



2022

Verkkokauppa.com Oyj

A year of market
turbulence



Verkkokauppa.com's Annual reporting 2022

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





CEO Panu Porkka

CEO Review 2022

A year of market turbulence

The year 2022 was marked by an exceptionally difficult market environment. Both businesses and consumers were affected by the global situation, and we have seen the direct impact of rising inflation and falling consumer purchasing power on our business.

During the year, economic uncertainty also deepened with the energy crisis and rising interest rates following the Ukraine crisis.

During the challenging year, Verkkokauppa.com's full-year turnover was EUR 543.1 million, down 5.5% from the previous year. Our profitability was also down on last year. The gross profit margin fell by 12% to EUR 81 million. Comparable EBIT was EUR 3.5 million, compared to EUR 20.3 million last year.

Challenging environment in 2022

The year 2022 started off with positive expectations as restrictions on the coronavirus pandemic eased, but we faced a new crisis at the end of February with Russia's invasion of Ukraine. Consumer uncertainty was reflected in purchasing behavior from spring and continued throughout the year. Amplified inflation pushed consumer confidence to an all-time low. Our company's product



The AutoStore system can perform up to 1,000 product pick-ups per hour

range focuses on discretionary, less frequently purchased products, which has also allowed customers to postpone purchases until a more favorable time.

Throughout the year, we adapted our operations to our operating environment, but our turnover still ended up falling for the year. The loss of sales, intense price competition and increased costs of doing business eroded our sales margin. Cost levels were high relative to the volume of activity, and logistics costs rose as inventory levels increased. Towards the end of the year, sales margins were hit by an increase in the share of low margin sales, including in the wholesale

and export businesses. Despite the price pressure, we managed to increase our relative sales margin, and we can be satisfied with the measures taken at the end of the year in terms of margin. In addition, we thoroughly optimized our marketing spend and advertising priorities during the year.

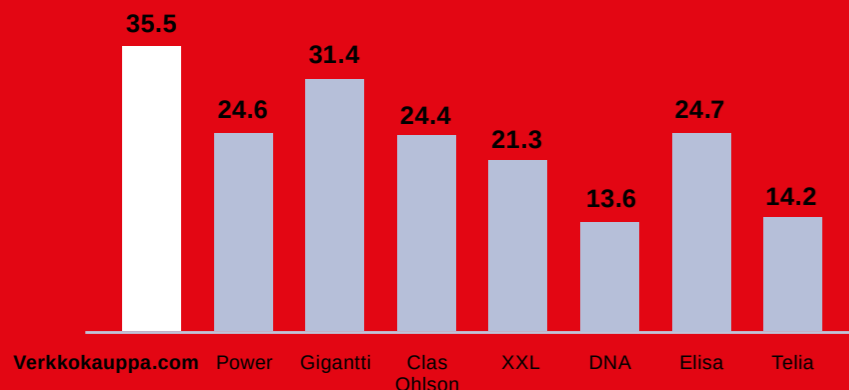
Moving into the age of automation

Last year, Verkkokauppa.com made its biggest investment to date with the introduction of a state-of-the-art warehouse automation system in Helsinki. The AutoStore system has a maximum capacity of 25,000

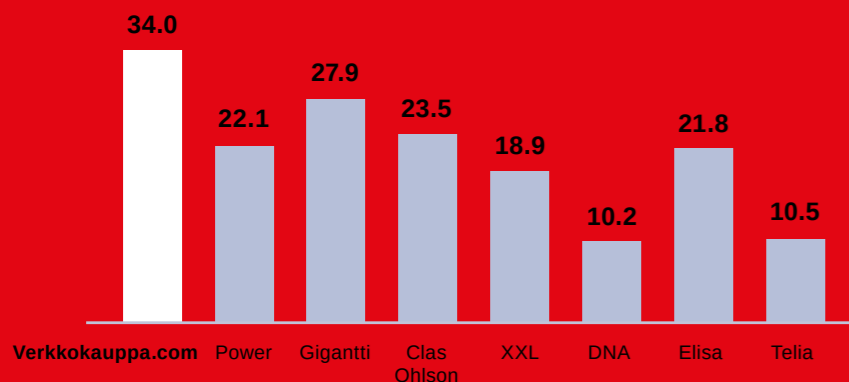
product items and can perform up to 1,000 product pick-ups per hour, enabling the company to significantly improve its supply chain efficiency. The investment will allow Verkkokauppa.com to offer even faster delivery times and to expand its range of ordering and delivery services.

Today's online business competes on speed and reliability of delivery, and these are the key differentiators we build on. The investment increased the product range in the Helsinki store by up to 30 percent and significantly improved delivery time estimates.

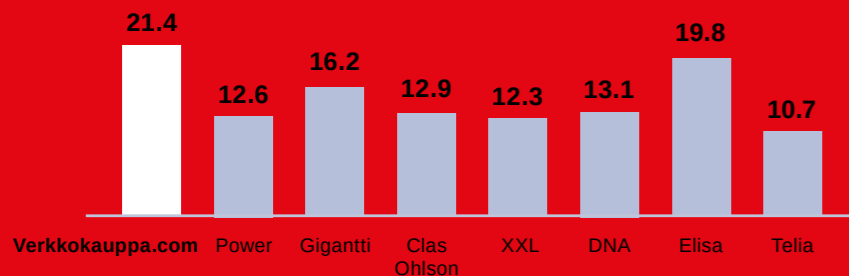
Verkkokauppa.com is the most popular brand in its peer group.*



Verkkokauppa.com is the most talked about brand in its peer group.*



Verkkokauppa.com is the best overall brand in its peer group.*



* *YouGov BrandIndex n=Over 3,000

Verkkokauppa.com's first acquisition

In 2022, Verkkokauppa.com acquired the Finnish e-ville.com online store. The acquisition supports Verkkokauppa.com's strategic growth objectives and enables the company to expand its range of own brands. The transaction will support Verkkokauppa.com's operations with an e-ville's sourcing organization based in Shenzhen and Hong Kong, China. The experienced and local sourcing organization in China enables efficient sourcing processes and the development of sustainable sourcing.

Launch of a profitability improvement program

In January 2023, we launched a profitability improvement program to secure the company's profitability. The program aims to improve operational efficiency and competitiveness, by improving the efficiency of our assortment, inventory, and supply chain. As part of the profitability improvement program, we had to start change negotiations to restructure the organization to align with the company's long-term strategy and to adapt staffing levels and costs to the current demand situation. The program aims to deliver an annualized profit improvement of EUR 10 million, of which EUR 5–8 million is expected to be realized in 2023.

Despite these challenges, we are determined to continue developing our business. We have been able to do this thanks to our strong brand, our uncompromising drive for development and our commitment to providing the best customer experience. Our brand is one of our most valuable assets, and we will continue to work even harder to strengthen the Verkkokauppa.com brand.

New website 2023

We are constantly investing in an ever-improving, multi-channel customer experience.

We are undertaking the biggest digital channel redesign in our history, which will significantly improve our ability to anticipate and respond to our customers' needs. With the website redesign, we will optimize the user experience and make better use of personalization

based on our customer data. We are actively developing our website to serve our customers even better – we intend to remain at the forefront of e-commerce in the Nordic market.

Global challenges have created headwinds for the retail sector. However, we believe that in the long term, the megatrend of online retailing will materialize. Consumers will increasingly use digital channels to compare products, even if the actual purchase takes place in-store. Therefore, developing a seamless multi-channel shopping experience is so important to us, and we are well placed to continue to thrive in this growing environment. The upcoming redesign of our website will help us to better serve our customers and continue to grow our business.

Company strategy

Verkkokauppa.com reviews and updates its long-term strategy during the first half of 2023. Our vision to remain a pioneer of ecommerce is strong, and the customer focus continues to be emphasized in innovation and operational development.

Together at the edge of the new

Verkkokauppa.com weathered the stormy year by showing remarkable adaptability and maintaining a superior level of service. This required considerable flexibility, determination, and a positive attitude from all staff. Despite the challenges, we worked together to achieve excellent results through a year of headwinds. Therefore, it is certain that Verkkokauppa.com will continue to serve its customers with determination, expertise, and great passion in the years to come.

I would like to thank our staff for the past year.

I am proud of the progress we have made in the face of significant challenges, maintaining our strong position as a leader in e-commerce.

Highlights of the year 2022

Operational highlights

Warehouse automation
investment was finalized

Our product return rate dropped to
0.7%

First acquisition
in the Company's history was closed

over 32,000
financing account customers

Introduction of refurbished computers and
expansion of maintenance services
to extend product life cycles

Financial achievements

Revenue
EUR **543** million
(-5.5 %)

Operating profit
EUR **2.3** million
(20.3)

Investments
EUR **9.3** million
(4.9)

Inventories declined by
-21%

Cash flow improved towards the end of the year and cash totalled EUR **21** million



Operating environment

In 2022, the global situation was characterized by the crisis in Ukraine, economic uncertainty, inflation, and high interest rates. These combined to weaken consumer purchasing power and retail demand.

The same year also saw a radical change in supply chains compared to the coronavirus pandemic years. As demand for commodities fell, inventories of retailers and manufacturers worldwide became depleted. As late as early 2022, operators were still trying to ensure availability of products, but as demand fell, swollen inventories posed a risk to companies and created pressure to reduce the value of inventories. This challenging situation marked the end of 2022 and will continue in the retail sector until at least early 2023.

The online and retail market in Finland remain highly competitive. As uncertainty about consumers' own economy continues in 2023, we are likely to see more and more specialty retailers closing their doors. The situation favors players with a wide range of products, and Verkkokauppa.com's diverse range and strong position in key product categories, which will be further developed, will enable it to remain competitive in the years to come. The strong change in consumer

behavior will continue in Finland and consumers will increasingly want to shop in large and reliable online stores.

The retail sector is in the midst of radical change. Consumer demands are changing rapidly, and megatrends such as e-commerce growth, sustainability and data-driven management have emerged as key drivers shaping the operating model of every major retailer. According to Statista, global e-commerce is forecast to grow at an annual rate of 11 percent between 2023 and 2027*. E-commerce's share of retail market is forecasted to double by 2030. This will require an expansion of the supply chain and logistics network across all retail sectors. Retailers' supply chains will need to grow and scale to meet the growing demands of e-commerce in terms of both customer experience and volume. Automation and robotics already play a key role in supply chain efficiency to meet the demand for speed.

Global e-commerce competes on speed, customer experience and price. Consumers have an ever-expanding choice, making it increasingly challenging to retailers to differentiate themselves. We will see strong growth in the use of data, AI and automation to meet consumer expectations. Verkkokauppa.com will thrive in the e-commerce playing field, in particular thanks to its local warehouses enabling fast delivery, its exciting assortment and its ever-evolving multi-channel business model. More and more consumers are tending to favor local responsible operators, which is also an advantage for Verkkokauppa.com in the global competition. Verkkokauppa.com constantly seeks to anticipate market changes by benchmarking its activities against major global players. The company will continue to develop its activities and competitiveness in line with the current market situation and will continue to set the direction for the development of e-commerce in the years to come.

* Statista, February 2023

The address of all passions



Resources and enablers:

- Professionals of Verkkokauppa.com**
 - Company employed an average of 773 persons in 2022
- Omnichannel marketplace**
 - The most popular webstore in Finland*
 - Four megastores
 - Maintenance and value-added services
- Enablers of business**
 - Supply chain and supplier relations (approx. 800 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 172.1 million
 - Cash and cash equivalents EUR 21.2 million
- Owners**
 - 20,963 shareholders (31.12.2022)

Added value and its effects:

- Personnel**
 - Career paths and developing competence
 - Community and employee engagement
 - Wages and salaries EUR 32.0 million
- Customers**
 - More than 90,000 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
 - 62,000 active business customers
 - Customer satisfaction
- Suppliers**
 - A modern distribution channel to reach consumer and corporate customers
 - Purchases over EUR 429 million
- Shareholders**
 - Operating profit for the financial year EUR 0.3 million
 - Dividends paid in 2022 EUR 11.1 million
- Society**
 - Taxes and tax-like payments EUR 35.0 million
- Environment**
 - All electricity 100% renewable
 - Greenhouse gas emissions from own operations 52 tCO₂e
 - Waste recovery rate 100%, recycling rate 83%
 - Recycled e-waste 271 tons

Our values

Courage



Transparency



Agility



Community

* Source: Postin suuri verkkokauppatutkimus 2021

Sustainability

at Verkkokauppa.com

It is at the core of Verkkokauppa.com's sustainability work is to be on the customer's side and in service, selling products that customers actually need while minimizing customer returns and waste.

Success is measured through the return rate, which was only 0.7 percent in 2022. Customers are supported in making responsible choices through lifecycle services that promote the circular economy, as well as various products and functionalities, which are constantly being developed.

Environmental impacts are reduced by using renewable energy and promoting energy efficient, by favoring responsible packaging materials and by promoting the recycling of materials. Actions to minimize indirect climate effects have been started with emission calculations.

Verkkokauppa.com invests in its own personnel and community spirit in the fields of corporate and learning culture, coaching management, as well as well-being and occupational safety.

The company's Code of Conduct and good governance form the basis for sustainable business.

According to a consumer survey carried out by Verkkokauppa.com in 2022, Finns want electronics to be as long-lasting and durable as possible.

For more information on Verkkokauppa.com's sustainability, operating practices and performance, see the section on Sustainability at Verkkokauppa.com, Statement of non-financial information 2022 and [verkkokauppa.com/en/sustainability](https://www.verkkokauppa.com/en/sustainability)



Sustainability focus areas



At the customer's 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 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 leadership and culture
- We promote well-being and support professional development
- With us, you can be as you are



Profitable business and good governance

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

Sustainability highlights 2022

We set

the direction for our climate work by mapping emissions across our value chain

We managed to

reduce the return rate of our products to 0.7%

We started

selling refurbished computers

We introduced

even stricter requirements for our suppliers

We significantly expanded

our maintenance services for our private label brands

We introduced

a packaging machine with cardboard boxes made from 100% recycled material

We invested in

our corporate and learning culture, coaching, wellbeing and occupational safety



Verkkokauppa.com's

shareholders

Verkkokauppa.com was listed on the Helsinki Stock Exchange on June 2020. The number of shareholders has more than doubled since the listing, the company had more than 20,000 shareholders at the end of 2022. Finnish households own 56 percent of the shares. Finnish pension and insurance corporations own 14 percent, and other public entities and others domestic parties own 14 percent of the company's shares. Around 10 percent of our shares are held by foreign shareholders. Verkkokauppa.com's market value at the end of the year was EUR 129 million.

Investor Relations

Shareholders, investors and analysts are served by the company's Investor Relations function, which operates in connection with the Jätkäsaari store in Helsinki. Investor relations serves its stakeholders by answering inquiries from investors and analysts by phone, e-mail and arranging investor meetings. All requests for investor meetings are requested to be sent to Investor Relations.

The primary communication channel is the company's investor website; <https://investors.verkkokauppa.com/fi>. The website is in Finnish and English, and the website contain all up-to-date and timely information about the company; releases, financial reports and publications, presentations and webcasts of financial briefings, as well as a financial calendar. The investor



calendar can be used to check the dates of the result announcements and other events aimed at investors. The site also has information about the largest shareholders, as well as a share price monitor, an investment calculator and a historical price search tool. On the investor website, you can subscribe in to our newsletter mailing list, and this way you will always receive the latest news directly to your own email.

Result publications

Verkkokauppa.com organises quarterly news conferences in connection with the result publications in Finnish and English. At the news conferences, the CEO of Verkkokauppa.com will present the results and the events can be followed via a live webcast. The financial report is published in Finnish and English typically in the morning at 8:00 a.m., and the presentation material for the events will be available on the investor website after the publication of the earnings report. Recordings of the briefings will be available after the events.

Dividend

Verkkokauppa.com's dividend policy is to pay quarterly growing dividend. During 2022, Verkkokauppa.com paid a total of EUR 11.1 million in dividends to its shareholders in connection with the Annual General Meeting and also as three quarterly dividend installments during the year.

The dividend policy is based on Verkkokauppa.com's ambition to continuously grow its business and profit. During the financial year 2022, the company's revenue declined, and its profit and equity ratio declined markedly. Due to the company's financial performance during 2022, and the prevailing uncertainties in the economic development going forward, the board of directors proposes to the Annual General Meeting that Verkkokauppa.com deviates from its dividend distribution policy and no dividend will be distributed from the profit of the 2022 financial year.

Silent period

Verkkokauppa.com observes a 21-day silent period before publishing its earnings releases. During this period, Verkkokauppa.com do not meet or discuss with the representatives of the capital markets.

Verkkokauppa.com Financial Calendar 2023

- Financial statements bulletin 2022 was published on 9 February 2023
- Financial statements for 2022 including the report of the Board of Directors to be published during week 9, 2023
- The Annual General Meeting is scheduled to be held on Thursday 30 March 2023
- Interim report for January-March 2023 will be published on Thursday 27.4.2023
- Half-year report for January-June 2023 will be published on Thursday 20.7.2023
- Interim report for January-September 2023 will be published on Thursday 26.10.2023
- Financial statements bulletin for 2023 will be published on 8.2.2024

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Check out Verkkokauppa.com's investor page:
<https://investors.verkkokauppa.com/en>

Join the company's newsletter mailing list: www.joinverk.com

Watch the webcasts: www.verklive.com

Verkkokauppa.com

empowers its customers to follow their passion by providing a wide product assortment of around 90,000 products. Verkkokauppa.com Oyj serves its retail and corporate customers through its webstore, megastores, kiosk and network of collection points as well as fast deliveries and various services. As Finland's most popular and most visited domestic online retailer, its deliveries cover around 75 percent of the Finnish population within the next day. The Company has four megastores: in Oulu, Pirkkala, Raisio, and Helsinki, where its headquarters is also located. Verkkokauppa.com employs more than 750 people and its shares are listed on the Nasdaq Helsinki stock exchange with the ticker VERK.



linkedin.com/company/verkkokauppa.com



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