map and calculate its greenhouse gas emissions. The calculation will be published on the company's website. Identified sources of Scope 3 emissions include, among others, upstream and downstream transportation and distribution, purchased goods and services, business

travel, employee commuting, and the manufacture and use of sold products. For the time being, the Company has not specified whether a part of its activities can be perceived to be included in the EU taxonomy for sustainable activities, for example from the perspective of climate change mitigation or adaptation.

Material choices and efficiency

Verkkokauppa.com strives to select packaging materials that are best for the environment and to use them efficiently. When possible, a product's own package is used for shipping, avoiding unnecessary additional packaging. Plastics are avoided in packaging, opting instead for bags, boxes and fillings recyclable as cardboard. The Company is following the development of the field and is testing new packaging materials. At the end of 2020, Verkkokauppa.com made a social commitment to sustainable development by joining the retail sector plastic carrier bag agreement. With the agreement, the Company commits to reducing the consumption of plastic bags. The Company will also renew its shopping bags by switching paper bags to reusable bags made from renewable Paptic material and by increasing the amount of recycled plastic in plastic bags from 40% to 80%. In 2020, approximately 1,321 tons of paper was used in printing the Company's advertisement leaflet (2019: 1,613 tons, 2018: 3,398 tons). The reduction in the volume of paper used is due to decreased circulation, fewer distribution weeks, and reduced paper thickness. The paper used has been produced responsibly - in accordance with the company's printing partner's purchasing principles, at least 80% of the paper is made from wood fiber with a PEFC or FSC certificate for sustainable forest management.

Waste and sorting

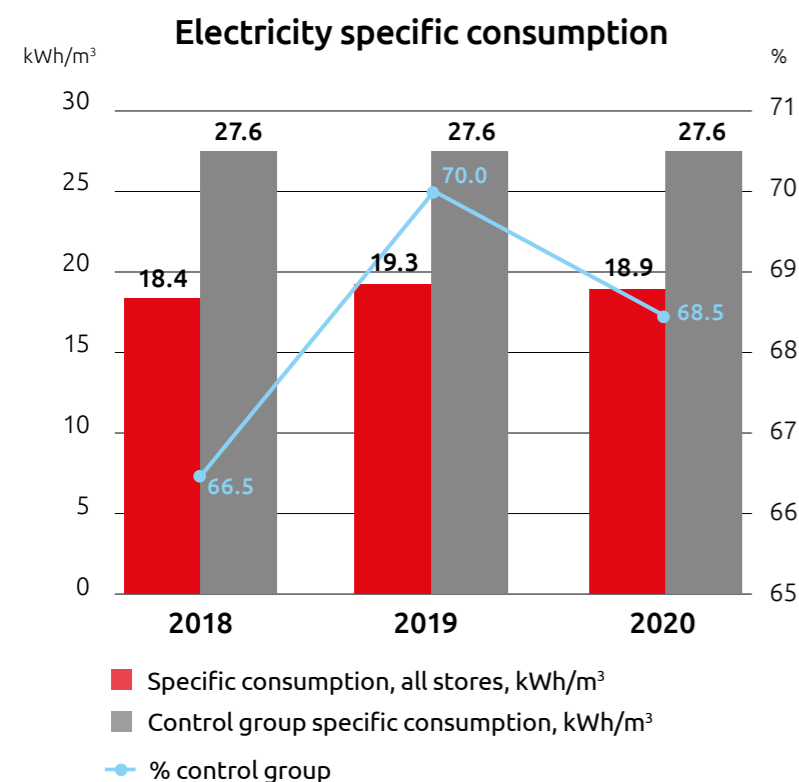
The Company aims to minimize waste and promote the recycling of materials. Once a sold product

reaches the end of its lifecycle, the customer receives assistance in appropriate recycling. All stores accept waste electrical and electronic equipment (WEEE) and batteries. Verkkokauppa.com carries out its producer responsibility with membership in ERP Finland's producer community in terms of electrical and electronic equipment and batteries. During the reporting year, the Company also joined Recser Oy's community of producers of hand-carried industrial batteries.

All waste produced by Verkkokauppa.com is sorted, and in 2020, all of the waste was recovered. The majority of this percentage could be recycled or reused, the recycling rate being 78% (72). The remaining 22% was directed to waste-to-energy production. Municipal solid waste in 2020 comprised 1,053 tons (956), including the pallets recycled by the Company, which constitute approximately 49% of the waste. When including only pallets that end up as waste and excluding pallets that are directed to reuse as such, the Company's municipal solid waste recycling rate in 2020 was 61%. Separate sorting of plastic film began at the Helsinki store and warehouse in late 2019. The Company plans to extend plastic film sorting.

The Company collected 316 tons (251) of waste electrical and electronic equipment (WEEE), including equipment recycled by customers as well as the Company itself. The amount of rechargeable and single-use batteries and other hazardous waste recycled was 2.9 tons (1.4). The increase indicates more active recycling among consumers, which is appropriate for the reuse of precious materials and for the safe processing of hazardous waste. In late 2020, an extensive recycling station was established in connection with the Helsinki store to aid in the appropriate recycling of WEEE in particular and to communicate the importance of recycling. In addition, the Company updated its WEEE recycling guidelines and practices, especially regarding devices containing

* Survey by the Finnish Commerce Federation, 2017: Finns return 10–25% of their online purchases.



data, in order to improve the security of customers' personal data and to minimize the risk of data misuse. Changes reducing waste were also made in personnel break spaces when the Company shifted from disposable to reusable dishware.

Logistics

Goods imported from Europe arrive at the Company's warehouses by freight truck shipments delivered by partners, with the exception of products imported from Turkey arriving both by sea and land. Products imported from outside Europe mainly arrive by cargo ships, apart from urgent small shipments sent by air freight. When placing an order, Verkkokauppa.com's customers can choose either pickup from a store or a warehouse or delivery by one of the Company's logistics partners to their home or a third-party pickup point. The majority of Verkkokauppa.com's customer shipments are carbon-neutral Posti Green deliveries.

Other environmental impacts

The Company's own activities use very little water, and there is no shortage of water in the operating regions. Water consumption is monitored and minimized. The direct impacts of the Company's own activities on biodiversity or air pollution are estimated to be low. The operations are situated in urban areas zoned for commercial activities. The Company's four stores are located near public transport in large urban centers, and access via public transport has been taken into account when considering locations.

Personnel

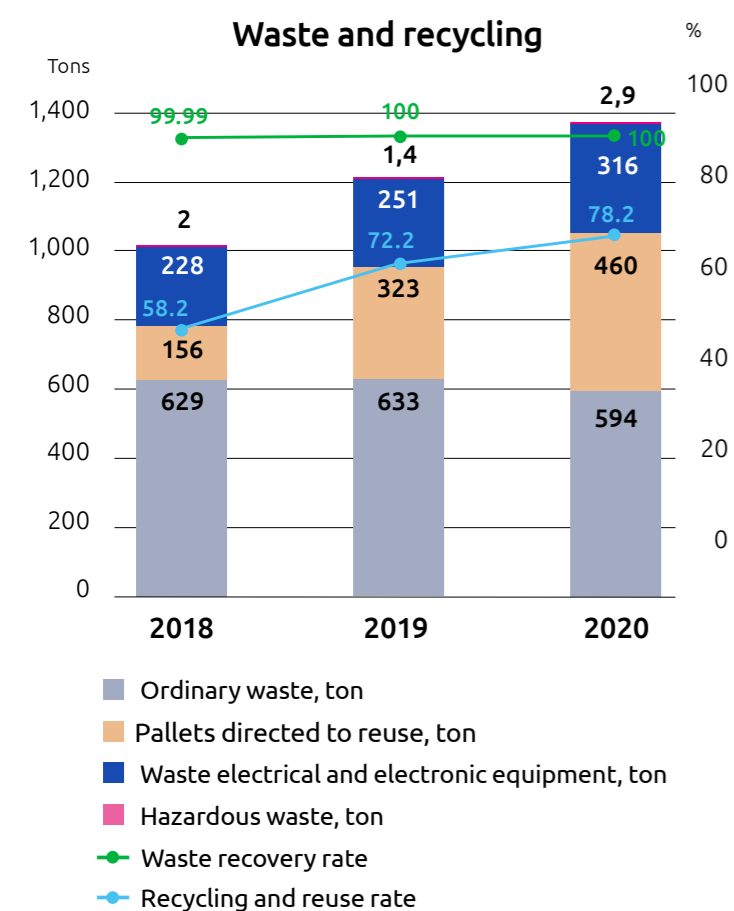
In the strategy of Verkkokauppa.com, employees play a key part in the realization of the Company's business objectives. Through its values, defined in collaboration with the personnel, the Company fosters a bold, agile and transparent organizational culture and emphasizes a community atmosphere.

The personnel policy formulated during the reporting year supplements Verkkokauppa.com's Code of Conduct. The personnel policy aims to ensure that the Company's personnel resources and practices aid in achieving the Company's goals. The personnel policy is available on the Company's website. Topics covered by the policy include values, culture, respect for diversity, equality and fairness, prohibition of discrimination and harassment, recruitment practices, leadership, internal communications, occupational safety, well-being at work, job satisfaction, skills development, remuneration, rewarding and benefits, and cooperation. The Company has an annually revised personnel training and equality plan that addresses issues such as training, principles related to working

hours and working time and to accommodating employees' life situations. During the reporting year, the Company also formulated ethical guidelines for workplace communications aimed at promoting interaction and collaboration throughout the organization. The key measures and channels for employee engagement are summarized in the table 'Stakeholder engagement'.

Employment

The Company employed an average of 730 (699) people in 2020. The number of employees was at its highest during the end-of-the-year season with 818 employees (758). Verkkokauppa.com's goal is to hire personnel under permanent employment contracts,



Disclosure	2020	2019	More information
Number of personnel on average	730	699	
Number of personnel at the end of the reporting year	818	758	
Male / female (%)	73/27	73/27	Situation at the end of the year
Full-time / part-time (%)	74/26	79/21	Situation at the end of the year
Regular / fixed-term (%)	92.5/7.5	95/5	Whole-year average
Average age (years)	31.9	31.7	Situation at the end of the year
Total turnover rate (%)	9.5	7.3	Excluding seasonal employees
New employees	261	135	Including seasonal employees
Number of terminated employments	226	192	Including seasonal employees
Number of internal transfers	56	52	Reassignment to a more demanding role
Rate of absenteeism due to illness	5.0	4.5	% of theoretical regular working hours
Accident rate	3.8	3.9	1 per million person-hours, calculated from actual hours. The figures do not include minor accidents resulting in less than three days of absence, or travel accidents. The statistics do not include contractors.
Number of workplace accidents	28	26	The figures do not include minor accidents resulting in less than three days of absence.
Number of work travel accidents	22	18	
Number of occupational disease suspicions	0	0	
Number of early retirements due to reduced ability to work	1	0	

using fixed term contracts only for duly justified reasons. Due to the nature of the work duties, some of the employment relationships are established on a part-time basis. Agency-hired labor is used for acute or short-term needs, especially in logistics and IT. On average, 35 people worked on an agency contract during the year and 60 people at the end of the year. The Company buys services from self-employed people or freelancers to a very small extent, and this is limited to individual cases in expert positions. The Company hired approximately 50 summer employees, of whom about 25% received a continuation to their contract until the end of the year. Approximately 115 seasonal workers were hired for the end-of-the-year season.

Diversity and equal opportunity

The Company wants to foster its culture of community and to promote fairness, equality, diversity and respect for different backgrounds. Gender, age, world view or family-political factors must not cause disparity between persons in the Company's remuneration, rewarding, organizational changes, training or recruitment. Developments in equal pay are monitored. Wages are based on the retail sector's collective agreement or a personal salary determined by the demands of the role as well as the person's work experience, skills, education and performance. During the reporting year, the Company decided to adopt gender-neutral job titles to communicate equal access to roles irrespective of gender or other personal qualities.

Board and management diversity

The members of Verkkokauppa.com Oyj's Board of Directors shall represent diverse expertise and professional backgrounds in such a way that the professional and international experience, ages and genders mutually support and complement one another to benefit the Company's business and create shareholder value. The Shareholders' Nomination

Diversity of governing bodies and personnel

By gender	Male	Female
Entire personnel	73%	27%
Board of Directors	83% (5 persons)	17% (1 person)
Management Team	87.5% (7 persons)	12.5% (1 person)

By age group	30 years and under	31–49 years	50 years and over
Board of Directors	-	33% (2 persons)	67% (4 persons)
Management Team	-	100% (8 persons)	-

Personnel by age group	-19	20–24	25–29	30–34	35–39	40–44	45–49	50–54	55–59	60-
Male	10	78	110	145	120	93	22	9	0	0
Female	6	62	60	54	31	11	6	1	0	0

Board, established 31 March, 2020, shall in the preparation of the proposal for the composition of the Board take into account, the requirements placed by the Company's strategy, operations and development phase as well as the sufficient diversity of the Board. A person elected as a Board member shall have the necessary qualifications as well as sufficient time to successfully carry out the duties involved in the position. The backgrounds of the Board members were diverse in terms of experience, field of expertise and education, and several Board members also have experience of international business operations. The principles concerning Board diversity also apply to the Management Team of Verkkokauppa.com.

Zero tolerance for discrimination

Any and all type of harassment, bullying or discrimination are strictly prohibited at Verkkokauppa.com. Incidents can be brought forward via an employee representative, HR, and one's supervisor. In addition, employees have the possibility to report incidents through the reporting channel. Incidents are investigated immediately when they surface, with

confidential hearings to sort out the situation. In 2020, no cases of discrimination arose within the Company.

Occupational well-being and safety

Occupational safety and well-being are monitored and developed in cooperation with HR, an occupational health and safety committee, and occupational health services. The occupational health and safety committee, convening four times per year, defines an action plan for occupational health and safety approved by the Management Team of the Company. Ensuring a safe work environment means, for example, preventing accidents, and recognizing and avoiding safety hazards and near-miss incidents. To prevent hazards, employees are trained on occupational safety matters and safety risks are evaluated regularly, for example, by organizing safety walks. The occupational health action plan, which is prepared annually, guides the development and priorities of occupational well-being. To support the work community, an early support model considers employee well-being from a holistic perspective. This means that in addition to health issues affecting people's ability to work, other

possible challenges are also recognized.

COVID-19 impacts on personnel

The safety and well-being of personnel were highlighted as special priorities during the reporting year due to the COVID-19 pandemic. The Company established a task force to coordinate the exceptional situation, with representatives from different parts of the organization including the Management Team. Additionally, a communication channel was established to communicate actively and regularly about changes in circumstances and practices throughout the year. Personnel safety was ensured by, for example, increased sanitation, measures for keeping safety distances, and the use of facial masks. The Company provided the entire personnel with face masks. Supervisors were supported in leadership under exceptional circumstances, and sales personnel were offered the possibility for group meetings with an occupational psychologist. Remote work practices were made more flexible and borrowing work equipment for use at home was supported. The fluctuating volumes of work were levelled out in an agile way between units, transferring staff temporarily according to their interests either from sales to logistics or to the Contact Center, where the volume of work grew. Transfers from sales work to remote customer service work were also done for health reasons. Safety practices were of special concern during the November Black Friday campaign, which is a significant campaign for the Company. Precautions included, for example, offering face masks to customers, security personnel limiting the flow of customers, and recommending online shopping.

The Company followed the detailed and constantly updated guidelines and safety practices with care, and only isolated instances of COVID-19 infection were detected during the reporting year. To prevent the spreading of the virus, the colleagues of those

infected were instructed to self-quarantine already before official quarantine. Quarantines caused an elevated rate of absenteeism due to illness especially during spring, increasing the whole year's average. In order to speed up receiving results of COVID-19 testing, employees were given the opportunity to get tested by occupational health services.

Developing competence

Leadership by immediate supervisors is being developed systematically as part of the Company's strategy. In 2020, this development continued with supervisor trainings combining face-to-face and remote participation, with approximately 50 participants. During the fall, store managers were given communication trainings with the aim to aid in day-to-day leadership. Themes included presentation skills, giving feedback, and communicating change. Sales personnel were trained in the renewed sales concept during the reporting year. The skills of the entire personnel are developed comprehensively through employee induction, training, job rotation and internal career paths.

Developing job satisfaction

Job satisfaction is measured with an annual personnel survey. In total, 83% of employees responded to the survey (2019: 81%) conducted for the seventh time. Average overall satisfaction increased on all measures compared with the previous year, the general grade being 3.6 (3.4) on a scale of 1–5. Verkkokauppa.com employees praise their job roles and duties, the working conditions, and the good spirit. Employees view Verkkokauppa.com as a trailblazer and are proud of the Company. The most significant increase concerned communication, feedback and leadership. The survey results are analyzed both at the Company level and in work communities, and concrete measures are agreed upon based on the survey results. For instance, based on previous surveys, leadership by immediate

supervisors was selected as a strategic priority that is being developed systematically.

Remuneration and benefits

Well performed work is rewarded in accordance with the Company's remuneration and benefits policy, with the objective of inspiring and encouraging successes. Everyday successes are recognized with systems of quick rewarding. In 2020, the entire personnel was rewarded with a EUR 500 bonus as a way to thank employees for their valuable work during an exceptional year. Long-standing employees are honored each year with a celebration and a monetary reward. In 2020, five employees were rewarded for 20 years of service and 13 employees for ten years.

The Company invests in extensive employee benefits. In 2020, benefits offered to the entire personnel included occupational health care, staff discount, break room refreshments, and a Christmas and spring gift. In addition, benefits requiring a certain minimum period of employment included exercise benefit, internet benefit, commuter benefit, and, in some roles, lunch benefit. A possibility for seasonal flu vaccination was also offered. The Company did not have in place any benefits requiring full-time employment or a regular employment contract.

Employee-employer relationship

The Company adheres to labor laws and agreements concerning cooperation and engages in active and transparent dialogue with personnel and representatives thereof, aiming for fruitful cooperation reaching common objectives. Informative cooperation negotiations are target-oriented and widely used. The chief shop steward, CEO, HR Director and CFO convened quarterly. In addition, cooperation negotiations were carried out during 2020 concerning, for instance, the transfer to a new shift planning system as well as the Code of Conduct and other policies. The

Company operates independently and is not a member of any employers' association, and therefore does not engage in direct dialogue with trade unions.

Sustainability-related risk management

Sustainability-related risks are identified, assessed, valued and managed as part of the Company's overall risk management. Sustainability has been integrated into risk management principles, process description and guidelines. Risk management is part of the Company's management system, and the process is led with an annual calendar. Sustainability topics, also from the viewpoint of risks, are regularly discussed at Management Team meetings, and they form a part of the reporting provided to the Board of Directors. The Company's risk management is based on the ISO 31000 standard and other commonly known good practices such as the VAHTI information security instructions. Risk management is carried out in accordance with the Company's risk management policy approved by the Board of Directors, describing the risk management principles, responsibilities and practices of the Company. In line with the policy, the Company aims to be proactive in preparing for sustainability-related uncertainties or deviations. Processes for detecting and managing sustainability-related risks were revised in 2020, and they encompass the assessment of adverse social, human rights and/or environmental impacts caused by the Company's own activities and by different activities in the value chain, including risks related to climate change. The most significant sustainability-related risks and uncertainties concern deficiencies in the management of social or environmental responsibility in the supply chain, including risks related to raw materials, such as the so-called conflict minerals used in electronics, product safety, information security, employee health and safety, and climate change. The aforementioned

risks, if materialized, could lead to violation of human rights, environmental damage, additional costs, loss of trust among stakeholders, and hindering of the Company's sustainability work. If a risk is assessed to be significant, management procedures are planned and their progress is monitored. The Company is examining the possibility to join an international supply chain supervision system and to implement the operating principles of the chosen system in the supply chain to improve risk management. The Company is planning to conduct a more detailed assessment of climate emissions and to set goals related to emissions.

Risks related to climate change

The Company's risks and impacts related to climate change can be categorized as follows:

Transition risks

- Increased regulation requires changes to business activities and reporting and causes additional costs, and may affect the Company's operative or financing costs.
- In the long term, changes in consumer behavior may require changes to business models in order to respond to the expectations of customers and other stakeholders, while also offering opportunities.

Physical risks

- The increase of extreme weather phenomena may have an impact on product availability or cause disturbances in the logistics chain.

Climate impacts of operations

- Energy source choices and emissions caused by energy consumption
- The impact of sold products and services on climate change during their whole lifecycle

This material references General disclosures and Topic specific disclosures from GRI Standards 2016.

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.

Shares and share trading

The number of shares in the Company was 45,065,130 on 31 December 2020, including treasury shares. The Company has one share series with equal rights to vote and dividend.

During the reporting period, 26,714,366 shares were exchanged until 4 June on the First North Growth Market of Nasdaq Helsinki Ltd marketplace and on 5 June onwards on the official list of Nasdaq Helsinki Ltd, representing 59.3% of all shares in the company. The highest share price was 7.90 euros and the lowest 2.49 euros. The average price in share trading was 4.95 euros. The total of the share trading was 132.3 million euros. The closing price was 7.12 euros, and the market capitalization of all shares was 320.9 million euros at the end of the period.

The company held 352,898 treasury shares on 31 December 2020. These treasury shares accounted for 0.78% of all shares. The treasury shares have no voting rights, and no dividend is paid on them.

Share-based incentive plan

Verkkokauppa.com has two share-based incentive plans for the CEO and members of the Management Team, the Matching Share Plan 2018–2020 and the Performance Matching Share Plan 2020–2022. The aim of the plans is to align the objectives of the shareholders and the management in order to increase the company's value in the long term, to encourage the management to personally invest in the company shares, to retain the members of the Management Team at the company and to offer them a competitive

reward plan that is based on acquiring, earning and accumulating the company's shares.

In the Matching Share Plan 2018–2020, the participant may earn a number of matching shares, determined by the Board of Directors, based on their investment in Verkkokauppa.com Oyj's shares. The Matching Share Plan has two matching periods: 2018–2020 and 2019–2021. The rewards to be paid on the basis of the matching period 2018–2020 correspond to the value of maximum total of 50,000 Verkkokauppa.com Oyj's shares, and on the basis of the matching period 2019–2021 to the value of maximum total of 45,000 Verkkokauppa.com Oyj's shares, including also the proportions to be paid in cash. In the Performance Matching Share Plan 2020–2022, a person may earn a number of matching shares based on their investment in Verkkokauppa.com Oyj's shares and the Total Shareholder Return (TSR) of the share. The Performance Matching Share Plan includes one performance period, calendar years 2020–2022. The reward to be paid to participants is based on the achievement of the required TSR levels set by the Board of Directors. A maximum of three performance-based matching shares is paid for each allocated share. The rewards to be paid on the basis of the plan correspond to the value of approximately 540,000 Verkkokauppa.com Oyj shares in total (gross amount).

Board authorizations

The Annual General Meeting held on 31 March 2020 authorized the Board of Directors to decide on the repurchase of a maximum of 4,506,513 shares of the Company.

Verkkokauppa.com has during the financial year 2020 utilized its share repurchase authorization to repurchase a total of 296,920 shares during the period 14 May 2020 – 1 July 2020. The acquired shares are intended mainly to be used for the payment of the share portion of the annual fees of the members of the

Board of Directors and the matching shares under the performance matching share plan of key employees. The authorization will be valid until the next Annual General Meeting, however no longer than 30 June 2021.

The Board was authorized to decide upon a share issue, or the issue of shares owned by the Company. This authorization is for maximum of 4,506,513 shares. The Board was authorized to decide upon all the conditions of the share issue. Verkkokauppa.com also exercised its share issue authorizations during the financial year 2020 to transfer a total of 25,318 shares to Board members as part of Board remuneration. The authorization will be valid until the next Annual General Meeting, however no longer than 30 June 2021.

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

Board of Directors

Until the Annual General Meeting held on 31 March 2020 the Board members were **Christoffer Häggblom**, **Robert Burén**, **Mikael Hagman**, **Arja Talma**, **Kai Seikku** and **Samuli Seppälä**. At the Annual General Meeting held on 31 March 2020 the previously mentioned Board members were re-elected as members of the Board.

The constitutive meeting of the Board of Directors convened after the Annual General Meeting, **Christoffer Häggblom** was re-elected as the Chairman of the Board of Directors. On 4 January 2021 Board member **Mikael Hagman** resigned from the company's Board.

Annual General Meeting

The Annual General Meeting was held in Helsinki on 31 March 2020. The financial statements for the year 2019 were approved and the Board Members and the CEO were discharged from liability. It was decided to pay a dividend of EUR 0.052 per share, totaling EUR 2,339,612.96. The Board of Directors was authorized to decide at its discretion on the distribution of dividends

not exceeding EUR 0.162 per share. The Annual General Meeting decided that the authorization will be used to distribute dividend three times during the period of validity of the authorization. Unless the Board of Directors decides otherwise, the payment dates of the dividends will be on 6 May 2020, 4 August 2020 and 3 November 2020.

After the Annual General Meeting, Verkkokauppa.com Oyj's Board of Directors held a constitutive meeting, where it resolved on the Board committees. The Board decided to continue with the Audit Committee and change the Nomination and Remuneration Committee to the Remuneration Committee as The Annual General Meeting established the Shareholders Nomination Committee. The Audit Committee consists of Board members **Kai Seikku** (Chair), **Arja Talma** (Vice Chair), **Christoffer Häggblom** and **Samuli Seppälä**. The Remuneration Committee consists of Board members **Christoffer Häggblom** (Chair), **Kai Seikku** and **Samuli Seppälä**.

The Annual General Meeting resolved to establish a Shareholders' Nomination Board, to prepare proposals on the election and remuneration of the members of the Board of Directors for the Annual General Meeting as well as confirm the charter of the Shareholders' Nomination Board. The Nomination Board consists of four members, three of which represent the Company's three largest shareholders, or the representatives nominated by such shareholders. The Chair of the Board of Directors shall be the fourth member of the Nomination Board.

The Board election is explained above in the section Board of Directors.

The Authorized Public Accountant PricewaterhouseCoopers Oy was elected as the auditor, with Authorized Public Accountant **Ylva Eriksson** acting as the Principal Auditor.

Dividend

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

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

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

The Board resolved on 23 October 2020 to pay a dividend of 0.055 euros per share (2,458,892,92 euros in total). The dividend payment date was 3 November 2020.

Verkkokauppa.com's Annual General Meeting authorized the Board of Directors to decide in its discretion on the distribution of dividends not exceeding 0.162 euro per share to be paid in three instalments during 2020. Following the distribution of dividends resolved on 23 October 2020 by the Board, the Company does not have any valid authorizations for distribution of dividends.

Corporate governance statement

A corporate governance statement is available in the Company's Annual Report 2020 and on the Company's website at

<https://investors.verkkokauppa.com/fi/governance>.

Most significant risks and uncertainties

Verkkokauppa.com's risks and uncertainties are mainly related to the Company's industry and operating environment, its operations, as well as the regulatory environment.

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 Finnish economy. The Company's business is seasonal and focused on 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 and investments. 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. In addition, 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.

Subsequent events

On 12 February 2021 Verkkokauppa.com announced company's refined strategy and long-term financial targets.

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

Board of Directors' proposal for profit distribution

The Company's non-restricted equity totals EUR 40,014,114.29.

The Board of Directors proposes to the Annual General Meeting that the Company's profit for the financial year of EUR 14,621,552.33 shall be transferred to the retained earnings/losses account. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.230 per share and an additional dividend of EUR 0.220 per share, totaled EUR 0.45 per share shall be paid for the year 2020. The proposal is based on the strong performance in 2020 and strong liquidity.

Long -term financial targets

With the refined strategy, Verkkokauppa.com aims for a revenue of one billion euro and a 5% EBIT margin

by the end of 2025. At the same time, Verkkokauppa.com will continue its policy of distributing a quarterly growing dividend to shareholders.

Business outlook

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

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

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

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

Financial guidance

In 2021, the Company's revenue is expected to be between EUR 570–620 million (2020: EUR 554 million) and comparable operating profit to be between EUR 20–26 million (EUR 20.4million).

Distribution of shareholders at 31 December 2020

Size of shareholding	Number of shareholders	% of shareholders	Number of shares	% of shares
1–100	6,331	45.9	275,180	0.6
101–500	4,946	35.9	1,291,385	2.9
501–1,000	1,401	10.2	1,101,647	2.4
1,001–5,000	931	6.8	1,945,926	4.3
5,001–10,000	78	0.6	572,639	1.3
10,001–50,000	69	0.5	1,405,654	3.1
50,001–100,000	5	0.0	384,108	0.9
100,001–500,000	9	0.1	2,368,577	5.3
500,001–	13	0.1	35,720,014	79.3
Total	13,783	100.0	45,065,130	100.0
Nominee-registered	9		3,396,852	7.54

Shareholder breakdown by sector at 31 December 2020

	Number of shareholders	% of shareholders	Number of shares	% of shares
Companies	364	2.6	2,040,303	4.5
Financial institutions and insurance companies	25	0.2	9,978,881	22.1
Public bodies	3	0.0	5,358,855	11.9
Non-profit organisations	20	0.1	161,775	0.4
Households	13,340	96.8	25,048,329	55.6
Non-Finnish nationals	31	0.2	2,476,987	5.5
Total	13,783	100.0	45,065,130	100.0

Major shareholders at 31 December 2020

Shareholder	Number of shares	% of shares
Seppälä Samuli	18,288,342	40.58
Keskinäinen Työeläkevakuutusyhtiö Varma	3,865,932	8.58
Rite Ventures Finland Ab	2,172,576	4.82
Mandatum Henkivakuutusosakeyhtiö	2,165,458	4.81
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	1,492,723	3.31
Sijoitusrahasto Nordea Nordic Small Cap	1,476,669	3.28
Evli Finnish Small Cap Fund	949,469	2.11
Skogberg Ville Johannes	634,266	1.41
Keskinäinen Vakuutusyhtiö Kaleva	566,475	1.26
Danske Invest Finnish Equity Fund	550,009	1.22
10 biggest shareholders total	32,161,919	71.37
Other shareholders	12,903,211	28.63
Total	45,065,130	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.

Share performance indicators

	IFRS 1-12/2020	IFRS 1-12/2019	IFRS 1-12/2018
Financial key figures			
Revenue, thousand euros	553,636	504,113	477,833
Gross profit, thousand euros	88,413	73,874	72,020
Gross margin-%	16.0%	14.7%	15.1%
EBITDA, thousand euros	24,593	16,330	18,414
EBITDA-%	4.4%	3.2%	3.9%
Operating profit, thousand euros	19,583	11,290	13,324
Operating profit-%	3.5%	2.2%	2.8%
Comparable operating profit, thousand euros	20,390	11,290	13,324
Comparable operating profit-%	3.7%	2.2%	2.8%
Profit for the financial year, thousand euros	14,622	7,810	9,334
Equity ratio, %	24.5%	23.4%	23.0%
Gearing, %	-52.2%	-52.1%	-54.3%
Personnel at the end of the period	818	758	683
Share performance indicators			
Basic earnings per share, euros	0.33	0.17	0.21
Diluted earnings per share, euros	0.32	0.17	0.21
Number of issued shares	45,065,130	45,065,130	45,065,130
Number of treasury shares	352,898	81,296	64,633
Weighted average number of shares outstanding	44,906,590	44,983,834	45,042,616
Dilutes weighted average number of shares outstanding	45,544,173	45,042,007	45,092,616
Equity per share, €	0.90	0.81	0.83
Dividend per share, €*	0.45	0.21	0.198
Payout ratio, %	138%	123%	96%
Effective dividend yield, %	6.3%	6.1%	4.8%
Price per earnings ratio (P/E ratio)	21.87	20.31	19.8
Lowest share price	2.490	2.850	4.01
Highest share price	7.900	4.460	8.09
Average share price	4.952	3.670	5.20
Period end share price	7.120	3.530	4.10
Market value of the shares at period end, MEUR	320.9	159.1	184.8
The number of traded shares	26,714,366	6,813,481	7,062,002
Traded shares of all shares, %	59.3%	15.1%	15.7%

* 2020: Board of directors' proposal including dividend payment authorization

Calculation of key ratios

Gross profit	Revenue – materials and services	
Gross margin, %	(Revenue – materials and services) / Revenue	x 100
EBITDA	Operating profit + depreciation + amortization	
EBITDA, %	(Operating profit + depreciation + amortization) / Revenue	x 100
Operating profit (ebit)	Result for the period before income taxes and net finance income and costs	
Operating margin (ebit), %	Operating profit / Revenue	x 100
Items affecting comparability	Material items which are not part of normal operating activities such as expenses related to planned 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 acquisitions, compensations for damages and legal proceedings	
Comparable operating profit	Operating profit before taxes and financial net adjusted with items affecting comparability	
Comparable operating profit, %	Comparable operating profit / revenue	x 100
Equity ratio, %	Total equity/Balance sheet total – advance payments received	
Interest-bearing net debt	Lease liabilities – cash and cash equivalents	
Gearing, %	Lease liabilities – cash and cash equivalents / Total equity	x 100
Investments	Purchases of intangible and tangible assets during reporting period	
Net capital expenditures	Investments – proceeds from sale of intangible and tangible assets	
Earnings per share, Basic	Profit for the period attributable to equity holders of the company/Weighted average number of shares outstanding	
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	1–12/2020	1–12/2019
Operating profit	19,583	11,290
- advisory costs related to transfer to official list of Nasdaq Helsinki	807	-
Comparable operating profit	20,390	11,290

FINANCIAL STATEMENTS 2020

1 Income statement

EUR thousand	Note	2020	2019
Revenue	7.2	553,636	504,113
Other operating income	7.3	558	555
Materials and services	7.4	-465,222	-430,239
Employee benefit expenses	7.5	-35,560	-32,595
Depreciations and amortizations	7.7	-5,010	-5,040
Other operating expenses	7.8	-28,818	-25,504
Operating profit		19,583	11,290
Finance income	7.9	11	64
Finance costs	7.9	-1,423	-1,591
Profit before income taxes		18,171	9,763
Income taxes	7.10,7.16	-3,550	-1,953
Profit for the financial year		14,622	7,810
Profit for the Financial year attributable to Equity holders of the Company		14,622	7,810
Earnings per share calculated from the profit for the financial year attributable to equity holders			
Earnings per share, basic (EUR)	7.11	0.33	0.17
Earnings per share, diluted (EUR)	7.11	0.32	0.17

2 Statement of comprehensive income

EUR thousand	Note	2020	2019
Profit for the financial year		14,622	7,810
Comprehensive income for the financial year		14,622	7,810
Comprehensive income for the financial year attributable to Equity holders of the Company		14,622	7,810

The notes are an integral part of these financial statements.

3 Statement of financial position

EUR thousand	Note	31 Dec 2020	31 Dec 2019
Non-current assets			
Intangible assets	7.13	835	592
Property, plant and equipment	7.14	2,222	2,381
Right-of-use assets	7.15	17,347	18,770
Equity investments	7.22.2	266	266
Deferred tax assets	7.16	1,349	1,195
Trade receivables	7.17	3,201	1,882
Other non-current receivables		425	435
Non-current assets, total		25,646	25,521
Current assets			
Inventories	7.18	75,384	66,702
Trade receivables	7.17	18,650	14,620
Other receivables	7.17	1,462	1,143
Income tax receivables	7.10	-	278
Accrued income	7.17	9,446	9,424
Cash and cash equivalents	7.19	43,099	42,495
Current assets, total		148,041	134,662
Total assets		173,687	160,183

EUR thousand	Note	31 Dec 2020	31 Dec 2019
Equity			
Share capital		100	100
Treasury shares		-2,206	-701
Invested non-restricted equity fund		25,816	25,707
Retained earnings		2,217	3,647
Profit for the financial year		14,622	7,810
Total equity	7.20	40,549	36,563
Non-current liabilities			
Lease liabilities	7.15	18,045	19,676
Deferred tax liabilities	7.16	-	7
Provisions	7.24	766	660
Non-current liabilities, total		18,811	20,343
Current liabilities			
Lease liabilities	7.15	3,883	3,758
Advance payments received		8,475	3,819
Trade payables		70,171	73,068
Other current liabilities	7.23	12,296	7,892
Accrued liabilities	7.23	18,039	14,741
Income tax liabilities		1,463	-
Current liabilities, total		114,327	103,277
Total liabilities		133,138	123,620
Total equity and liabilities		173,687	160,183

The notes are an integral part of these financial statements.

4 Statement of cash flows

EUR thousand	Note	2020	2019
Cash flow from operating activities			
Profit before income taxes		18,171	9,763
Adjustments			
Depreciation and impairment	7.7	5,010	5,040
Finance income and costs	7.9	1,384	1,527
Other adjustments		458	476
Cash flow before change in working capital		25,025	16,806
Change in working capital			
Increase (-) / decrease (+) in non-current non-interest-bearing trade receivables		-1,309	-335
Increase (-) / decrease (+) in trade and other receivables		-4,371	1,653
Increase (-) / decrease (+) in inventories		-8,682	-918
Increase (+) / decrease (-) in current liabilities		9,576	-3,650
Cash flow before financial items and taxes		20,239	13,557
Interest paid		-66	-59
Interest received		5	7
Interest of lease liabilities		-1,323	-1,483
Income tax paid		-1,970	-2,333
Cash flow from operating activities		16,884	9,690
Cash flow from investing activities			
Purchases of property, plant and equipment		-769	-1,016
Purchases of intangible assets		-587	-186
Proceeds from equity investments		-	57
Cash flow from investing activities		-1,356	-1,145
Cash flow from financing activities			
Decrease (-) in lease liabilities		-3,821	-3,690
Dividends paid		-9,597	-8,908
Acquisition of treasury shares		-1,505	-198
Cash flow from financing activities		-14,923	-12,796
Increase (+) / decrease (-) in cash and cash equivalents		604	-4,251
Cash and cash equivalents at beginning of financial year		42,495	46,746
Cash and cash equivalents at end of financial year	7.19	43,099	42,495

The notes are an integral part of these financial statements.

5 Statement of changes in equity

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

EUR thousand	Note	A	B	C	D	E	F
Equity 1 Jan 2020		100	-701	25,707	-	11,457	36,563
Profit for the financial year		-	-	-	-	14,622	14,622
Changes in fair values of equity investments		-	-	-	-	-	-
Comprehensive income for the financial year, total		-	-	-	-	14,622	14,622
Dividend distribution	7.20	-	-	-	-	-9,597	-9,597
Acquisition of treasury shares		-	-1,505	-	-	-	-1,505
Disposal of treasury shares - Board fees		-	-	109	-	-	109
Share-based incentives	7.12	-	-	-	-	358	358
Transactions with owners, total		-	-1,505	109	-	-9,239	-10,635
Equity 31 Dec 2020		100	-2,206	25,816	-	16,839	40,549

EUR thousand	Note	A	B	C	D	E	F
Equity 1 Jan 2019		100	-502	25,585	-33	12,416	37,565
Profit for the financial year		-	-	-	-	7,810	7,810
Changes in fair values of equity investments		-	-	-	33	-	33
Comprehensive income for the financial year, total		-	-	-	33	7,810	7,843
Dividend distribution	7.20	-	-	-	-	-8,908	-8,908
Acquisition of treasury shares		-	-198	-	-	-	-198
Disposal of treasury shares - Board fees		-	-	122	-	-	122
Share-based incentives	7.12	-	-	-	-	139	139
Transactions with owners, total		-	-198	122	-	-8,769	-8,845
Equity 31 Dec 2019		100	-701	25,707	0	11,457	36,563

6 Accounting policies

In an effort to make it easier to read and understand the financial statements, Verkkokauppa.com Oyj presents part of the accounting policies as part of the note in question, emphasized in a grey text box. The text of the standard will be repeated in the accounting policy if the Company considers it necessary in order to understand the application of said policy.

6.1 Basic information on the Company

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

These financial statements were authorized for issue by the Board of Directors of the Company on 2 March 2021. In accordance with the Finnish Corporate Act, the shareholders have a right to approve or reject the financial statements in the Annual General Meeting held after the release of the financial statements. The Annual General Meeting also has a possibility to decide upon changes in the financial statements.

6.2 Basis of preparation

This Verkkokauppa.com Oyj financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) and their SIC and IFRIC interpretations, approved for application in the EU on 31 December 2020. The notes to the financial statements comply with the Finnish accounting and corporate legislation that completes the IFRS.

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

The financial statements have been prepared in euros, the Company's

functional and presentation currency. Transactions in foreign currencies are translated into the functional currency at the exchange rates prevailing on the date of the transaction. Receivables and liabilities denominated in foreign currencies are translated at the exchange rates prevailing on the reporting date. Exchange rate differences resulting from operating activities are recognized as adjustments to the purchases and exchange rate differences from cash and cash equivalents are recognized in financing income and expenses.

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

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

The preparation of IFRS financial statements requires judgement by the management to make decisions related to the choice and application of the accounting policies.

In addition, the management has to make accounting estimates and assumptions on the future that may affect the amounts of the assets, liabilities, income and expenses recognized during the reporting period. The actuals may differ from said estimated amounts.

Following the outbreak of the COVID-19 pandemic, the company launched several activities to ensure business continuity and personnel safety. The company has close monitoring and reporting related to the COVID-19 pandemic. The situation of the COVID-19 pandemic is constantly evolving and its impact on economic development, consumer demand and consumer purchasing behavior, business sales and wholesale is still difficult to estimate. Since March 2020, the company has monitored the payment behavior of its financial customers and the development of credit losses on a daily basis, decided on credit limits and estimated and updated the credit loss provision. No significant changes have been found in customers' payment behavior. The COVID-19 pandemic has also not had a significant impact on inventory turnover, net realization value or write-off on inventories. There have been no significant changes in

the Company's leases or terms of payment as a result of the COVID-19 pandemic that would have a relevant effect on the lease assets or the lease liabilities. The company's current cash and equivalents and unused revolving credit limits (EUR 20 million) supports business continuity even in exceptional circumstances.

Management judgement related to the choice and application of accounting policies

The management has to make judgement-based decisions related to the choice and application of IFRS accounting policies. This is especially related to cases where the IFRS contain optional modes of recognition, measurement and/or presentation. The following entail significant judgement:

Segment reporting

The management of Verkkokauppa.com Oyj has exercised judgement when it has applied the aggregation criteria to aggregate the operating segments into one reportable segment. The customers are the same across all operating segments that offer the same goods and services under the same terms in one main market i.e. Finland. The key to 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 which are considered to be reasonable at the time of preparing the financial statements. It is possible that actuals differ from the estimates used in the financial statements. The factors of uncertainty and assumptions made related to estimates that may produce a significant risk of change in the carrying amounts of assets and liabilities relate to the following items:

Measurement of leases

The lease liabilities and the right-of-use assets that are recognized in the balance sheet are significantly impacted by the discount rate used

in calculating their present values and the consideration of extension options. The management of the Company has taken into consideration the Company's business model within it in relation to physical market places in an ever-changing business environment as it estimates the probability of the exercise of extension options. The management has taken into consideration the changes in the financial position of the Company when defining the risk premium of the company-specific discount rate.

Measurement of inventories

A significant part of the Company's balance sheet is formed of inventories which consist of goods held for sale. Inventories bear the risk of the recoverable amount being below cost. To assess the risk, the management of the Company monitors regularly the item turnover rates and compares the sales price to the value of the stock. A write-down is recognized if the sales price of an item at the time of reporting is lower than its cost in the balance sheet. In addition, the Company recognizes write-down separately for aged items based on stock days.

Risk of credit losses of the company-financed Apuraha consumer financing service receivables

The Company offers Apuraha financing to its customers. These receivables contain a risk of credit loss. The Company recognizes the expected credit loss according to the provision matrix model. A more detailed description of the provision matrix can be found in the note 7.22.3 *Financial risk management*. The sufficiency of credit loss percentages is being monitored regularly. In assessing the amount of the expected credit losses and the sufficiency of credit loss percentages, changes in the customers' payment behavior are being monitored as well as the amount of the realized credit losses.

Rebates related to inventory

The amount and timing of inventory-related rebates are subject to uncertainty. The realization of contractual targets generates uncertainty in the amount of rebates recognized. The management of the Company regularly assesses the recognized amount of the rebates based on objectives by monitoring both actual purchase volumes and possibly realized supplier rebates. When the contract time extends over the balance sheet date, the amount to be accrued entails judgement by the management.

Provisions

The Company recognizes provisions related to the following items: product warranties and third year warranties. The probability and amount of the provisions entail estimates. The management of the Company regularly assesses the amount of realized costs based on historical actuals.

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

No IFRS amendments, IFRIC interpretations, annual improvements or amendments to IFRS standard issued on 1 January 2020 or after have had a relevant effect on the 2020 financial statements.

Also no IFRS standards that will come into effect later and would affect Verkkokauppa.com Oyj's result, financial position or notes are known at the balance sheet date.

7 Notes to the financial statements

7.1 Segment reporting

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

Verkkokauppa.com Oyj has one reportable segment. All the aggregated operating segments share similar characteristics. The customers are the same across all operating segments that offer the same goods and services in uniform conditions in one main market i.e. Finland. The key to the Company's business model is a strong integration of webstore and retail stores, common support functions serving the entire business as well as the volume benefits enabled by centralized business.

Due to the large amount of customers and the nature of the business, sales to one single customer have not exceeded 10 percent of the entire revenue in 2020 nor in the comparative year 2019. The entire revenue of the Company is principally generated from one geographical area, Finland.

7.2 Revenue from contracts with customers

Revenue streams

The revenue streams of the Company consist of the sale of goods and services. There are over 65,000 products in the range of products from 26 different main product areas which the Company sells to consumers through its own webstore and four retail stores in Finland. The sale of services rendered by the Company includes, for example, installation and maintenance services, subscription sales, and visibility sales. The customers of Verkkokauppa.com Oyj are consumers and companies.

Revenue recognition from sale of goods

The sale of goods to the customer through the retail store is recognized upon handover of the good when control is transferred. If the customer has opted for transportation, the sale will be recognized when the customer assumes control of the goods.

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 in those cases where the customer has opted for transportation. In relation to the right to return, the Company calculates the estimate of goods returned within the 32 days of right to return using the expected value method 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 different payment methods of which the most significant is the Apuraha consumer financing service. Regardless of the payment method, the price of the good always remains the same. By paying through the Apuraha service, the customer is granted a payment time for the purchase and Verkkokauppa.com Oyj receives interest on capital. In addition to Verkkokauppa.com Oyj, also a third party may function as the financier. Since the end of 2020, customers have also been offered a Maksutuotto purchase financing solution, which is supplied by Salus Group Oy.

Whenever the customer selects Apuraha as payment method and a third party acts as the financier, the income generated by customer financing is treated as the variable element of the transaction price. The Company's management has considered that the variable liability has been limited. If the income from customer financing were recognized at the time of transfer of control, a significant reversal of 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 the customer, the income from this financing component is accordingly recognized on a monthly basis according to the actuals.

As of April 2019, Verkkokauppa.com has been selling past due receivables in a so-called continuous debt sales model, where receivables overdue more than 60 days will be sold to third parties. This decreases company's accounts receivable risk.

The contracts with customers of Verkkokauppa.com do not contain separate performance obligations recognized at different times. The product warranties offered by the Company, third-year warranty, as well as the warranties of the Company's own brands are treated as assurance-

type warranties, because they do not render additional service to the customer. Assurance-type warranties are recognized as provisions. More detailed principles are found in the note 7.24 *Provisions*.

Revenue recognition of sale of services

The Company recognizes revenue from installation and service contracts with customers when the service has been rendered. The duration of rendering services is short, and the duration of services is usually defined in the hours. The Company recognizes revenue from visibility sales mainly over time, based on passage of time. The method of defining the time-based measurement of progress corresponds to the input. The customer benefits from the visibility during the service. The transaction price of contracts with customers of sale of services does not contain variable elements and instead consists mainly of fixed prices. A contract asset will be recognized if the invoicing of visibility services is below the recognized revenue based on passage of time. The Company presents the receivables connected to these as part of accrued income in the balance sheet.

Gift cards

Verkkokauppa.com Oyj sells gift cards for the sum chosen by the customer. On the gift card sales transaction, a gift card liability is recognized. When the gift card is redeemed, revenue is recognized. The unredeemed gift cards are recognized as revenue when they have expired. The gift card is valid for one year after its purchase.

Presentation of revenue

Verkkokauppa.com Oyj presents sales revenues from contracts with customers less indirect taxes in the revenue. Verkkokauppa.com Oyj is the principal for the goods and services it sells except for subscriptions sold on behalf of telecommunications operators, in which case Verkkokauppa.com Oyj functions as an agent and presents the commission portion in the revenue.

The management of the Company has exercised judgement when it has classified the income from the company-financed Apuraha consumer financing service in the revenue instead of presenting it under finance income. The interpretation of the management of the Company is that

offering customer financing represents an integral part of the Company's business and business model.

The visibility that the Company sells in the store, online, and in different advertising media is presented as a part of the revenue because it forms a part of the business model of Verkkokauppa.com Oyj and a part of its ordinary business. As far as the received consideration is tied to the amounts that Verkkokauppa.com Oyj purchases, the considerations received from visibility are presented mainly as purchase adjustments.

Disaggregation of revenue

The Company's revenue consists of revenue from contracts with customers. For other types of income, see note 7.3 *Other operating income* and 7.9 *Finance income and costs*. The Company's entire revenue is generated in its functional currency i.e. the euro, and in one principal market area, Finland.

The timing of satisfying performance obligations

The revenue recognized at a point in time is related to the sales of goods. Revenue from services is mainly recognized over time.

EUR thousand	2020	2019
At a point in time	549,062	498,343
Over time	4,574	5,770
Revenue, total	553,636	504,113

Revenue by external customers' location

EUR thousand	2020	2019
Finland	506,185	442,540
Rest of the world	47,451	61,573
Revenue by external customers' location	553,636	504,113

Income recognized from customer financing

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

The following table describes the income recognized from company-financed Apuraha customer financing service for the reporting period divided into income recognized using the effective interest rate method and other income. Other income consists of other fees.

EUR thousand	2020	2019
Interest income recognized using effective interest rate method	2,034	1,293
Other income from company-financed customer financing	1,558	1,983
Income from company-financed Apuraha, total	3,592	3,276

Contract assets and liabilities

EUR thousand	31 Dec 2020	31 Dec 2019
Contract assets	1,685	1,507
Contract liabilities	2,248	1,727

Contract assets are related to unbilled services rendered up to the balance sheet date as well as assets related to the right to return. Contract assets related to already rendered services are transferred to trade receivables at the time of their invoicing. The invoicing interval depends on contracts with customers. On average, the invoicing interval is three months. There have been no significant changes in the contract assets and liabilities between reporting periods.

Contract liabilities contain the gift card liability as well as the refund liability related to the right to return. The unredeemed gift cards are recognized as sales revenues when they expire. The gift card is valid for one year from its purchase. If the customer does not take advantage of the right to return, the asset related to right to return and refund liability is reversed. The increase in contract liabilities is due to the increase in the amount of gift cards and the rise in the refund liability brought on by higher sales.

The amount of revenues recognized during the financial year 2020 that was included in the contract liabilities at the beginning of the year was EUR 1,101 (961) thousand.

7.3 Other operating income

In other operating income, the Company presents rental income, gain on sale of property, plant and equipment, and other income that are not directly related to the Company's ordinary business operations.

Lease income is related to the sub-leasing of right-of-use asset items. More detailed principles related to it are found in the note 7.15 *Leases*.

EUR thousand	2020	2019
Lease income from sub-leasing rights-of-use assets	413	396
Other income	145	159
Other operating income, total	558	555

7.4 Materials and services

EUR thousand	2020	2019
Purchases during the financial year	473,082	430,352
Change in inventories	-8,682	-918
External services	822	804
Materials and services, total	465,222	430,239

7.5 Employee benefits

Obligations related to current employee benefits

Current employee benefits are wages and salaries, including fringe benefits, and annual leave paid within the 12-month period. Current employee benefits are recognized for work completed up to the balance sheet date in other liabilities and are measured to the amount that is expected to be paid when the liabilities are settled.

Pension obligations

The pension plan of Verkkokauppa.com Oyj is a defined contribution plan. The payments of a defined contribution pension plan are made to the pension insurance companies after which the Company does not have any other payment obligations anymore. Payments made due to a defined contribution pension plan are recognized as expenses in the income statement for the financial year they are attributed to.

EUR thousand	2020	2019
Wages and salaries	28,856	26,003
Pension expenses -defined contribution plans	4,402	4,535
Share-based payments	357	139
Other personnel-related expenses	955	822
Voluntary employee benefits	1,340	1,188
Total employee benefits before capitalization	35,909	32,686
Capitalized employee benefits for the financial year		
Wages and salaries	-296	-76
Pension expenses -defined contribution plans	-44	-13
Other personnel-related expenses	-9	-2
Capitalized employee benefits for the financial year	-350	-91
Total employee benefits	35,560	32,595

Capitalized employee benefits are related to the development of the Company's enterprise resource planning system, of which there is more information in the note 7.13 *Intangible assets*.

	2020	2019
Number of personnel at the end of the financial year	818	758

The average numbers of personnel do not include temporary agency workers.

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

More information about share-based payments can be found in the note 7.12 to the financial statements, *Share-based payments*.

7.6 Remuneration of key management personnel

Members of the key management personnel comprise of the Board of Directors, the CEO and the management team.

The Remuneration Committee of the Board of Directors prepares the framework for remuneration of the Company's CEO and the management team, and the Board of Directors resolves on the remuneration of the CEO. The chairperson of the Board of Directors approves the remuneration 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 comprise a fixed base salary and fringe benefits (such as rights to company car and phone) as well as an incentive bonus related to the achievement of financial and operational targets. The short-term employee benefits of the management team comprise a base salary and fringe benefits (such as rights to company car and phone) as well as an incentive bonus related to the achievement of financial and operational targets. The basic salary can consist of hourly wage or monthly salary. Certain management team members are entitled to additional pay in accordance with the collective agreement for commercial sector (FI: kaupan alan työehtosopimus) for work outside normal working hours.

The short-term incentives consist of an annual bonus program with performance targets. The Board of Directors decides annually on the performance criteria and the determination of the incentives based on the proposal of the Remuneration Committee. For 2020, the performance targets were based 25% on the 2020 sales target and 75% on the 2020 comparable EBIT target. The Board may also, in its absolute discretion, resolve on separate one-off compensations (bonus) from time to time.

Post-employment benefits

The CEO or management team members do not have any post-employment benefits.

Termination benefits

The notice period of the CEO is 12 months. If the Company dismisses the CEO, the CEO is pursuant to the CEO agreement entitled to a compensation corresponding to his base salary for six (6) months. The notice period for other members of the management team is as a rule six (6) months, and the corresponding severance pay for certain individuals corresponds to six months cash salary at the time of the agreement's termination.

Share-based payments

Verkkokauppa.com has two share-based incentive plans for the CEO and members of the Management Team, the Matching Share Plan 2018–2020 and the Performance Matching Share Plan 2020–2022. The aim of the

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

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

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

The share-based payments are described in more detail in the note 7.12 *Share-based payments*.

The table below presents the remuneration of the CEO and the management team. The sums are presented on an accrual basis. The share-based payments are based on estimates at year-end of their realization. The share-based payments contain the accrued and recognized costs for the financial year, independent of when the shares are delivered.

Remuneration of the management

2020

EUR Thousand	CEO Panu Porkka	Management team	2020, total
Short-term employee benefits			
Fixed basic salaries and fringe benefits	454	1,215	1,669
Incentive bonus	-	-	-
Statutory pension	69	186	255
Share-based payments			
Share-based payments	102	256	357
Total	625	1,657	2,282
Number of shares	85,000	234,038	319,038
% of shares	0.19%	0.52%	0.71%

2019

EUR Thousand	CEO Panu Porkka	Management team	2019, total
Short-term employee benefits			
Fixed basic salaries and fringe benefits	520	1,480	2,000
Incentive bonus	109	30	139
Statutory pension	90	242	332
Share-based payments			
Share-based payments	29	109	139
Total	749	1,861	2,610
Number of shares	60,000	122,038	182,038
% of shares	0.13%	0.27%	0.40%

Remuneration of the Board of Directors

The General Meeting of Verkkokauppa.com Oyj elects the members of the Board of Directors annually and resolves on their remuneration. The term of office lasts until the end of the Annual General Meeting following their election. The members of the Board of Directors are not included in the share-based plan and neither are they employed by Verkkokauppa.com Oyj.

The fees of the members of the Board of Directors consist of an annual fee paid for the Board membership as well as Committee fees paid either as an annual fee or meetings fees. The fees also vary depending on

the member's role as Chair or member of the Committee or the Board. In addition, reasonable accrued travel and lodging expenses as well as other potential costs related to Board and Committee work are compensated. The Annual General Meeting of Verkkokauppa.com Oyj resolved on 31 March 2020 that half of the annual fee of the members of the Board of Directors is paid in shares of the Company after each quarterly release and the remaining part of the annual fee is paid in cash, which is used to cover taxes arising from the fees. During the financial year 2020, the Company transferred a total of 25,318 (35,337) treasury shares for the payment of annual fees. The shares given as remuneration to Board members are not subject to any ownership restrictions or lock-up provisions.

The next table presents the total remuneration of the Board of Directors. The sums are presented on an accrual basis.

EUR Thousand	2020	2019
Board members 31 Dec 2020		
Christoffer Häggblom, Chair of the Board, Chair of the Nomination Committee	84	84
Kai Seikku, Chair of the Audit Committee	51	51
Samuli Seppälä, Chairman of the Strategy Committee	45	45
Arja Talma	45	45
Robert Burén	35	35
Mikael Hagman	35	35
Remuneration of the Board of Directors, total	295	295

Shares owned by Board of Directors Dec 31

Number of shares	2020	2019
Board members 31 Dec		
Christoffer Häggblom, Chair of the Board, Chair of the Nomination Committee	23,228	15,204
Kai Seikku, Chair of the Audit Committee	144,498	122,986
Samuli Seppälä	18,288,342	22,110,096
Arja Talma	11,612	7,600
Robert Burén	17,612	13,600
Mikael Hagman	14,724	10,712
Number of shares, total	18,500,016	22,280,198

% of shares	2020	2019
Board members		
Christoffer Häggblom, Chair of the Board, Chair of the Nomination Committee	0.05%	0.03%
Kai Seikku, Chair of the Audit Committee	0.32%	0.27%
Samuli Seppälä	40.58%	49.06%
Arja Talma (Board member from 21 March 2018)	0.03%	0.02%
Robert Burén	0.04%	0.03%
Mikael Hagman	0.03%	0.02%
% Shares, total	41.05%	49.43%

7.7 Depreciation and amortization

EUR thousand	2020	2019
Intangible assets		
Development costs	321	528
Intangible rights	23	27
Amortization of intangible assets, total	344	555
Tangible assets		
Machinery and equipment	755	605
Other tangible assets	129	107
Depreciation of tangible assets, total	884	711
Right-of-use assets		
Premises and facilities	3,594	3,473
Machinery and equipment	189	301
Depreciation of right-of-use assets, total	3,783	3,774
Depreciation and amortization, total	5,010	5,040

7.8 Other operating expenses

Other operating expenses

EUR thousand	2020	2019
Premises maintenance and operation expenses	5,203	5,091
Financial transactions expenses	2,246	2,394
Marketing	7,988	8,389
Administrative services	8,563	6,506
Other expenses	4,818	3,123
Other operating expenses, total	28,818	25,504

Auditors' fees

EUR thousand	2020	2019
Statutory audit	92	97
Other services	214	24
Auditors' fees, total	307	121

The audit firm elected by the annual general meeting is PricewaterhouseCoopers Oy. Other non-audit services provided by PricewaterhouseCoopers Oy in 2020 mainly consisted of consultancy services related to the company's transfer to the official list of Nasdaq Helsinki.

7.9 Finance income and costs

Finance income

EUR thousand	2020	2019
Interest income	11	7
Capital gain on other financial investments	-	57
Finance income, total	11	64

Finance costs

EUR thousand	2020	2019
Lease liability interest	1,323	1,483
Other interest costs	19	20
Other finance costs	47	39
Exchange differences on cash and cash equivalents	33	-
Impairment losses on other financial investments	-	50
Finance costs, total	1,423	1,591

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

7.10 Income taxes

Taxes calculated on the basis of the taxable profit for the financial year, tax adjustments for earlier reporting periods as well change in deferred tax liabilities and assets are recognized in the income taxes item in the income statement. The tax effect of the items recognized directly in equity is respectively recognized as a part of equity. The current tax charge is calculated based on the tax rate in force.

Income taxes in the income statement

EUR thousand	2020	2019
Current taxes	3,712	2,055
Change in deferred taxes	-162	-102
Income taxes, total	3,550	1,953

Taxes entered with a positive value are recognized as expenses and taxes with a negative value are recognized as income.

The Company has no pending cases of tax disputes.

Reconciliation of the effective tax rate

EUR thousand	2020	2019
Profit before income taxes	18,171	9,763
Taxes calculated at the Finnish tax rate 20%	3,634	1,953
Effect of tax-exempt income and non-deductible expenses	-85	-
Income taxes recognized in the income statement, total	3,550	1,953
Effective tax rate (%)	19.5%	20.0%

The Finnish tax rate in the financial statements of the financial years 2020 and 2019 was 20 percent.

Income taxes related to other comprehensive income items

2020

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

2019

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 note 7.16 *Deferred tax assets and liabilities*.

7.11 Earnings per share

The basic earnings per share is calculated by dividing the result for the financial year attributable to the shareholders with the weighted outstanding average number of shares during the financial year.

When calculating the earnings per share adjusted by dilution, the weighted average of the number of shares takes into account the diluting effect resulting from changing into shares all potentially dilutive shares.

	2020	2019
Earnings per share, basic		
Profit for the year attributable to the shareholders, EUR thousand	14,622	7,810
Weighted average number of outstanding shares, pcs.	44,906,590	44,944,424
Basic earnings per share, EUR	0.33	0.17
Earnings per share, diluted		
Profit for the year attributable to the shareholders, EUR thousand	14,622	7,810
Potentially dilutive shares of share-based incentive plan, pcs.	637,583	97,583
Diluted weighted average number of shares outstanding, pcs.	45,544,173	45,042,007
Diluted earnings per share, EUR	0.32	0.17

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

7.12 Share-based payments

The Company has a share-based incentive plan that is classified as an equity-settled share-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 are measured to the fair value of the Verkkokauppa.com Oyj share at grant date and expensed 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 expensed amount is recognized in equity.

Information on the share-based incentive plan

Verkkokauppa.com has two share-based incentive plans for the CEO and members of the Management Team, the Matching Share Plan 2018–2020 and the Performance Matching Share Plan 2020–2022. The aim of the plans is to align the objectives of the shareholders and the management in order to increase the company's value in the long term, to encourage the management to personally invest in the company shares, to retain the members of the Management Team at the company and to offer them a competitive reward plan that is based on acquiring, earning and accumulating the company's shares.

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

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

matching shares is paid for each allocated share. The rewards to be paid on the basis of the plan correspond to the value of approximately 540,000 Verkkokauppa.com Oyj shares in total (gross amount).

The fees paid for the programs are paid partly in company shares and partly in cash in the years 2021–2023. The cash contribution covers the taxes and tax-like payments from this fee. As a general rule, the fee will not be paid if the participant's employment or employment relationship ends before the fee is paid.

The new Performance Matching Share Plan 2020–2022 replaces the last commitment period 2020–2022 of the company's previous supplementary share plan 2018–2020, which will not be implemented.

Plan	2018–2020	2019–2021	2020–2022
Grant date	18 Jun 2018/ 7 Aug 2018	2 Jan 2019/ 25 Feb 2019/ 17 Sep 2019	7 Feb 2020
Vesting start date	1 Jan 2021	1 Jan 2022	1 Jan 2023
Vesting conditions	Share ownership and employment	Share ownership and employment	Share ownership and employment
Payment method	Shares and cash	Shares and cash	Shares and cash
Share price at grant date, EUR*	6.02/5.79	4.23/4.07/3.28	3,60
Fair value of share at grant date, EUR	6.43/6.20	4.87/4.71/3.92	4,19
Estimated number of plan participants at end of vesting period, %	100%	100%	100 %
Estimated change in shares associated with the plan, %	2%	2%	2 %
Number of plan participants	6	8	8

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

Effect of share-based payments on the operating result

EUR thousand	2020	2019
Expenses related to share-based payments in the income statement	357	139
Total	357	139

Effect of share-based payments on the balance sheet

EUR thousand	2020	2019
Recognized in equity	550	193
Total	550	193

7.13 Intangible assets

The intangible assets of Verkkokauppa.com Oyj consist of intangible rights and capitalized development expenditures.

An intangible asset is recognized in the statement of financial position when the cost of the asset can be measured reliably, and it is probable that the expected economic benefits that are attributable to the asset will flow to the entity. The residual value of assets as well as the useful lives are controlled at the end of each financial year at least and adjusted when necessary to reflect the changes in the expectations of economic benefit. The Company does not have intangible assets that would have an indefinite useful life nor interest expenses related to the purchase of assets that would be capitalized as part of the cost.

Annual impairment tests are conducted for those intangible assets that are not yet ready for use. Furthermore, on every balance sheet date, the management of the Company assesses whether there is any evidence of impairment regarding other intangible assets. In the case that there is such evidence, an assessment is made of the recoverable amount of the asset which is the fair value of the asset less the costs to transfer or a value in use higher than this. In many cases, the recoverable amount is defined for the cash-generating unit of which the asset forms part of. The impairment is recognized in the income statement. The recognized impairment losses are reversed if there is a change in the estimates used in defining the recoverable amount of the asset. The reversal is made up to the carrying amount that would have been determined for the asset (net of amortization) had no impairment loss been recognized for the asset in prior periods.

Intangible rights

Intangible rights include software license fees and, among others, licenses, including their advance payments. Intangible rights are recognized at cost in the statement of financial position and are amortized over their useful lives according to the straight-line method. The estimated useful lives of intangible rights are five years.

Research and development expenditures

Research and development expenditures are expensed when incurred, except for those development expenditures that meet the capitalization criteria. Development expenditures are capitalized as intangible assets when it can be established that a development project will generate probable economic benefit and the expenditure incurred at the development stage can be reliably measured. The capitalized development expenditure is presented as a separate item and amortized during its useful life. Development expenditures recognized as an expense are not capitalized in subsequent periods.

The Company has its self-developed enterprise resource planning system, the development expenditures of which the Company capitalizes as far as the capitalization criteria is seen to be met. The directly attributable costs of production have been capitalized as cost of the asset. The capitalized development expenditures are amortized over their useful lives according to the straight-line method. The estimated useful lives of capitalized development expenditures are three years.

EUR thousand	Development expenditure	Intangible rights	Advance payments and work in progress	Total
Cost 1 Jan 2020	2,650	1,268	6	3,924
Increases	246	-	348	593
Disposals	-	-	-6	-6
Transfers between items	-	-	-	-
Cost 31 Dec 2020	2,896	1,268	348	4,511
Accumulated amortization and impairment 1 Jan 2020	-2,140	-1,193	-	-3,332
Accumulated amortization on disposals	-	-	-	-
Transfers between items	-	-	-	-
Amortization for the financial year	-321	-23	-	-344
Accumulated amortization and impairment 31 Dec 2020	-2,461	-1,215	-	-3,676
Carrying amount 1 Jan 2020	510	75	6	592
Carrying amount 31 Dec 2020	435	53	348	835

EUR thousand	Development expenditure	Intangible rights	Advance payments and work in progress	Total
Cost 1 Jan 2019	2,492	1,239	113	3,845
Increases	6	8	110	123
Disposals	-	-	-43	-43
Transfers between items	152	21	-173	-
Cost 31 Dec 2019	2,650	1,268	6	3,924
Accumulated amortization and impairment 1 Jan 2019	-1,611	-1,166	-	-2,777
Accumulated amortization on disposals	-	-	-	-
Transfers between items	-	-	-	-
Amortization for the financial year	-528	-27	-	-555
Accumulated amortization and impairment 31 Dec 2019	-2,140	-1,193	-	-3,332
Carrying amount 1 Jan 2019	881	73	113	1,067
Carrying amount 31 Dec 2019	510	75	6	592

Capitalized development expenditures are related to the development of new features of the Company's enterprise resource planning system.

The Company does not have investment commitments related to intangible assets.

7.14 Tangible assets

The tangible assets of Verkkokauppa.com Oyj include land areas, servers, other office and warehouse equipment and devices as well as major improvements to rented real estate.

Tangible assets are recognized on the statement of financial position at cost less depreciation and impairment. Tangible assets are depreciated on a straight-line basis over their estimated useful lives from the day they are available for use. Land areas are not subject to depreciation. Estimated useful lives of tangible assets are as follows:

Machinery and equipment 3–10 years

Other tangible assets 5–10 years

The residual value of assets as well as the useful lives are controlled at the end of every financial year at least and adjusted when necessary to reflect the changes in the expectations of economic benefit.

Normal maintenance and repair costs are expensed in the income statement as incurred. Significant improvements or additional investments are capitalized as part of the acquisition cost of the corresponding asset and depreciated over the remaining useful life of the asset to which they pertain, provided that it is likely that the Company will derive future economic benefit from the asset. Gains on disposal of tangible assets are presented in other operating income, and losses in other operating expenses. The Company does not have interest costs of the acquisitions of assets that would have been capitalized as part of the acquisition cost.

In assessing impairment, the same principles are followed as with intangible assets. The principles are presented as a 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 2020	2	6,720	2,745	-	9,467
Increases	-	598	47	80	725
Disposals	-	-	-	-	-
Transfers between items	-	5	-	-5	-
Cost 31 Dec 2020	2	7,323	2,792	75	10,191
Accumulated depreciation 1 Jan 2020	-	-4,885	-2,200	-	-7,086
Accumulated depreciation on disposals	-	-	-	-	-
Transfers between items	-	-	-	-	-
Depreciation for the financial year	-	-755	-129	-	-884
Accumulated depreciation 31 Dec 2020	-	-5,640	-2,330	-	-7,970
Carrying amount 1 Jan 2020	2	1,834	545	0	2,381
Carrying amount 31 Dec 2020	2	1,683	462	75	2,222

EUR thousand	Land	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total
Cost 1 Jan 2019	2	5,834	2,509	158	8,503
Increases	-	320	126	677	1,122
Disposals	-	-	-	-158	-158
Transfers between items	-	566	111	-677	-
Cost 31 Dec 2019	2	6,720	2,745	-	9,467
Accumulated depreciation 1 Jan 2019	-	-4,280	-2,094	-158	-6,532
Accumulated depreciation on disposals	-	-	-	158	158
Transfers between items	-	-	-	-	-
Depreciation for the financial year	-	-605	-107	-	-711
Accumulated depreciation 31 Dec 2019	-	-4,885	-2,200	-	-7,086
Carrying amount 1 Jan 2019	2	1,553	415	0	1,970
Carrying amount 31 Dec 2019	2	1,834	545	0	2,381

The Company does not have investment commitments related to tangible assets.

7.15 Leases

Leases wherein the Company is the lessee

Recognition of leases

At the inception of the contract, the Company makes an assessment on whether the contract is a lease or whether the contract contains an element of a lease. At the inception of a lease, the Company recognizes right-of-use asset as well as lease liability except for short-term leases (lease term less than 12 months) or low value leases. The lease costs of short-term leases and low value leases are recognized in other operating costs in the income statement on a straight-line basis over the period of the lease.

Measurement and recognition of lease liability

The lease liability is measured at the present value of those lease payments that have not been paid at the commencement date. The lease payments will be discounted at the interest rate implicit in the lease if the rate in question is readily determinable. If the rate in question is not readily determinable, the Company's incremental borrowing rate will be used. The Jätkäsaari real estate lease is discounted with the interest rate implicit and in all other leases the Company's incremental borrowing rate has been used as the discount rate. The Jätkäsaari real estate lease represent 75% of the total lease liability. The changes in the Company's financing position have been taken into consideration in determining the incremental borrowing rate in determining the risk premium. The discount rates vary between 1.3% and 7.1%.

The lease payments included in the value of the lease liability at the commencement of the lease consist of fixed payments less the lease incentives receivable, variable lease payment that depend on an index, the exercise prices of purchase options (when using them is reasonably certain), amounts of residual value guarantees, as well as the payments of penalties for terminating the lease, if the lease term reflects the lessee exercising the option to terminate the lease.

There are no options to terminate the lease in Verkkokauppa.com Oyj's leases that would have been considered in the measurement. The leases carrying a purchase option are related to machinery and equipment and are not significant.

The lease liability is measured at amortized cost using the effective interest method. The remeasurement of the lease liability is carried out in the case that the lease term changes, the use of purchase option becomes or ceases to be reasonably certain, the index utilized in calculating variable leases changes, or the expected payments based on residual value guarantees change. The discount rate used in the remeasurement depends on the nature of the change.

The payments of all the leases of the Company's real estate and facilities have been linked to the cost of living index. The Company will make a remeasurement to the lease liability and right-of-use asset when the index changes.

In those leases where the lease component and non-lease component must be separated, the separation is made based on relative stand-alone selling prices. The Company has office space leases wherein the lease component has been separated from the service component. The stand-alone price has been assessed using the estimated level of leases in the area in question.

The lease term used in the measurement of lease liability is the non-cancellable period of a lease, together with the periods covered by an option to extend and/or to terminate if it is reasonably certain that the lessee uses the extension option or does not use the option to terminate.

The Company has extension options related to its real estate. These have not been taken into consideration in the lease term. The decision on extension options is made on a commercial basis when the lessor is to be informed on the use of 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 of the amount of initial measurement of the lease liability at the commencement date, any lease payments at or before the lease commencement date less any lease incentives received, initial direct costs as well as any restoration costs.

The Company has not identified initial direct costs in its leases. The amount of restoration costs is estimated to be low, taking into

consideration the nature of the business, and no provision has been recognized as far as they are concerned.

The Company measures the right-of-use assets according to the cost model. According to the cost model, the right-of-use asset is measured at cost less accumulated depreciation, adjusted with the item resulting from the remeasurement of the lease liability. The right-of-use assets are depreciated on a straight-line basis over their estimated useful lives from the day they are available for use. In case the lease term is shorter than the estimated useful life, depreciations are done over the lease term. Estimated depreciation periods are as follows:

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

Subleases

The Company has short-term subleases that are recognized on a straight-line basis over the period of the lease. The lease income is presented in other operating income in the income statement. These subleases are not material.

Description of the Company's lease portfolio

The Company's lease portfolio consists of real estate and facilities leases, leasing cars and other machinery and equipment. 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.

Real estate leases contain several short extension options. The leases are not tied to sales but to the cost of life index, and thus the lease payments have been taken into consideration in measuring the lease liability. The leases do not contain residual value guarantees or purchase options.

The cars and other machinery and equipment leased by the Company form a marginal part of the lease portfolio.

Right-of-use assets

EUR thousand	Premises and facilities	Machinery and equipment	Total
Cost 1 Jan 2020	30,810	1,759	32,569
Increases	2,173	48	2,221
Disposals	-	-139	-139
Increase/decrease due to remeasurement	198	3	201
Cost 31 Dec 2020	33,181	1,671	34,852
Accumulated depreciation 1 Jan 2020	-12,367	-1,432	-13,799
Accumulated depreciation on disposals	-	77	77
Depreciation for the financial year	-3,594	-189	-3,783
Accumulated depreciation 31 Dec 2020	-15,961	-1,544	-17,505
Carrying amount 1 Jan 2020	18,443	327	18,770
Carrying amount 31 Dec 2020	17,220	127	17,347

EUR thousand	Premises and facilities	Machinery and equipment	Total
Cost 1 Jan 2019	30,152	1,652	31,803
Increases	-	113	113
Disposals	-	-47	-47
Increase/decrease due to remeasurement	658	42	700
Cost 31 Dec 2019	30,810	1,759	32,569
Accumulated depreciation 1 Jan 2019	-8,893	-1,146	-10,039
Accumulated depreciation on disposals	-	14	14
Depreciation for the financial year	-3,473	-301	-3,774
Accumulated depreciation 31 Dec 2019	-12,367	-1,432	-13,799
Carrying amount 1 Jan 2019	21,259	506	21,764
Carrying amount 31 Dec 2019	18,443	327	18,770

The remeasurements made during 2020 and 2019 relate to index adjustments and renegotiations of lease agreements.

Lease liabilities**Maturity analysis, contractual undiscounted cash flows**

EUR thousand	31 Dec 2020	31 Dec 2019
Less than one year	4,958	5,083
From one to five years	20,686	19,816
Over five years	261	3,836
Undiscounted lease liabilities, total	25,906	28,734

Lease liabilities in the balance sheet

EUR thousand	31 Dec 2020	31 Dec 2019
Current lease liabilities	3,883	3,758
Non-current lease liabilities	18,045	19,676
Lease liabilities, total	21,928	23,434

Items recognized in the income statement

EUR thousand	2020	2019
Depreciations on rights-of-use assets	3,783	3,774
Interests on lease liabilities	1,323	1,483
Lease income from subleasing rights-of-use items	413	396
Expenses related to short-term leases	-	17
Expenses related to leases of low-value assets	55	51

Items recognized in the cash flow statement

EUR thousand	2020	2019
Total cash outflow for leases	-5,144	-5,173

7.16 Deferred tax assets and liabilities

The deferred tax is calculated from the temporary differences between taxation and accounting, at either the tax rate in force on the reporting 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 likely that there will be future taxable profit against which the temporary difference can be utilized.

Change in deferred tax assets

EUR thousand	1 Jan 2020	Recognized through profit or loss	Recognized in equity	31 Dec 2020
Leases	914	-16	-	898
Financial instruments	-	-	-	-
Inventories	88	2	-	90
Share-based payments	39	71	-	110
Provisions	154	-2	-	153
Unused tax depreciation	-	99	-	99
Deferred tax assets, total	1,195	155	-	1,349

EUR thousand	1 Jan 2019	Recognized through profit or loss	Recognized in equity	31 Dec 2019
Leases	896	18	-	914
Financial instruments	8	-	-8	-
Inventories	85	2	-	88
Share-based payments	11	28	-	39
Provisions	112	42	-	154
Deferred tax assets, total	1,112	91	-8	1,195

Change in deferred tax liabilities

EUR thousand	1 Jan 2020	Recognized through profit or loss	Recognized in equity	31 Dec 2020
Depreciation difference	7	-7	-	-
Deferred tax liabilities, total	7	-7	-	-

EUR thousand	1 Jan 2019	Recognized through profit or loss	Recognized in equity	31 Dec 2019
Financial instruments	18	-11	-	7
Deferred tax liabilities, total	18	-11	-	7

7.17 Trade receivables and other receivables

Trade receivables are receivables that result from selling goods or delivering services 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 is expected to be received within one year. Otherwise they are presented as non-current assets. Non-current trade receivables are related to Apuraha consumer trade receivables and in current trade receivables Apuraha consumer trade receivables present about 65% (2019; about 55%) out of total current trade receivables.

Principles related to impairments are covered in note 7.22.3 *Financial risk management*.

EUR thousand	31 Dec 2020	31 Dec 2019
Non-current		
Trade receivables	3,201	1,882
Other non-current receivables	425	435
Non-current receivables, total	3,626	2,317
Current		
Trade receivables	18,650	14,620
Contract assets	1,685	1,507
Other accrued income	7,761	7,918
Income tax receivables	-	278
Other receivables	1,462	1,143
Current receivables, total	29,558	25,466
Non-current and current receivables, total	33,184	27,782

The changes in contract assets are explained in note 7.2 *Revenue from contracts with customers*.

Ageing analysis of trade receivables

EUR thousand	31 Dec 2020		31 Dec 2019	
	Trade receivables	Loss allowance	Trade receivables	Loss allowance
Not due	17,964	656	12,226	101
Past due 1–60 days	4,878	357	4,399	331
Past due 61–120 days	84	61	419	110
Past due over 121 days	49	49	17	17
Total	22,975	1,123	17,061	559

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

EUR thousand	2020	2019
Opening bad debt allowance at 1 January	559	535
Increase in bad debt allowance recognized in profit or loss during year	2,184	1,238
Receivables written off during the year as uncollectible	-1,189	-761
Unused amount reversed	-431	-453
Closing bad debt allowance at 31 December	1 123	559

In 2020, the Company recognized a net amount of credit losses from trade receivables amounting to EUR 1,670 (843) thousand. As of April 2019, Verkkokauppa.com has been selling past due receivables in a so-called continuous debt sales model, where receivables overdue more than 60 days financed by the company are sold to third parties. This decreases company's accounts receivable risk.

7.18 Inventory

The Company's inventory consists of finished goods for sale, instore demonstration equipment and serviced products.

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

The cost of inventory is assigned by using the FIFO (first-in, first-out) formula. 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 inventory is recognized when necessary. In addition, the Company furthermore recognizes a write-down of aged products, based on inventory days.

EUR thousand	31 Dec 2020	31 Dec 2019
Goods	75,384	66,702
Total	75,384	66,702

In 2020, the company has booked inventory write-offs total of EUR 1,8 million (1,2) as adjustments from its booking value to actual net realizable value.

7.19 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and balances with banks. Cash and cash equivalents are included in the category of financial assets measured at amortized cost. Impairment of cash and cash equivalents is not recognized since cash and cash equivalents are in Nordic banks with solid ratings.

EUR thousand	31 Dec 2020	31 Dec 2019
Cash in hand and at banks	43,099	42,495
Total	43,099	42,495

The Company's cash and cash equivalents were fully available at the balance sheet date.

7.20 Equity

Treasury shares

Acquisition of treasury shares and transaction costs are presented as a deduction of equity.

Distribution of dividends

The proposed dividend by the Board of Directors to the annual general meeting is not recognized as a deduction of equity. Instead, the dividends are recognized based on 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 2020	44,984	81	45,065	100
Acquisition of treasury shares	-297	297	-	-
Transfer of treasury shares to members of the Board of Directors	25	-25	-	-
31 Dec 2020	44,712	353	45,065	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 2019	45,000	65	45,065	100
Acquisition of treasury shares	-52	52	-	-
Transfer of treasury shares to members of the Board of Directors	35	-35	-	-
31 Dec 2019	44,984	81	45,065	100

Verkkokauppa.com Oyj has one class of shares. The share has no nominal value. Each share entitles to one vote at the Annual General Meeting. All issued shares have been fully paid. At the end of the financial year 2020, the share capital of Verkkokauppa.com Oyj was 100,000 euros and the number of shares was 45,065,130 shares of which 352,898 (81,296) were treasury shares held by the Company.

The Company acquired treasury shares total 296,920 (52,000) during reporting period. The average acquisition price of treasury shares was EUR 5.05 (3.76), and the portion of the share capital and of the voting rights of all shares was 0.78% (0.18%).

Fair value reserve

The fair value reserve is a reserve that accrues the equity investments measured at fair value.

Invested unrestricted equity fund

Invested unrestricted equity fund includes the share subscription prices to the extent that they are not entered into share capital on the basis of a separate decision.

Capital management

The Company's capital management aims at supporting the Company's business by means of an optimal capital structure, ensuring normal operating conditions. The Company assesses the development and adequacy of its capital structure and equity ratio. Capital management seeks to ensure cost-effectively that the Company's operational capacity is maintained at a competitive level in all cyclical conditions, that risk-carrying capacity is adequate, and that the Company is able to service its borrowings and to pay a good dividend. The objective of capital management is to increase shareholder value and achieve the best possible profit.

The Company has not applied for a credit rating from any external credit rating institution. Capital management is based on continuous monitoring of targets set by the Board of Directors and limit values related to external financing, as well as on approving and executing balancing measures in case of any deviations. Based on information it is provided, the Board of Directors evaluates the impact of possible deviations and makes the necessary decisions during the financial period. The Company's net gearing target is defined and monitored as part of normal reporting. The 52% (52%) net gearing is a key indicator in overall

balance sheet management. Regarding the cyclical nature of business, as well as potential business acquisitions, the Company evaluates financing needs on a case by case basis.

At the end of the financial period, the Company had revolving credit facilities totaling EUR 20 million, which had not been utilized.

The terms of the covenants are described in the attachment 7.22.3 *Financial risk management*.

EUR thousand	2020	2019
Net debt	21,171	19,061
Total shareholders' equity	40,549	36,563
Net debt to equity ratio	52%	52%

The net det to equity ratio stayed at 52%. Both net det and gross assets increased during reporting period 2020.

Dividends

Dividends paid

2020

For the previous year	Date of payment	Dividend per share, EUR
	9 Apr 2020	0.052
	6 May 2020	0.053
	4 Aug 2020	0.054
	3 Nov 2020	0.055
Total dividends, EUR thousand		9,597

2019

For the previous year	Date of payment	Dividend per share, EUR
	8 Apr 2019	0.048
	21 May 2019	0.049
	20 Aug 2019	0.050
	5 Nov 2019	0.051
Total dividends, EUR thousand		8 908

Dividend proposed

The Board will propose to the Annual General Meeting that for the financial year 2020 a total dividend of 0.450 euro per share be distributed, divided into a dividend of 0.230 euro paid quarterly and an additional dividend of 0.220 euro paid in conjunction with the Annual General Meeting 2021.

7.21 Cash flow information

Specification of net debt and net debt changes. The Company does not have interest-bearing debt.

Net debt reconciliation:

EUR thousand	2020	2019
Cash	43,099	42,495
Gross debt - leases	-21,928	-23,434
Net debt	21,171	19,061

The company's net debt as of December 31, 2020 was negative EUR 21,171 thousand.

EUR thousand	Liabilities from financing activities		Other assets	
	Leases	Sub-total	Cash and cash equivalents	Total
Net debt Jan 1, 2019	-26,344	-26,344	46,746	20,402
Cash flows	3,690	3,690	-4,251	-561
Acquisitions - leases	113	113	-	113
Changes in index	-894	-894	-	-
Net debt Dec 31, 2019	-23,434	-23,434	42,495	19,061
Cash flows	3,821	3,821	604	4,425
Acquisitions - leases	2,221	2,221	-	2,221
Changes in index	-4,536	-4,536	-	-4,536
Net debt Dec 31, 2020	-21,928	-21,928	43,099	21,171

The company's net debt as of December 31, 2020 was negative EUR 21,171 thousand.

7.22 Funding

Financial assets

The most significant financial assets of the Company are trade receivables and cash and cash equivalents.

Classification and measurement

The Company classifies financial assets at initial recognition into the following measurement categories: financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income. The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial assets are derecognized when the contractual right to the cash flows expire or when substantially all the risks and rewards are transferred to a party outside the Company.

Verkkokauppa.com Oyj has made an irrevocable choice and measures equity investments at fair value through other comprehensive income. Changes in the fair values are recognized in other comprehensive income. Dividends are recognized in finance income in the income statement. Changes in fair values of equity investments are presented in other comprehensive income, and there is no subsequent reclassification of those items to profit or loss following the derecognition of the investment. Verkkokauppa.com Oyj recognizes changes in the fair values in the equity fair value reserve from where they are transferred into retained earnings at their sale.

Financial assets measured at amortized cost are financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. This category includes Verkkokauppa.com Oyj's trade and other receivables, which consist of non-current rental guarantee receivables. Trade receivables are initially recognized at transaction price if they do not contain a significant financing component. Other receivables of this category are initially recognized at fair value, with transaction costs, and are subsequently measured at amortized cost using the effective interest rate method. Gains or losses on financial asset measured at amortized cost are recognized in profit or loss when the asset is derecognized or impaired. The impairments of trade receivables and other receivables are recognized in other operating expenses in the income statement.

Impairment of financial assets

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

Financial liabilities

The financial liabilities of the Company are trade payables and lease liabilities. Their principles of recognition and measurement are described in the respective notes related to them, 7.23 *Other current liabilities and accrued liabilities* and 7.15 *Leases*.

The Company does not have external interest-bearing liabilities.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a liability debt instrument.

The Company has had two financial guarantee contracts with financial institutions that acted as financiers in the Apuraha consumer financing service. According to the guarantee contract, the financier and Verkkokauppa.com Oyj together share an agreed amount of generated income and incurred credit losses. The Company no longer has a receivable in the balance sheet because the receivable no longer exists when the money has been received from the financing Company. The guarantee risk related to the guarantee contract is described in more detail in note 7.22.3 *Financial risk management*.

Impairment of financial guarantee contracts

The Company recognizes an expected credit loss from the financial guarantee contract. The impairments are described in more detail in note 7.22.3 *Financial risk management*.

7.22.1 Financial assets and liabilities by measurement category

2020, EUR thousand	Recognized at fair value through other comprehensive income	At amortized cost	Lease liabilities	Carrying amount
Measurement category				
Non-current financial assets				
Equity investments	266	-	-	266
Trade and other receivables*	-	3,626	-	3,626
Non-current financial assets, total	266	3,626	-	3,892
Current financial assets				
Trade receivables	-	18,650	-	18,650
Cash and cash equivalents	-	43,099	-	43,099
Current financial assets, total	-	61,750	-	61,750
Financial assets by measurement category, total	266	65,375	0	65,642
Non-current financial liabilities				
Lease liabilities	-	-	18,045	18,045
Non-current financial liabilities, total	-	-	18,045	18,045
Current financial liabilities				
Lease liabilities	-	-	3,883	3,883
Trade payables	-	70,171	-	70,171
Current financial liabilities, total	-	70,171	3,883	74,054
Financial liabilities by measurement category, total	0	70,171	21,928	92,099

2019, EUR thousand	Recognized at fair value through other comprehensive income	At amortized cost	Lease liabilities	Carrying amount
Measurement category				
Non-current financial assets				
Equity investments	266	-	-	266
Trade and other receivables*	-	2,317	-	2,317
Non-current financial assets, total	266	2,317	-	2,583
Current financial assets				
Trade receivables	-	14,620	-	14,620
Cash and cash equivalents	-	42,495	-	42,495
Current financial assets, total	-	57,116	-	57,116
Financial assets by measurement category, total	266	59,432	0	59,698
Non-current financial liabilities				
Lease liabilities	-	-	19,676	19,676
Non-current financial liabilities, total	-	-	19,676	19,676
Current financial liabilities				
Lease liabilities	-	-	3,758	3,758
Trade payables	-	73,068	-	73,068
Current financial liabilities, total	-	73,068	3,758	76,826
Financial liabilities by measurement category, total	0	73,068	23,434	96,502

*Other receivables include non-current receivables presented in the balance sheet, which consist of 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 correspond to their fair values

7.22.2 Information on equity investments

The Company has equity investments that are classified at fair value through other comprehensive income. The Company has irrevocably classified these investments in this class because the investments are considered strategic from a business perspective.

Determining fair values

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

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

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

EUR thousand	31 Dec 2020		31 Dec 2019	
	level 2	level 3	level 2	level 3
Financial assets				
Equity investments	-	266	-	266
Total	0	266	0	266

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

The equity investments in level 3 contain unquoted shares. The fair value is estimated for the shares and a change to fair value recognized in case needed. The change to the fair value has not been recognized based on the estimate. There have been no changes in fair value levels during the financial year or the comparative year.

Level 3 reconciliation statement

EUR thousand	2020	2019
Equity investments		
Carrying amount 1 Jan	266	266
Increases	-	-
Decreases	-	-
Carrying amount 31 Dec	266	266

7.22.3 Financial risk management

General

In its business operations, Verkkokauppa.com Oyj is exposed to financial risks, mainly securing funding, liquidity, credit, counterparty and foreign exchange rate risks. The aim of risk management of these risks is to reduce uncertainty concerning the possible impacts that changes in the financial markets could have on the Company's result, cash flow and value. The management of financial risks forms a part of the charter of the Board of Directors. The Board of Directors defines the general risk management principles. Verkkokauppa.com Oyj does not have a separate treasury function; instead the CFO is responsible regarding the Company's funding, management of liquidity, relations with financiers and funding risks. The audit committee monitors the development of the Company's funding situation. The Company does not have a separately approved financial policy.

Funding and liquidity risk

The Company seeks to ensure the availability of funding and adequate liquidity. A business that generates positive cash flow and a solid management of net working capital enable an optimal capital structure, availability of funding and no net debt. The Company evaluates and monitors constantly the amount of funding demanded by the business so that the Company has sufficient liquid assets to fund its activities and settle the payables due. In accordance with normal seasonal fluctuation, cash in hand, cash flow and payables peak at the turn of the year and have a low point at the end of the second quarter.

The Company does not have interest-bearing liability. According to the maturity analysis, the most significant part of the liabilities is due upfront within one year. Trade payables are always due in less than one year because they have short payment terms. The maturities of lease liabilities depend on

the contract, and they are due according to the contract, evenly distributed during the contract period. A significant part of the lease liabilities is, however, due in less than five years. The maturity and maximum liability amount of the financial guarantee contracts depend on the creditworthiness of the customer and the share percentage applied to the financial guarantee contract. The maturity is distributed to several counterparties. The maximum period of credit granted to one customer is three years.

Contractual cash flows based of financial liabilities and financial guarantee contracts

31 Dec 2020

EUR thousand	< 1 year	1–5 years	> 5 years	Total
Lease liabilities	4,958	20,686	261	25,906
Trade payables	70,171	-	-	70,171
Total	75,129	20,686	261	96,077

1 Jan 2019

EUR thousand	< 1 year	1–5 years	> 5 years	Total
Lease liabilities	5,083	19,816	3,836	28,734
Trade payables	73,068	-	-	73,068
Total	78,151	19,816	3,836	101,803

A significant part of the balance sheet consists of liquid funds (25% in 2020). The Company diversifies the risk of raising finance (counterparty risk) by establishing diverse committed revolving credit facilities with Nordic banks with solid ratings. By varying the amounts as well as the term of the revolving credit facilities, the Company manages the counterparty and maturity risk. The Company policy is also to maximize the use of cash discounts in the current interest environment.

The Company's liquidity reserves at the end of the financial year 2020 consisted of liquid funds. At the end of the financial year, the amount of liquid funds was EUR 43,099 (42,495) thousand. The funds were freely available. The funds were diversified into different accounts of several banks and were immediately available for withdrawal.

Verkkokauppa.com announced on 1 July 2019, that it had signed revolving credit facilities (RCF) totaling EUR 20 million. Of these credit facilities, EUR 15 million are for three years, and EUR 5 million for five years. Ordinary covenants is applied to the conditions of committed revolving credit facilities (among others, equity ratio and interest-bearing net liabilities in relation to the EBITDA).

The equity ratio is always over 25 percent and net debt in relation to EBITDA does not exceed 3.3. According to the agreement, financial covenants are calculated in accordance with the accounting principles applied by the Company in preparing its financial statements for 2017 (Finnish Accounting Standards, FAS). The Company has changed its accounting principles by adopting the IFRS standards. The Company undertakes to provide the lender with an account of the differences between the accounting principles used in the calculation of financial covenants (FAS) and the Company's official financial statements or half-year report (IFRS).

At the end of the financial year 2020, the unused committed revolving credit totaled EUR 20 million. The Company has been able to fulfill the covenants.

Credit and counterparty risk

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

The Company's principal credit risk consists of the receivables from the company-financed Apuraha consumer financing service as well as traditional trade receivables from companies. The open position is larger and longer in the trade receivables of the company-financed Apuraha than in conventional corporate trade receivables. On account of this, the credit risk from the company-financed Apuraha is greater than from conventional corporate finance receivables. The rotation of trade receivables is also faster in corporate trade receivables. The Company has defined a credit policy for customer receivables, the objective of which is to increase profitable sales by recognizing and managing credit risks in advance. The credit policy dictates the minimum principles of Verkkokauppa.com Oyj's credit sales and debt recovery. The Company's credit committee defines the credit risks.

The Board of Directors of the Company defines and approves the strategy of the company-financed Apuraha consumer financing service. In its own customer financing, the Company employs credit policies which describe the principles of risk-taking and risk management. Furthermore, the Company has credit rules which, among others, define the principles of making credit-granting decisions, credit limit amounts as well as the measurement principles of trade receivables. The Board of Directors constantly monitors the development of customer financing. The credit

committee is responsible for reporting on the financing risks to the Board of Directors. The risk of customer-financing receivables is not concentrated, but instead consist of a large amount of receivables, the capital of which are EUR 3,000 at the most. To minimize credit risk, the customer's credit report and possible credit history are controlled before the credit-granting decision is made.

As of April 2019, Verkkokauppa.com has been selling past due receivables in a so-called continuous debt sales model, where receivables overdue more than 60 days will be sold to third parties. This decreases company's accounts receivable risk. The credit loss allowance increased to EUR 1.1 (0.6) million.

The counterparty risk involved with cash and cash equivalents is managed through depositing the cash and cash equivalents on the accounts of large Nordic banks with solid ratings. The Company'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 Company uses documentary credits.

Impairment

The Company's most significant financial assets 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 Apuraha consumer financing service. In addition, it is necessary to apply the impairment model on the financial guarantee contracts. The Company's cash and cash equivalents are deposited in the accounts of 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 the counterparty risk.

The Company recognizes the expected credit losses for the trade receivables over the entire economic life based on the simplified procedure. 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 percentage of credit losses is adjusted when necessary, taking into consideration the macroeconomic impact on the customers' solvency. 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, the Company assesses separately on each reporting date whether there is further evidence of the receivable's impairment for instance due to insolvency. In these cases, the Company recognized the impairment at once. Impairment losses are recognized in the income statement under other operating expenses. The recovered credit losses are recognized in the income statement under other operating expenses.

The Company has defined different matrix models for traditional trade receivables from companies as well as the company-financed Apuraha consumer financing service receivables due to their different risk characteristics. The customers of the company-financed Apuraha consumer financing service are individuals.

In defining the percentages of credit losses for company-financed Apuraha private customers, the customers' historical payment behavior, the ageing of receivables and their development were reviewed. The percentages of credit losses are regularly updated based in historical credit losses and the 12-month rolling model. The maximum amount of exposure to credit risk is equivalent to the total amount of trade receivables. The Company has not received guarantees on trade receivables. The expected credit losses are recognized as reducing trade receivables.

In addition to historical models, in 2020 the company has made impairment reservations for consumer and corporate sales receivables based on a historically deviation in the market.

An impairment reservation of EUR 311 thousand has been made for trade receivables and an impairment reservation of EUR 150 thousand for consumer receivables.

In defining the percentages of credit losses for corporate customers, the customers' historical payment behavior, the ageing of receivables and their development were reviewed.

The changes in the expected credit losses are recognized in other operating expenses in the income statement. The net amount of net credit losses recognized in the financial year 2020 were EUR 1,670 (843) thousand.

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.

Foreign exchange rate risk of Verkkokauppa.com Oyj predominantly arises from the purchase of goods, given that the Company has purchasing activities in several different currencies. However, the Company's management holds that the foreign exchange rate risk is not material,

since most of the purchases are made in euros. For 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 currencies in the balance sheet, with short open positions.

From a commercial point of view, the foreign exchange rate risk is managed through rapid inventory turnover and aiming to transfer possible foreign currency changes into sales prices or changing the supplier. The Company does not hedge against foreign exchange rate risk. Revenue is not exposed to foreign exchange rate risk, given that the entire revenue is generated in euros.

In 2020, the Company opened a currency account in U.S. dollars (USD) to optimize the cost of USD purchases. The currency risk of the foreign currency account is related to exchange rate differences on the balance sheet date. Exchange rate differences on cash and cash equivalents are presented in Note 7.9 Financial income and expenses.

At the end of the financial year 2020, the amount of currency-denominated open trade payables was EUR 91 (1,350) thousand. The exchange differences were immaterial in 2020 and in the comparative year.

7.23 Other current liabilities and accrued liabilities

EUR thousand	31 Dec 2020	31 Dec 2019
Contract liabilities	2,248	1,727
Accrued personnel expenses	8,404	7,142
Other accrued liabilities	9,636	7,713
Withholding tax liability	1,087	936
VAT liability	8,960	5,114
Other current liabilities and accrued liabilities, total	30,335	22,632

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

7.24 Provisions

A provision is recognized when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of liability can be reliably measured. The amount recognized as

provision should be the best estimate of the management on required cash flows to fulfil the liability at the end of the reporting period. On each balance sheet date, the management assesses the amounts of provisions and updates them to correspond to the best estimate available at the balance sheet date. The changes in provisions are recognized in profit and loss in the same line item in the income statement as the original provision has been recognized. Provisions have not been discounted because of the minor effect of the discounting.

The provisions recognized by the Company are related to the product guarantees of the Company's proprietary product and third year warranty.

The product guarantee provision is recognized on the sale of the goods, according to an assessment by the management of the Company on the percentage of breakage of goods that is based on historical actuals. The 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 note 7.22.3 Financial risk management.

EUR thousand	Product warranties	Expected credit losses from financial guarantee contracts	Total
Provisions 1 Jan 2020	660	0	660
Increases in provisions	107	-	107
Decreases in provisions	-	-	-
Reversal of unused provisions	-	-	-
Provisions 31 Dec 2020	766	0	766

EUR thousand	Product warranties	Expected credit losses from financial guarantee contracts	Total
Provisions 1 Jan 2019	557	3	560
Increases in provisions	183	-	183
Decreases in provisions	-	-	-
Reversal of unused provisions	-80	-3	-83
Provisions 31 Dec 2019	660	0	660

The expected credit losses of the guarantee agreements in the comparison year have been related to the expected credit losses of the profit-sharing models used with Apuraha partners. Since April 2019, the company has sold trade receivables overdue for 60 days to third parties in accordance with the continuous trading model, in which case the basis for loan loss provisions in guarantee agreements has been removed.

7.25 Transactions with related parties

Verkkokauppa.com Oyj's related parties comprise the Board of Directors, the CEO as well as the other members of the management team and the close members of the family of said persons as well as their controlled entities. Transactions with related parties have been carried out on usual commercial terms. Samuli Seppälä, member of Board of Directors and related party, owns 40.6% of shares and voting rights at the time of reporting date.

Transactions with related parties

EUR thousand	2020	2019
Sales of goods and services		
To key management personnel and their related parties	77	46
Purchases of goods and services		
From key management personnel and their related parties	1	-

EUR thousand	31 Dec 2020	31 Dec 2019
Closing balances from purchases/sales of goods/services		
Trade receivables from key management personnel and their related parties	9	7
Trade payables to key management personnel and their related parties	-	-

7.26 Guarantees and commitments

EUR Thousand	31 Dec 2020	31 Dec 2019
Collateral given for own commitments		
Guarantees	3,082	2,652
Other commitments and contingent liabilities	8	11

Mortgages are related to revolving credit facilities.

7.27 Subsequent events

There are no material events after the reporting date which would have any impacts on this financial statement.

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

Helsinki 2 March 2021

Christoffer Häggblom
Chair of the Board

Robert Burén
Board member

Kai Seikku
Board member

Samuli Seppälä
Board member

Arja Talma
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 financial statements give a true and fair view of the company's financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU 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 2020. The financial statements comprise:

- balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies

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.

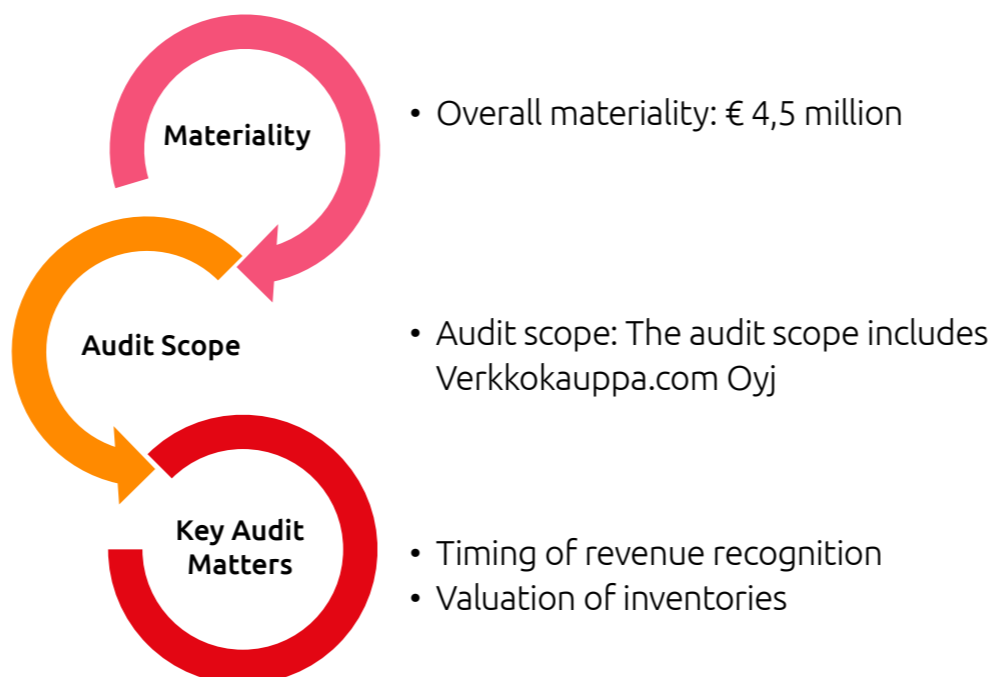
Independence

We are independent of the company 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 company 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



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 materiality for the 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 materiality	€ 4,5 million
How we determined it	0,8 % of the company's net sales

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 0,8% which is within the range of acceptable quantitative materiality thresholds in auditing standards.
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How we tailored our audit scope

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

Verkkokauppa.com Oyj does not have any subsidiaries and, thus, it does not prepare consolidated accounts. Our audit scope includes Verkkokauppa.com Oyj.

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

Timing of revenue recognition

Refer to note 7.2 of the financial statements

The Company's revenue, € 554 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 paying through the Apuraha service, 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 significant item in the financial statements. Management exercises judgement e.g. when defining the variable consideration related to sale of goods. Given the factors described above, we have considered timing of revenue recognition to be a key audit matter.

Valuation of inventories

Refer to note 7.18 of the financial statements

Inventories form a significant part of the Company's assets, amounting to € 75,4 million as of 31 December 2020.

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 financial statements. Management exercises judgement and applies assumptions when estimating the need for an obsolescence provision. Given the factors described above, we have considered valuation of inventories to be a key audit matter.

How our audit addressed the key audit matter

Our audit procedures included testing 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 2020 and January 2021 to evaluate that revenue had been recognised in the right period.
- We compared selected accounts receivable balances against payments received after the period end.

Our audit procedures included testing 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 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 financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU 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 company'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 company 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 company'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 company'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 company 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.

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 5 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 and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

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 that we obtained prior to the date of this auditor's report, 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 2 March 2021

PricewaterhouseCoopers Oy

Authorised Public Accountants

Ylva Eriksson

Authorised Public Accountant (KHT)

Verkkokauppa.com Oyj Remuneration Report 2020

This Remuneration Report (“**Remuneration Report**”) sets out how Verkkokauppa.com Oyj (“**Verkkokauppa.com**” or “**Company**”) has implemented its Remuneration Policy in the financial year 2020. The Remuneration Report provides information concerning the remuneration of the Company’s Board of Directors (“**Board**”) and CEO (“**CEO**”) between 1 January 2020 and 31 December 2020. The Remuneration Report has been prepared in accordance with the requirements of the Shareholders’ Rights Directive (EU 2017/828). In Finland, the requirements of the Directive have mainly been implemented in the Limited Liability Companies Act (624/2006, as amended), the Securities Markets Act (746/2012, as amended), the Decree of the Ministry of Finance (608/2019) and the Finnish Corporate Governance Code 2020.

The Board’s Remuneration Committee has prepared the Remuneration Report for review by the Board, and the Board has approved it for submission to the General Meeting. The shareholders will make an advisory decision on the approval of the Remuneration Report at the Annual General Meeting 2021.

Introduction

Overview of Remuneration in the Financial Year 2020

The remuneration of the Verkkokauppa.com governing bodies is based on the Company’s Remuneration Policy (“**Remuneration Policy**”) that was presented for an advisory decision at the Annual General Meeting held on 31 March 2020. In the financial year 2020, the Company’s remuneration decision-making process as defined in the Remuneration Policy has been followed in the decision-making related to the Verkkokauppa.com remuneration. The Board has not applied the

possibility to deviate from the Remuneration Policy temporarily during 2020 and the Board has not identified a need to apply clawback conditions to variable remuneration paid.

The remuneration applied in accordance with the current Remuneration Policy in 2020 has supported the Company’s long-term financial success and shareholder value creation. The CEO’s overall earning opportunity has been set to be competitive, and the performance-based short-term and long-term incentive plans have emphasized the importance of strong operative and financial performance as well as shareholder value creation in the CEO’s remuneration. In addition, the long-term incentive plan has strongly promoted the alignment of the CEO’s and shareholders’ interests.

In 2020, Verkkokauppa.com had long-term and short-term incentive plans in place for the CEO. Under the long-term Incentive plan, the matching periods 2018–2020 and 2019–2021 of the Matching Share Plan 2018–2020 as well as the new Performance Matching Share Plan 2020–2022 decided by the Board on 13 February 2020 were in place in 2020. In the new Performance Matching Share Plan, the reward is based on the Company’s total shareholder return (TSR), including dividends. Both Matching Share Plans are based on the participants’ own investment in the Verkkokauppa.com share and on matching shares earnable against the own investment. The features of long-term incentive plans are described in more detail in the section “*CEO Remuneration*” on page 63.

In 2020, the short-term incentive’s focus was on improved profitability and growth, and the CEO’s performance criteria were set to 25% revenue growth and 75% improvement in profitability. The CEO achieved and in part exceeded the maximum targets set by the Board, and thus earned the maximum remuneration

set on him for the short-term incentive, i.e. a reward equivalent to four (4) months’ fixed salary. Application of the performance criteria and rewards payable for the reportable financial year are described in more detail in the section “*CEO Remuneration*” on the page 63.

Development of Financial Performance and Remuneration in Verkkokauppa.com

Development of Financial Performance in 2016–2020

In 2016–2020, Verkkokauppa.com has grown significantly; the revenue as a whole has increased by more than 49%, meaning the annual growth has averaged 10.5%. The operating profit (EBIT) has grown even stronger over the same period, as a whole by more than 55%, or an average of 11.6%.

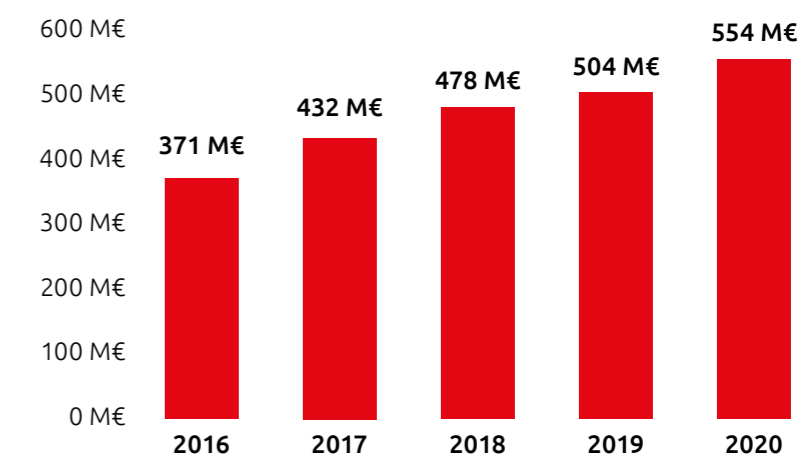
As the revenue has grown relatively steadily, the operating profit (EBIT) has reflected the rigorous competitive environment that prevailed. The operating profit (EBIT) increased significantly in 2020, in part due to strong demand in the online sales channel resulting from the COVID-19 pandemic and a focus on profitability alongside growth. The emphasis on profitability is also reflected in the CEO’s short-term incentive performance criteria, as described on page 64.

Including dividends, the return generated to shareholders in 2016–2020 has totaled approximately 15%.

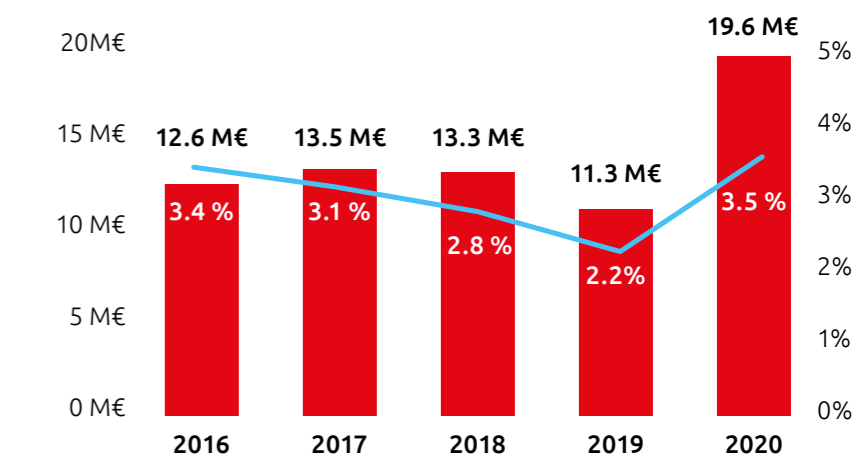
Share price development 2016–2020 Dividends per share 2016–2020 0,91€ in total



Revenue



Comparable operating profit



In the graphs the figures for FY 2016 follow Finnish Accounting Standards (FAS). The IFRS figures for FY 2017 are unaudited.

Development of Remuneration in 2016–2020

Remuneration paid to the CEO, in euros

	2016	2017	2018	2019	2020
Samuli Seppälä (until 22 March 2018)					
Fixed base salary + fringe benefits	8,916	2,270	514		
Short-term incentive					
Long-term incentive					
Total remuneration	8,916	2,270	514		
Panu Porkka (as of 22 March 2018)					
Fixed base salary + fringe benefits			317,348	419,390	454,068
Short-term incentive			90,000	109,320	0
Long-term incentive					
Total remuneration			407,348	528,710	454,068

Development

Fixed base salary + benefits		-75%	13,903 %	32%	8%
Total remuneration		-75%	17,867%	30%	-14%

Board annual fees

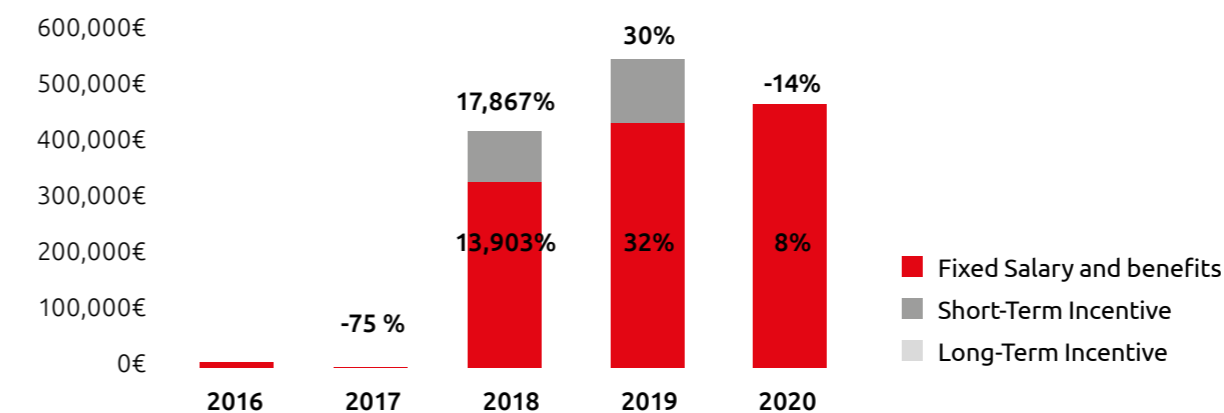
	2016	2017	2018	2019	2020
Chairperson	40,000	40,000	70,000	70,000	70,000
Development from previous year		0%	75%	0%	0%
Member	20,000	20,000	35,000	35,000	35,000
Development from previous year		0%	75%	0%	0%

Average employee remuneration

	2016	2017	2018	2019	2020
Average annual salary development		2.5%	4.0%	2.6%	5.3%

Average employee remuneration is calculated based on the average number of employees as part of the salaries recorded in the income statement. Commercial sector's collective agreement is applied to e.g. employees working in stores and logistics operations.

Remuneration Paid to the CEO by Elements



CEO Samuli Seppälä waived his cash salary from 1 January 2016 to 31 December 2016 and from 1 January 2017 to 31 December 2017. The portion of cash salary for the period from 1 January 2016 to 30 September 2017 was distributed the Company's employees.

Board Remuneration in 2020

Remuneration paid to Verkkokauppa.com Board members during 1 January 2020 – 31 December 2020

(Remuneration paid during 1 January 2019 – 31 December 2019 in brackets)

Member	Committee Membership	Board Annual Fee in Total	Portion of Annual Fee paid in Shares (Number of Shares)	Committee Fee €	Other Fees €	Total €
Christoffer Häggblom, Chairperson	Chairperson of Remuneration Committee Member of Audit Committee	70,000 (70,000)	8,024 (10,097)	14,000 (14,000)	-	84,000 (84,000)
Robert Burén		35,000 (35,000)	4,012 (5,048)	-	-	35,000 (35,000)
Mikael Hagman (until 4 January 2021)		35,000 (35,000)	4,012 (5,048)	-	-	35,000 (35,000)
Kai Seikku	Chairperson of Audit Committee Member of Remuneration Committee	35,000 (35,000)	4,012 (5,048)	16,000 (16,000)	-	51,000 (51,000)
Samuli Seppälä	Member of Audit Committee Member of Remuneration Committee	35,000 (35,000)	1,246 (5,048)	10,000 (10,000)	-	45,000 (45,000)
Arja Talma	Vice Chairperson of Audit Committee	35,000 (35,000)	4,012 (5,048)	10,000 (10,000)	-	45,000 (45,000)

In accordance with the decision of the Annual General Meeting held on 31 March 2020, the remuneration payable to Verkkokauppa.com Board members is the following:

- Chairperson, Annual fee, 70,000 euros
- Member, Annual fee, 35,000 euros

Half of the annual fees of the Board members is intended to be paid in the Company's shares after each quarterly release and the remaining part of the annual fee is paid in cash, which is used to cover taxes arising from the fees. The shares delivered as remuneration to the Board members are not subject to any ownership or transfer restrictions.

Annual fees for the members of the Board Committees for the term ending at the close of the Annual General Meeting 2021 are the following:

- Chairperson of Audit Committee, 12,000 euros
- Vice Chairperson of Audit Committee, 10,000 euros
- Each member of Audit Committee, 6,000 euros
- Chairperson of Remuneration Committee, 8,000 euros
- Each member of Remuneration Committee, 4,000 euros

Committee fees are paid in cash. In addition, reasonable accrued travel and lodging expenses as well as other potential costs related to Board and Committee work are compensated.

CEO Remuneration in 2020

Application of Performance Criteria and payable Rewards

In 2020, The CEO of Verkkokauppa.com had a performance-based short-term incentive and a long-term performance matching share plan 2020–2022 launched on 13 February 2020 in place. The aim of the short-term incentive is to guide towards achieving short-term financial and operative targets and to award for the achievements in accordance with the Company's business strategy. The aim of the long-term incentive plan is to award for the achievement of strategic and financial targets and for the long-term shareholder value creation, to align the interests of the CEO and the Company's shareholders as well as to accumulate the CEO's ownership in the Company in accordance with the share ownership guidance.

In 2020, the performance criteria for the short-term incentive plan were based on the revenue growth of 25% and on the comparable operating profit (EBIT) growth of 75%. The maximum CEO remuneration under the short-term incentive plan in the financial year 2020 was equivalent to four (4) months' fixed salary. The targets set by the Board for the financial year 2020 were achieved at 100%, and the reward earned by the CEO for the financial year was 120,000 euros. The reward will be paid in spring 2021.

On 13 February 2020, the Board launched a new share-based long-term incentive plan, the Performance Matching Share Plan 2020–2022. The Performance Matching Share Plan is based on the own investment in the Verkkokauppa.com share and on matching shares earnable against the own investment. The number of matching share earnable based on this plan is based on the Company's total shareholder return (TSR) in 2020–2022. The reward earned based on this plan will be confirmed and paid in spring 2023.

Share-based incentive plans in place in the financial year 2020

During the financial year 2020, the matching periods 2018–2020 and 2019–2021 of the Matching Share Plan 2018–2020 launched by the Board on 16 May 2018, as well as the Performance Matching Share Plan 2020–2022 launched by the Board on 13 February 2020 were in place.

Under the Matching Share Plan 2018–2020, a certain number of matching shares are delivered to the participant against their own investment in Verkkokauppa.com shares. This plan consists of 3 matching periods, calendar years 2018–2020, 2019–2021 and 2020–2022. On 13 February 2020, the Board decided that the plan's last matching period does not begin but is replaced by the new Performance Matching Share Plan 2020–2022.

In the Matching Share Plan 2018–2020, the prerequisite for receiving reward is that a person participating in the plan allocates freely transferable Company's shares they own to the plan or acquires the Company's shares up to the number confirmed by the Board. In addition, the reward payment is based on the participant's valid employment or service at the time of the reward payment. The rewards are paid partly in the Company's shares and partly in cash. The cash portion is intended to cover taxes and tax-related cost arising from the reward to the participant. As a rule, no reward will be paid, if the participant's employment or service terminates before the reward payment.

For the first matching period that began in 2018, the participant receives 1 free matching share for each share allocated to the plan after a three-year matching period, provided that the conditions defined in the terms and conditions of the plan for the receipt of the matching share are met at that time. The CEO fulfilled the set conditions at 100% during the matching period, and a gross reward worth 10,000 Company shares, including the cash portion, will be paid to the CEO in spring 2021.

For the second matching period that began in 2019, the participant receives 1 free matching share for each share allocated to the plan after a three-year

matching period, provided that the conditions defined in the terms and conditions of the plan for the receipt of the matching share are met at that time.

In the Performance Matching Share Plan 2020–2022, the prerequisite for participating and receiving reward is that a person participating in the plan allocates freely transferable Company's shares they own to the plan or acquires the Company's shares up to the number confirmed by the Board. In addition, the reward payment is based on the participant's valid employment or service at the time of the reward payment. The rewards are paid partly in the Company's shares and partly in cash. The cash portion is intended

to cover taxes and tax-related cost arising from the reward to the participant. As a rule, no reward will be paid, if the participant's employment or service terminates before the reward payment.

In the Performance Matching Share Plan 2020–2022, the participant has a possibility to earn 1–3 matching shares for each share allocated to the plan up to a certain number of shares after a three-year matching period. The number of earnable matching shares is based on the Company's total shareholder return (TSR) in 2020–2022.

Overview of share-based incentive plans in place for the CEO in the financial year 2020

Plan	Board decision on the plan	Share price on the decision date	Performance criteria	Maximum reward as a number of gross shares	Reward outcome, % of maximum level	Reward earned, as a number of gross shares	Reward payment date	Net shares paid	Share price on the payment date
Matching Share Plan 2018–2020	16 May 2018	5.980 €	Personal investment and continuing share ownership	10,000	100%	10,000	March 2021	–	–
Matching Share Plan 2019–2021	21 December 2018	4.157 €	Personal investment and continuing share ownership	10,000	To be confirmed in spring 2022	To be confirmed in spring 2022	Spring 2022	–	–
Performance Matching Share Plan 2020–2022	13 February 2020	4.064 €	Personal investment, continuing share ownership and TSR	120,000	To be confirmed in spring 2023	To be confirmed in spring 2023	Spring 2023	–	–

Remuneration paid to CEO in financial year 2020

Fixed base salary + fringe benefits	Short-term incentive ¹	Long-term incentive ²	Total remuneration paid 2020
454,068 €	0 €	-	454,068 €

¹ Based on the financial year 2019 performance, no short-term incentive, which would have been paid in 2020, was earned.

² No rewards payable based on long-term incentives in 2020.

Structure of Remuneration Paid to the CEO in 2020



CORPORATE GOVERNANCE STATEMENT

Corporate governance statement

Verkkokauppa.com Oyj (hereinafter, the “**Company**” or “**Verkkokauppa.com**”) is a public Finnish limited liability company, the shares of which are traded on the official list of Nasdaq Helsinki Ltd. (“**Nasdaq Helsinki**”). Verkkokauppa.com adheres to the corporate governance principles and complies in all its activities with the relevant laws and regulations and implements the corporate governance recommendations. Verkkokauppa.com’s governance is subject to the Company’s Articles of Association and the laws of Finland, in particular the Companies Act, the Accounting Act, securities markets legislation, as well as other regulations and provisions related to the governance of a public limited liability company. Furthermore, Verkkokauppa.com’s operations are guided by the Company’s values, its Code of Conduct and its policies and internal operating guidelines.

In addition, Verkkokauppa.com also complies with the Corporate Governance Code 2020 adopted by the Securities Market Association (the “**CG Code**”). If the Company in the future departs from any of the recommendations of the CG Code, it shall disclose the departure and provide reasons therefor. The Corporate Governance Code is available online at www.cgfinland.fi.

The Company’s Corporate Governance Statement is available on the Company’s website <https://investors.verkkokauppa.com/en/governance>.

Company structure

Verkkokauppa.com Oyj, domiciled in Helsinki, Finland is the sole operating company and it has no subsidiaries.

The Company’s governance is organised through the General Meeting, the Shareholders’ Nomination Board, the Board of Directors (the “**Board**”), and the

Chief Executive Officer (the “**CEO**”). Further, the Company has a management team led by the CEO. The Company has one reporting segment.

General Meeting

The highest decision-making power in Verkkokauppa.com is exercised by the Company’s shareholders at General Meetings, in which the shareholders may exercise their right to speak, ask questions and vote. The Annual General Meeting is held by the end of June each year and it handles the matters that fall under its authority according to the Articles of Association as well as any matters proposed to a General Meeting.

Usually General Meetings handle the matters placed on its agenda by the Board and its committees as well as the Shareholders’ Nomination Board. Shareholders may also, in accordance with the Finnish Companies Act, request the Company’s Board to place a matter on the agenda of the next General Meeting. The Company states well in advance on its website investors.verkkokauppa.com/en the date by which a shareholder must declare his or her demands for matters to be dealt with at the Annual General Meeting.

Major matters subject to the decision-making power of a General Meeting include:

- Adoption of the financial statements;
- Decision on the use of profit, such as dividends;
- Decisions on the number, election and remuneration of members of the Board;
- Discharging the members of the Board and the CEO from liability;
- Election of the Auditor and the decision on the Auditor’s remuneration; and
- Other proposals made by the Board or a shareholder,

such as:

- Amendments to the Articles of Association; and
- Special authorizations to the Board (e.g. authorization to decide on payment of an additional dividend, on a share issue or on the repurchase of the company’s own shares)

At the General Meeting, the decisions are primarily made by a simple majority vote. The CEO, the chairperson and the members of the Board shall attend the General Meeting. In addition, the auditor shall be present at the Annual General Meeting. A candidate proposed to be elected to the Board shall participate in the General Meeting that decides on his or her election.

A notice of the General Meeting is published as a stock exchange release three weeks to three months before the General Meeting. The agenda, decision-making proposals and other meeting documents are subsequently available at investors.verkkokauppa.com/en.

Shareholders registered in the Company’s shareholder register kept by Euroclear Finland Ltd on the record date of the General Meeting have the right to attend the General Meeting and exercise their voting rights. Each share entitles its holder to one vote. Instructions for participation by nominee registered shareholders are available in the notice of the General Meeting.

Shareholders’ nomination board

The Annual General Meeting of the Company resolved on 31 March 2020 that a shareholders’ nomination board consisting of the Company’s major shareholders or persons appointed by such shareholders be

established for the purpose of preparing, annually and otherwise when appropriate, proposals concerning the composition of the Board and the election and remuneration of the members of the Board (the “**Nomination Board**”). The Nomination Board operates and its charter applies until otherwise decided by the General Meeting.

The Nomination Board consists of four members, three of whom represent the three largest shareholders of the Company and who hold the largest number of votes in the Company on the last banking day in May preceding the next Annual General Meeting. The Board Chair acts as the fourth member of the Nomination Board of the shareholders.

The duties of the Nomination Board include:

- to prepare and present to the General Meeting a proposal on the remuneration of the members of the Board and the Board committees, in accordance with the remuneration policy;
- to prepare and present to the General Meeting a proposal on the number of the members of the Board;
- to prepare and present to the General Meeting, in consideration of the Company’s diversity policy, a proposal on the members of the Board; and
- to seek for prospective successors for the members of the Board.

The Nomination Board convenes when summoned by the Chair of the Nomination Board. Should a shareholder choose not to use the right to appoint a member, the right is as a rule transferred to the next largest shareholder in the shareholder register, who would not otherwise have the right to appoint a member. The Nomination Board shall submit its proposal to the Board every year, by the last business

day of February preceding the next Annual General Meeting. The Nomination Board is established to serve until further notice and the term of the members of the Nomination Board shall end upon the nomination of the following Nomination Board.

The composition of the Nomination Board since September 2020 has been the following:

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

Peter Lindell has acted as Chair of the Nomination Board.

Nomination Board proposals for the 2021 AGM

The Nomination Board convened 6 times before publication of its proposal. The ratio of attendance at the meetings was 100 per cent. In addition, the member candidates were interviewed between the meetings. The Nomination Board discussed on the size of the Board, its composition and diversity, and the key areas of expertise that are seen as benefitting the company the most. The Nomination Board also examined the remuneration of Board. On 22 February 2021, the Nomination Board announced its proposal to the Board for the notice of the Annual General Meeting. The Nomination Board resolved to propose to the Annual General Meeting that:

- the Board consists of seven (7) members
- the following persons be elected to the Board for a term ending at the close of the Annual General Meeting 2022:
 - Proposed to be re-elected as members: **Christoffer Häggblom, Kai Seikku, Samuli Seppälä** and **Arja Talma**

- Proposed to be elected as new members: **Mikko Kärkkäinen, Frida Ridderstolpe** and **Johan Ryding**

- the Board elects a Vice Chairperson in addition to the Chairperson of the Board amongst themselves.

The nominees to the Board have indicated to the Nomination Board that if elected, they will elect **Arja Talma** as the Chairperson of the Board and **Christoffer Häggblom** as the Vice Chairperson of the Board. Of the current members, **Robert Burén** has informed that he is not available for re-election to the Board.

All nominees have given their consent to the election. All nominees are deemed independent of the company and its major shareholders with the exception of **Samuli Seppälä**.

The annual fee to be paid to the members of the Board to be elected at the Annual General Meeting for the term of office ending at the close of the Annual General Meeting in 2022 is proposed to be as follows:

- EUR 70,000 for the Chairperson of the Board,
- EUR 55,000 for the Vice Chairperson of the Board, and
- EUR 35,000 for each member of the Board.

As a rule, 50 % of the annual fee will be paid in Verkkokauppa.com Oyj shares in four equal instalments, each instalment being purchased or transferred within the two-week period beginning on the date following the announcement of each of the company's interim reports and the company's financial statements bulletin for 2021. The rest of the annual fee is proposed to be paid in cash, which is used to cover taxes arising from the fees.

The annual fees payable to members of the committees of the Board for the term of office ending at the close of the Annual General Meeting in 2022 are proposed to be the following:

- EUR 12,000 for the Chairperson of the Audit Committee,
- EUR 10,000 for the Vice Chairperson of the Audit Committee,
- EUR 6,000 for each member of the Audit Committee,
- EUR 8,000 for the Chairperson of the Remuneration Committee, and
- EUR 4,000 for each member of the Remuneration Committee.

The fees of the committees are proposed to be paid in cash. It is additionally proposed that the members of the shall be compensated for reasonable accrued travel and lodging expenses as well as other potential costs related to Board and Committee work. The proposed fees correspond to the fees resolved upon at the Annual General Meeting held 31 March 2020, with the exception of the remuneration payable to the new role of Vice Chairperson of the Board.

Board of Directors

The Board oversees the management and operations of the Company. It also decides on significant matters related to strategy, investments, organization and finances.

The Board has two committees that report to the Board: the Audit Committee and the Remuneration Committee. The Board elects the members of these committees from among the Board members at its constitutive meeting after the Annual General Meeting. The Board has confirmed written charters for both committees.

Composition and term

Under the Articles of Association, the Board consists of at least four (4) and at most eight (8) members. The members of the Board are elected by the Annual General Meeting of the shareholders and the term

of office of the members of the Board expires at the end of the Annual General Meeting following their election.

The Articles of Association set no limitations regarding the number of terms that Directors may serve, nor do they restrict in any other way the decision-making power of the General Meeting in electing members of the Board. However, the General Meeting may take into account all recommendations stipulated by the CG Code regarding the composition of the Board, especially with regards to meeting the independence and other requirements applicable to the companies listed on a regulated market in Finland. The Board elects one of its members as the chairperson of the Board and may elect a deputy chairperson.

Current composition of the Board of Directors

The Annual General Meeting held March 31, 2020 elected the following six (6) Board members for a term until the close of the next Annual General Meeting: **Christoffer Häggblom, Robert Burén, Mikael Hagman, Kai Seikku, Samuli Seppälä** and **Arja Talma**. At the constitutive meeting of the Board, convened after the Annual General Meeting, **Christoffer Häggblom** was elected as the Chair of the Board.

Based on the evaluation of independence, the Board concluded that **Christoffer Häggblom, Robert Burén, Mikael Hagman, Kai Seikku** and **Arja Talma** are both independent of the Company and its significant shareholders. **Samuli Seppälä** is neither independent of the Company nor of its significant shareholder as he has been the CEO of the Company in the last three years and he himself is a significant shareholder of the Company.

On January 4, 2021 **Mikael Hagman** resigned from his Board duties.

Information reported on the members of the Board can be found under the heading "Board of Directors".

Duties of the Board of Directors

The duties of the Company's Board are set forth in the Companies Act and other applicable legislation. The Board is responsible for the management of the Company. Its responsibilities include, inter alia, to:

- deliberate and decide on the Company's strategy;
- confirm the business plan and budget as well as financing transactions (as far as not falling into the responsibility of the shareholders);
- deliberate on and approve interim reports and/or interim management statements, the annual accounts and the reports by the Board;
- confirm internal control and risk management systems and reporting procedures;
- decide on possible bonus and incentive schemes for the management and possible general or special pension schemes, profit sharing schemes or bonus schemes for employees of the Company;
- decide on any contracts which, given the scope and nature of activities of the Company, are of unusual nature, or significant importance such as long-term lease contracts;
- follow-up on related party transactions; and
- appoint or dismiss the CEO. Other employees belonging to the management team of the Company are appointed by the CEO and approved by the Board.

Duties of the Board Committees

The Audit Committee shall prepare the monitoring and supervision duties of the board in matters related to the Company's financial reporting, efficiency of internal control and audit and risk management function and the independence of the Company's auditor. During 2020, the Audit Committee has consisted of **Kai Seikku** (Chair), **Arja Talma** (Vice Chair), **Christoffer Häggblom** and **Samuli Seppälä**. The majority of the members of the Audit Committee are independent of the Company and the Company's

Participations in Board and Committee meetings 2020

Name	Position	Board	Audit Committee	Remuneration Committee
Christoffer Häggblom	Chair, Chair of Remuneration Committee	25 / 25	4 / 4	3 / 3
Robert Burén	Member	25 / 25	-	-
Mikael Hagman ¹⁾	Member	23 / 23	-	-
Kai Seikku	Member, Chair of Audit Committee	22 / 25	4 / 4	3 / 3
Samuli Seppälä	Member	25 / 25	5 / 5	3 / 3
Arja Talma	Member, Vice Chair of Audit Committee	24 / 25	4 / 4	-

¹⁾ Member of the Board until January 4, 2021.

significant shareholders. Qualification requirements regarding the members of the committee have been taken into consideration when appointing the members.

The Remuneration Committee shall prepare the Company's Remuneration Policy and Remuneration Report to be presented to the Annual General Meeting as well as ensure the efficient preparation of and remuneration matters in relation to Board members, the CEO and the other senior members of executive management. During 2020, the Remuneration Committee has consisted of **Christoffer Häggblom** (Chair), **Kai Seikku** and **Samuli Seppälä**. The majority of the members of the Remuneration Committee are independent of the Company and the Company's significant shareholders.

The former Nomination and Remuneration Committee was amended to Remuneration Committee due to the establishment of the Shareholders' Nomination Board by the Annual General Meeting held March 31, 2020.

The Board held 25 meetings during 2020 (2019: 21 meetings). The average ratio of attendance at the meetings was 97 percent (2019:97 percent). In

addition to the duties specified in the Board's charter, in 2020, the Board focused on the evaluation of measures brought on by the COVID-19 pandemic, improvements in the financial reporting process and on the furtherance of strategy work. In addition to the duties specified in the charter, the Remuneration Committee's work was linked to the preparation of the remuneration policy to be presented at the Annual General Meeting 2020, the development of long-term incentive structures as well as the preparation of the remuneration report to be presented to the Annual General Meeting 2021. In addition to the transition to the official list of Helsinki Stock Exchange, the Audit Committee focused on financial reporting process as well as the development of risk management and internal audit procedures.

Decision-making and meeting practice

Meetings of the Board are convened by its chairperson. The Board constitutes a quorum when more than half of the members are present at the meeting. When votes are cast, the majority opinion will be the Board's decision and, in the case of a tie, the chairperson will have the casting vote.

The Board is always obliged to act in the Company's interests and in such a way that its acts or measures are not likely to produce unjustified benefit to any shareholder or other third party at the cost of the Company or another shareholder.

The Board shall convene as frequently as necessary to discharge its responsibilities. The CEO ensures that the Board is provided with sufficient information to assess the operations and financial situation of the Company. The secretary of the Board is legal counsel Robert Tallberg. The Board conducts annual performance self-evaluations, in addition to brief feedback sessions following each longer meeting.

Principles concerning the diversity of the Board of Directors

The Company has defined the principles concerning the diversity of the Board in accordance with the recommendation 9 of the CG Code.

It is in the Company's and its shareholders' interest that the members of the Board have a broad expertise from different fields and business areas. The diversity of the Board supports the Company's business and its development, open discussion and independent decision-making.

The Shareholders' Nomination Board shall in the preparation of the proposal for the composition of the Board take into account the requirements placed by the Company's strategy, operations and development phase as well as the sufficient diversity of the Board. The diversity of the Board is examined from different perspectives. Important factors for the Company are the age and gender distribution, academic and professional background as well as strong, versatile and mutually complementary expertise, experience and knowledge in the different business areas important to the Company.

The proposal regarding the number of members and composition of the Board is prepared by the

Nomination Board. The proposal by the Nomination Board regarding the composition of the Board is based on the competence of the candidate and the Company aims to elect Board members whose experience and profile correspond with the Company's current and future business needs. The Board members are elected annually at the Annual General Meeting of the shareholders.

The Company's goal is that both genders are represented on the Board and that in the long-term a more balanced representation of both genders on the Board is achieved. As means to achieve this objective, representatives of both genders are included in the Board candidate search and evaluation process and the objective is to actively communicate to the shareholders of the Company.

During 2020 one Board member was female and the remaining five (5) members male.

Principles concerning related party transactions

The Board has adopted the principles concerning related party transactions. In accordance with the principles, the Audit Committee of the Board is tasked with monitoring and supervising the Company's policies for related party transactions. The Audit Committee monitors and assesses how agreements and other legal acts between the Company and its related parties meet the requirements of ordinary activities and arm's-length terms. The Audit Committee also reviews the reporting of related party transactions in the financial statements and reports to the Board on regular basis. The Board maintains a list of the Company's related parties.

In accordance with the principles, the management team member in charge of the transaction in the Company's operations has the responsibility to, in advance, investigate, assess and identify whether the transaction in question is potentially a related party transaction. Given the Company's business model in

the retail sector, the nature of its day-to-day operations and use of standardized general terms and conditions, the related party transactions mainly apply to the procurement of services or potentially significant one-time offers or tender processes. The Company estimates that related party transactions, which would be outside the ordinary course of business or made on other than arm's length basis are fairly infrequent and limited in extent.

Should the management team member or other individual involved identify a transaction to be made with a related party or have reason to believe that the transaction is to be made with a related party, that person should escalate the matter to the Board secretary and the Company's Finance department. Together with the Company's Finance department, the Board secretary shall analyse the nature of the transaction, i.e. whether the transaction is part of the Company's ordinary course of business and implemented under arm's-length terms and its materiality as well as assess whether the transaction warrants a decision by the Board. The Audit Committee prepares such matters concerning related party transactions for the Board decision.

Management team

Management team members during 2020

Name	Position	Time period
Panu Porkka	CEO	January 1, 2020 – December 31, 2020
Mikko Forsell	CFO	January 1, 2020 – December 31, 2020
Miika Heinonen	Logistics Director	January 1, 2020 – December 31, 2020
Vesa Järveläinen	Commercial Director	January 1, 2020 – December 31, 2020
Kalle Koutajoki	Chief Sales Officer	January 1, 2020 – December 31, 2020
Seppo Niemelä	Marketing and Communications Director	January 1, 2020 – December 31, 2020
Taina Suorsa ¹	HR Director	January 1, 2020 – December 31, 2020
Henrik Weckström	CTO	January 1, 2020 – December 31, 2020

¹ Member of the management team until February 15, 2021 and succeeded by Saara Tikkanen as HR Director.

The management team members handle the issues that concern managing of the Company in their respective areas and on the basis of the guidance provided by the Board. The management team assists the CEO in running the Company. The management team members prepare matters that are to be put before the Board for decision-making, e.g. the Company's strategies, budgets and policies as well as significant acquisitions, investments and divestments. In addition, the management team handles matters pertaining to reporting, internal and external communication, personnel development, hiring of employees and their terms of employment as well as investor relations. The management team has no formal status under company law.

Information reported on the members of the management team and the CEO can be found under the heading "Management team".

Chief Executive Officer

The CEO is responsible for the day-to-day management of the Company in accordance with the instructions and guidance given by the Board and ensuring that the accounting practices of the Company comply with laws

and regulations and that the financial management of the Company has been arranged in a reliable manner.

The CEO primarily presents the matters handled in meetings of the Board and is responsible for preparing draft resolutions. The Board elects the CEO and decides on the remuneration of the CEO and on other terms of the CEO contract.

Remuneration Policy and Remuneration Report

In accordance with the CG Code, the Company presented its Remuneration Policy for governing bodies to the Annual General Meeting held March 31, 2020. The general meeting approved the remuneration policy and it is available on the Company's website. The Company will present a remuneration report for governing bodies and a minor amendment to the Remuneration Policy to the Annual General Meeting to be held in 2021.

Internal control, risk management and internal audit

Internal control

Internal control operating models are in line with the risk management process. The goal of risk management is to support the strategy and the achievement of goals by anticipating and responding to potential business threats and opportunities. Internal control and risk management related to financial reporting seek sufficient assurance about the reliability of financial reporting and that the financial statements have been prepared in accordance with applicable laws and regulations, accounting principles (IFRS) and other requirements for listed companies. The areas of internal control are the control environment (COSO), risk assessment, control functions, communications and monitoring. The Board of Directors and the CEO has overall responsibility for the organization of internal control and risk management systems.

Overview of risk management

The Company's Board has approved a risk management operating model for the Company, which is based on the ISO 31000 Standard. The objective of the Company's risk management is to:

- raise risk awareness and enhance proactive risk management in the organisation,
- increase the competitiveness of the organisation by reducing negative risks and increasing positive risks,
- ensure a sufficient level of risk management for the whole organisation,
- manage risks as part of business activities and define responsibilities of risk management in the organisation.

Risk management is managed operationally by a risk manager. Risk management has its own steering group, which aims to survey the state of risk

management on a quarterly basis as well as to guide the work within the organization. Risk management acts as a control and monitoring tool in the Company as one part of internal control.

In accordance with the risk management model, the Company's company-level risks and the risks of each department are assessed. In addition, risk assessments are targeted at different objects based on compliance or the basis of risk.

The risk management policy is supported by internal risk managements principles and guidelines for implementing risk management. The risk management model guides risk management according to the annual cock and is based on the model of continuous improvement.

Different stakeholders are kept informed on risk management based on predetermined criteria. In terms of the annual reporting and the development feedback, an annual plan is always created for the following year.

The Audit Committee regularly monitors and evaluates the implementation of the Company's risk management system. The company's operative management is responsible for the practical measures related to risk management in accordance with the Company's risk management policy and principles.

Main features of the internal control and risk management systems related to the financial reporting process

The Company's CFO and finance department are responsible for implementing financial reporting. Reporting is based on information generated by commercial and administrative processes as well as financial management systems. The company's finance department determines the control measures of the financial reporting process, which are e.g. various instructions, process descriptions, reconciliations and analyses to ensure the accuracy of the information

used in the reporting as well as the reporting.

The results of financial reporting are monitored and deviations from forecasts and the previous year are analysed regularly. The aim of the analyses is to find possible errors in reporting and to produce essentially correct information about the Company's finances. The company's finance department is responsible for the effectiveness and coverage of internal control. Internal Audit is responsible for evaluating financial reporting processes. Risks related to financial reporting are assessed in accordance with the company's risk management principles. Deficiencies identified in internal audit and risk assessment are addressed in accordance with the risk classification.

Overview of internal audit

Internal audit enhances the performance of the supervisory duty of the Company's Board. The purpose of internal audit is to contribute to ensuring that the Company's operations are efficient and effective, information is up-to-date and reliable, and that established policies and procedures are adhered to.

Internal audit helps the organization achieve its goals by evaluating and examining its operations and monitoring compliance with the Company's guidelines.

In its audit reports, the internal audit function makes recommendations for the development of systems and processes. The Board's Audit Committee approves the annual internal audit plan, in which audit targets are selected in accordance with the company's strategic objectives, assessed risks, priorities defined by the Board and the Company's executive management, and the rotation principle. The internal audit function reports to the Board's Audit Committee. In addition, the CEO, the management team and the management of the audited unit are informed of the results of the audit.

The audits are carried out by external partners. Prior to fieldwork at the internal audit site, the

internal audit team collects pre-material and examines the information and materials related to the audit site. In connection with the field work, additional observations concerning the object of inspection are recorded.

Internal audit reports contain key findings, conclusions and recommendations for the development of controls. The responsible management of the audited target develops an action plan to manage the identified risks and to develop controls to address the deficiencies identified during the audit. The persons responsible for the Company's internal audit regularly monitors the implementation of the action plan.

Whistleblowing channel for reporting suspected violations

Through the Company's reporting channel, it possible if need be anonymously, report suspicions of misconduct or policy violations for internal investigation. All notifications made through the reporting channel will be investigated in accordance with the confidential whistleblowing process. During 2020, one report was made through the whistleblowing channel. In the case, there were no grounds to suspected illicit activities.

Disclosure

The key principles of the communication and disclosure of the Company are timeliness, consistency, impartiality, and transparency.

The purpose of the Company's investor relations function is to support the fair value of Verkkokauppa.com's financial instruments by providing the financial market with consistent, correct, relevant, and reliable information on the Company to ensure that capital market participants have transparent and clear a picture of the Company, its operations, objectives, strategy and financial situation. The aim is to guarantee

that all market participants receive simultaneously the information that the Company communicates.

The primary communication channel for up-to-date information for all stakeholders is Verkkokauppa.com's website (www.verkkokauppa.com). Verkkokauppa.com aims to provide on its website reliable and extensive information to enable investors to form an accurate understanding of the Company. The Company publishes also materials used in investor and analyst meetings on its website.

Verkkokauppa.com's official reporting language is Finnish. The stock exchange releases and financial reports, which are published under the disclosure obligation, are published in Finnish and English.

The Board has adopted a disclosure policy, which governs the disclosures of Verkkokauppa.com.

Insider Administration

The Company observes the insider guidelines issued by Nasdaq Helsinki Ltd. and which are applicable to Companies, the shares of which are traded on Nasdaq Helsinki. The Company's insider policy approved by the Company's Board complements applicable insider regulation and sets out guidelines for the Company's insiders and the insider administration. Verkkokauppa.com's insider policy is regularly updated and compliance therewith monitored on an ongoing basis. The Company has appointed Robert Tallberg, Legal counsel, as the insider officer.

The Market Abuse Regulation (MAR) includes provisions on the Company's duty of disclosure, management of insider information, reporting and disclosure of management's and their related parties' transactions and insider lists.

The persons discharging managerial responsibilities in the Company and persons closely associated with them shall notify their transactions in Company's financial instruments to the Company in accordance

with the insider policy in two (2) business days from the transaction and to the Finnish Financial Supervisory Authority in three (3) business days from the transaction. The Company must publish the transactions with a stock exchange release within two (2) business days from the receipt of the notification. In addition, the persons discharging managerial responsibilities in the Company must notify in writing the persons closely associated with them on the emergence of the duty of notification.

According to MAR, the closed period, during which transactions in the Company's financial instruments are prohibited, is 30 calendar days before the announcement of financial report and the year-end report of the issuer and applies to the persons discharging managerial responsibilities. The Company applies the closed period after the end of each calendar quarter until the day after the announcement of the Company's financial report or year-end report (the "**Closed Window**"). The Closed Window shall, however, always include at least 30 calendar days immediately preceding the announcement of the financial report or the year-end report, as the case may be, and the day of publication of such report. In certain special cases the issuer may on a case-by-case basis allow transactions during the Closed Window.

Audit

The main function of the statutory auditing is to verify that the financial statements provide true, accurate and sufficient information on the Company's performance and financial position for the financial year. The Company's financial year is calendar year. The auditor reports to the Board at least once a year and quarterly to the Audit Committee. The fees received by the auditor shall be reported to the shareholders of the Company.

According to the Articles of Association, the auditor of the Company shall be an Authorized Public Accountants firm approved by the Patent and Registration Office. The Annual General Meeting elects the auditor and the term of an auditor terminates at the end of the Annual General Meeting following the election. The proposal for the auditor by the Board shall be included in the notice of the General Meeting. The auditor's fees for 2020 were approximately EUR 92 thousand (2019: 94 thousand) and fees paid to the auditor for non-audit services in 2020 were approximately EUR 214 thousand, the increase relating mainly to services rendered and necessary in connection with the listing on Helsinki Stock Exchange (2018: 24 thousand).

PricewaterhouseCoopers Oy, a firm of Authorised Public Accountants, has acted as the auditor of the Company since 2016 with **Ylva Eriksson**, Authorised Public Accountant, being the auditor-in-charge.

Shareholders' Agreements

The Company is not aware of any shareholders' agreements regarding the shares of the Company.

Board of Directors

Christoffer Häggblom
Chair of the Board



Robert Burén
Board Member



Kai Seikku
Board Member



Samuli Seppälä
Board Member



Arja Talma
Board Member



Board of Directors

Christoffer Häggblom

Managing Partner

Rite Internet Ventures Holding AB
Born 1981, M.Sc. (Econ.)
Board member since 2009

Shares and share-based rights and corporations over which control is exercised

23,228 shares
In addition, ownership through Rite Internet Ventures Holding AB, which owns indirectly 2,172,576 shares

Positions of trust

Member of the Board of Directors, Lemonsoft Oy, 2016–

Board member, CDON AB, 2018–

Board member, Nelly Group AB, 2017–

Board member, Acervo AB, 2013–

Board member, Rite Internet Ventures Holding AB (including subsidiaries), 2007–

Working experience

Founder and Managing Partner of Rite Internet Ventures Holding AB, 2007–

Chairman of Nomination and Remuneration Committee

Member of Audit Committee

Independent of the Company and significant shareholders

Robert Burén

Consultant

Born 1970, MSc studies, Computer Science and Technology
Board member since 2017

Shares and share-based rights and corporations over which control is exercised

17,612 shares

Positions of trust

Member of the Board of Directors, Gaming Innovation Group, 2018–

Member of the Board of Directors, Eaton Gate Gaming Ltd, 2016–2020

Member of the Board of Directors, Bredband2 i Skandinavien AB, 2014–

Member of the Board of Directors, Cygni AB, 2006–

Working experience

CIO, Bisnode, 2016–2017

CIO, SBAB Bank, 2015

CTO, Unibet, 2011–2015

Independent of the Company and significant shareholders

Kai Seikku

President and CEO

Okmetic Oy

Executive Vice President

National Silicon Industry Group (Shanghai, China)

Born 1965, M.Sc. (Econ.)

Board member since 2013

Shares and share-based rights and corporations over which control is exercised

144,498 shares

Positions of trust

Member of the Board of Directors, Robit Oy, 2018–

Member of the Board of Directors, Inderes Oy, 2016–

Member of the Board of Directors, Soitec S.A., 2019–

Working experience

CEO, HKScan Corporation, 2005–2009

CEO, Hasan & Partners Oy, 1999–2004

Chairman of Audit Committee

Member of Nomination and Remuneration Committee

Independent of the Company and significant shareholders

Samuli Seppälä

Consultant

Born 1975, High school graduate
Board member since 1998

Shares and share-based rights and corporations over which control is exercised

18,288,342 shares

Positions of trust

Member of the Board of F. Sergejeffin Olut-tehdas Osakeyhtiö 2014–

Working experience

Founder, CEO, Verkkokauppa.com Oy, 1992–2018

Member of Audit Committee

Member of Nomination and Remuneration Committee

Arja Talma

Board professional

Born 1962, M.Sc. (Econ.), eMBA
Board member since 2018

Shares and share-based rights and corporations over which control is exercised

11,612 shares

Positions of trust

Board Chair, Serena Properties AB, 2016–

Board member, Chairman of the Audit Committee, Metso Outotec Corporation, 2020–

Board member, Aktia Bank Abp, 2013–, Chairman of the Audit Committee 2017–, Vice Chairman of the Board 2018–

Working experience

Senior Vice President, Store Sites and Investments, Kesko Corporation, 2013–2015
President and CEO, Rautakesko Ltd, 2011–2013

Senior Vice President, Chief Financial Officer (CFO), Kesko Corporation, 2005–2011

Vice President, Corporate Controller, Kesko Corporation, 2004–2005

Executive Vice President, Oy Radiolinja Ab, 2001–2003

Partner, APA, Auditor, KPMG Wideri Oy Ab, 1987–2001

Vice chair of the Audit Committee

Independent of the Company and significant shareholders

Mikael Hagman

CEO and Board member

Vitvaruexperten.com Nordic AB

Born 1968, DIHM Diploma in Business Administration

Board member since 2014

Shares and share-based rights and corporations over which control is exercised

14,724 shares

Positions of trust

Chairman of the Board, Mikael Hagman AB

Chairman of the Board, Greasy Lake AB

Working experience

CEO, Media-Saturn Holding Sweden AB, 2008–2013

Independent of the Company and significant shareholders

Management team

Panu Porkka
Chair



Mikko Forsell



Miika Heinonen



Vesa Järveläinen



Kalle Koutajoki



Seppo Niemelä



Saara Tikkanen



Henrik Weckström



Management Team

Panu Porkka

CEO

Verkkokauppa.com Oyj

Born 1977, Studies at commerce

Member of the management team since 2018

Shares and share-based rights and corporations over which control is exercised

85,000 shares

Positions of trust

Member of the Board of Directors, Solteq Plc, 2019–

Working experience

CEO, Suomalainen Kirjakauppa 2017–2018

Sales director, Tokmanni 2013–2016

COO, Lidl Switzerland 2009–2010

Kalle Koutajoki

Chief Sales Officer

Verkkokauppa.com Oyj

Born 1976, M.Sc. Engineering

Member of the management team since 2019

Shares and share-based rights and corporations over which control is exercised

25,000 shares

Working experience

CEO and Founder, Digital Goodie 2009–2019

Vice President and managing director, eCommerce, Wayfinder 2007–2009

Vice President, Product marketing and Operations, Navicore 2005–2007

Mikko Forsell

CFO

Verkkokauppa.com Oyj

Born 1974, M.Sc. (Econ), M.Sc. Engineering

Member of the management team since 2019

Shares and share-based rights and corporations over which control is exercised

36,000 shares

Working experience

CFO, HKScan Oyj, 2018–2019

CFO, Metsä Tissue Oyj (Metsä Group), 2014–2017

Vice President Purchasing, Metsä Tissue Oyj (Metsä Group), 2012–2013

Vice President Finance projects, Metsä Tissue Oyj (Metsä Group), 2009–2012

Group Controller, Metsä Tissue Oyj (Metsä Group), 2005–2009

Seppo Niemelä

Director of Marketing and Communications

Verkkokauppa.com Oyj

Born 1981, M.Sc. Engineering

Member of the management team since 2018

Shares and share-based rights and corporations over which control is exercised

30,967 shares

Working experience

Head of marketing and campaign, Lidl Finland 2013–2018

Advertising manager, Lidl Finland 2011–2013

Purchasing manager, Lidl Finland 2006–2011

Miika Heinonen

Logistics Director

Verkkokauppa.com Oyj

Born 1976, BBA

Member of the management team since 2011

Shares and share-based rights and corporations over which control is exercised

28,971 shares

Working experience

Warehouse Manager, Verkkokauppa.com Oyj, 2005–2011

Saara Tikkanen

HR Director

Verkkokauppa.com Oyj

Born 1982, M.Sc. (Econ)

Member of the management team since 2021

Shares and share-based rights and corporations over which control is exercised

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Working experience

HR director, Edenred Finland Oy 2017–2021

HR manager, ISS Palvelut 2013–2017

Vesa Järveläinen

Commercial Director

Verkkokauppa.com Oyj

Born 1983, High school graduate

Member of the management team since 2017

Shares and share-based rights and corporations over which control is exercised

35,000 shares

Working experience

Purchasing Director, Verkkokauppa.com Oyj, 2018

Vice Purchasing Director, Verkkokauppa.com, 2015–2017

Henrik Weckström

CTO

Verkkokauppa.com Oyj

Born 1976, M.Sc. (Tech.)

Member of the management team since 2008

Shares and share-based rights and corporations over which control is exercised

30,000 shares

Working experience

CIO, Verkkokauppa.com Oyj, 1999–

Taina Suorsa

HR Director

Verkkokauppa.com Oyj

1977, M.Sc. Agriculture and Forestry

Member of the management team since 2019

Shares and share-based rights and corporations over which control is exercised

10,000 shares

Working experience

HR manager, Verkkokauppa.com 2014–2018

HR manager, Suur-Seudun Osuuskauppa SSO 2011–2014

Development manager, Suur-Seudun Osuuskauppa SSO 2008–2011

The statements and estimates contained in this Annual Report relating to markets and the future are based on the current views of the management. Due to their nature, they contain uncertainties and are subject to changes in the general economic situation or changes in the situation of the industry.

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