

VERKKOKAUPPA.COM OYJ FINANCIAL STATEMENTS REVIEW

January – December 2022



FINANCIAL STATEMENT BULLETIN for 1 January – 31 December 2022

Consumer market in Q4 remained challenging – revenue declined by -8%

Verkkokauppa.com Oyj – Financial Statement Bulletin 9 February 2023, 8:00 a.m. EET

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

October – December 2022 in brief

- Revenue was EUR 154.9 million (168.9)
- Gross profit was EUR 21.9 million (26.2) or 14.1% of the revenue (15.5%). This includes an inventory write-down of EUR 1.6 million related to streamlining of assortment.
- Operating profit (EBIT) was EUR 0.8 million (5.3) or 0.5% of revenue (3.2%)
- Comparable operating profit was EUR 0.8 million (5.3) or 0.5% of revenue (3.2%)
- Net profit was EUR 0.5 million (4.0)
- Earnings per share were EUR 0.01 (0.09)
- Investments were EUR 2.6 million euros (1.9)
- Operating cash flow was EUR 15.5 million (4.6)

January – December 2022 in brief

- Revenue was EUR 543.3 million (574.5)
- Gross profit was EUR 80.6 million (91.2) or 14.8% of revenue (15.9%). This includes an inventory write-down of EUR 1.6 million related to streamlining of assortment.
- Operating profit (EBIT) was EUR 2.3 million (20.3) or 0.4% of revenue (3.5%)
- Comparable operating profit was EUR 3.5 million (20.3) or 0.6% of revenue (3.5%)
- Net profit was EUR 0.3 million (15.1)
- Earnings per share were EUR 0.01 (0.34)
- Investments were EUR 9.3 million (4.9)
- Operating cash flow was EUR 1.5 million (6.7)
- The Board of Directors' dividend proposal: The board of directors proposes to the Annual General Meeting that Verkkokauppa.com Oyj deviates from its dividend distribution policy, and no dividend will be distributed from the profit of the 2022 financial year.

KEY RATIOS	10-12/2022	10-12/2021	Change %	1-12/2022	1-12/2021	Change %
Eur million						
Revenue	154.9	168.9	-8.3%	543.1	574.5	-5.5%
Gross profit	21.9	26.2	-16.4%	80.6	91.2	-11.6%
Gross margin, %	14.1%	15.5%		14.8%	15.9%	-6.5%
EBITDA	2.2	6.6	-66.4%	7.8	25.3	-69.0%
EBITDA, %	1.4%	3.9%		1.4%	4.4%	-67.2%
Operating profit	0.8	5.3	-84.9%	2.3	20.3	-88.7%
Operating margin, %	0.5%	3.2%		0.4%	3.5%	-88.1%
Comparable operating profit	0.8	5.3	-85.8%	3.5	20.3	-82.7%
Comparable operating margin, %	0.5%	3.2%		0.6%	3.5%	-81.7%
Net profit	0.5	4.0	-86.9%	0.3	15.1	-97.9%
Investments	2.6	1.9	37.4%	9.3	4.9	90.8%
Operating cash flow	15.5	4.6	234.7%	1.5	6.7	77.3%

FINANCIAL GUIDANCE FOR 2023

In 2023, the company expects the revenue to decline (2022: EUR 543.3 million) and comparable operating profit (comparable EBIT) to improve (2022: EUR 3.5 million) compared to 2022.

CEO PANU PORKKA'S REVIEW



"Improving operational efficiency and competitiveness will be our main focus during 2023. Verkkokauppa.com aims for a profit improvement of EUR 10 million on annual level," says Panu Porkka, CEO of Verkkokauppa.com

In 2022, the market environment was exceptionally challenging. The crisis in Ukraine that started in February led to deepening economic uncertainty over the course of the year. The strong acceleration of inflation, the energy crisis, and the rise in interest rates weakened consumers' purchasing power and confidence in their own finances, and thus postponed discretionary spending. Purchase intentions, especially for larger items such as TV's and other home electronics, fell sharply, especially in the last quarter of the year.

In the campaign season that started in November, customer activity was at a moderate level, but demand was directed more strongly at products and offers with a lower price point than before. The market's uncertainty was also reflected in corporate sales. Verkkokauppa.com's revenue declined in the last quarter of the year and was EUR 154.9 million. However, positive development was seen in Verkkokauppa.com's own brands, whose sales developed favorably. The export business grew by 5.1 percent in the last quarter.

In October-December, we managed to adapt our spending to the declined demand, e.g. by lowering inventory levels and optimizing marketing costs. Other operating expenses were 11 percent lower than in the comparison period. Profitability was weakened by a EUR 1.6 million inventory write-down related to streamlining of the assortment.

Improving operational efficiency and competitiveness will be our main focus during 2023. As announced in January 2023, Verkkokauppa.com aims for a profit improvement of EUR 10 million on annual level, of which approximately EUR 5-8 million

is expected to be realized during 2023. The key efficiency measures are related to the company's assortment, inventory, delivery flow and organization structure. As part of the profit improvement program, change negotiations were started in the company.

We are constantly investing in an even better multi-channel customer experience. The largest reform of our digital channel in the company's history is underway. We stick to our vision to remain a pioneer of ecommerce through continuous innovation and development.

I would like to thank our employees for the past year. We took numerous measures to improve profitability last year already, but the restructuring that has been initiated is unfortunately necessary in order to ensure that our organization and cost base are aligned with the current challenging market conditions. With current measures, we are shaping our core business and making it more profitable by utilizing recent investments in automation. By focusing on our core

business and its profitability we ensure the company's future success and make sure that we are fully benefitting from the online transition in retail. We are confident that the consumers' shift to shopping online continues and is permanent. We will succeed in taking advantage of this transition and increase our market share in the chosen categories.

FINANCIAL DEVELOPMENT

REVENUE AND PROFITABILITY

EUR million	10-12/2022	10-12/2021	Change%	1-12/2022	1-12/2021	Change%
Revenue	154.9	168.9	-8.3%	543.1	574.5	-5.5%
Operating profit	0.8	5.3	-84.9%	2.3	20.3	-88.7%
Operating margin, %	0.5%	3.2%		0.4%	3.5%	
- costs related to acquisition	0.0			1.2		
Comparable operating profit	0.8	5.3	-85.8%	3.5	20.3	-82.7%
Comparable operating margin, %	0.5%	3.2%		0.6%	3.5%	

Share of sales, %

	10-12/2022	10-12/2021	1-12/2022	1-12/2021
Customer segments				
Consumer	70%	72%	69%	72%
B2B	22%	20%	24%	21%
Export	8%	7%	7%	7%
Sales channels				
On-line	61%	63%	61%	61%
Off-line	30%	30%	32%	32%
Product categories				
Core categories (CE)	83%	84%	84%	86%
Evolving categories	17%	16%	16%	14%
Website visits, million	24.4	25.2	82.4	79.6

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

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

October-December 2022

In October–December 2022, Verkkokauppa.com's revenue declined by 8.3 percent year on year, totaling EUR 154.9 million (168.9). The decline was mainly impacted by -10.9 percent lower consumer demand. The corporate segment was more quiet in the last quarter of the year and declined -3.3 percent from the comparison period. Consumer sales share from total sales was 70 percent (72%), and corporate sales share was 22 percent (20%). The campaign season that started in November was negatively impacted by consumers' uncertainty.

The e-ville.com acquisition that took place in April increased Verkkokauppa.com's revenue for the fourth quarter by EUR 1.0 million.

Sales of core categories (CE) declined 10.3 percent and their share of sales was 83 percent (84%). Sales of major household appliances increased, while sales of computers, televisions, components and games fell from the comparison period. Sales of evolving categories were almost at the level of the comparison period and declined only 1.7 percent, their share of total sales was 17 percent (16%). Among the evolving categories, Home & lighting and luggage & travel sold better than in the comparison period.

Verkkokauppa.com's online sales fell 10.1 percent. Online accounted for 61 percent of all sales (63%). The sales in brick-and-mortar stores declined 7.4 percent and accounted for 30 percent (30%) of the company's sales.

Sales growth in the export business leveled off towards the end of the year and grew by 5.1 percent in October-December. Exports accounted for 8 percent of the company's sales (7%). The increase in exports came mainly from the new sales channels and customers from e-ville acquisition. Verkkokauppa.com's sales excluding exports fell -10 percent in October-December.

The revenue from Verkkokauppa.com's self-financed customer financing services was EUR 1.2 million (1.2), including both interest income and commissions.

Personnel costs rose 15.0 percent in October-December and amounted to EUR 11.1 million (9.7). The increase in costs was mainly due to talent investments in IT and group functions related to the promotion of long-term strategic growth projects. Other operating expenses for the review period declined and amounted to EUR 8.9 million (10.0). The decline was mainly due to the personnel costs of the outsourced warehouse, which fell due to lower sales volumes. Marketing measures were also adapted to quieter demand, and marketing costs were clearly lower, -22 percent from the comparison period. On the other hand, the acquisition made in the spring increased other business expenses from the comparison year.

The company's operating profit (EBIT) in October-December declined 4.5 million euros and was a total of EUR 0.8 million (5.3) and its share of revenue was 0.5 percent (3.2%). The profitability was weakened by an inventory write-down of EUR 1.6 million related to streamlining of assortment. Operationally, profitability was impacted by the weaker sales margin level derived by fierce price competition and the lower volumes of consumer sales with better margins. In addition, general cost inflation weakened the result. Comparable operating profit was 0.8 million euros (5.3) and the result for the period was EUR 0.5 million (4.0). Items affecting comparability were related to the acquisition of e-ville.com.

Earnings per share in the last quarter of the year were EUR 0.01 (0.09).

January–December 2022

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

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

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

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

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

FINANCE AND INVESTMENTS

In 2022, the operating cash flow was a total of EUR 1.5 million (6.7). Operating cash flow before the change in working capital was EUR 8.5 million (25.6). The operating cash flow was mainly impacted by the development of EBITDA. The positive impact of the declined inventories was offset by lower accounts payable.

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

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

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

PERSONNEL

In 2022, the number of employees increased, and the total number of employees was 838 (825) at the end of December. This includes both full- and part-time employees.

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

SUSTAINABILITY

In 2022, Verkkokauppa.com advanced its goals in accordance with its responsibility program. The responsibility program is based on priorities and themes selected based on materiality.

At the core of Verkkokauppa.com's responsibility work is selling to meet the need, while minimizing customer returns and waste. Success is measured through the return rate, which was 0.7 percent (1.1).

Verkkokauppa.com carried out an extensive customer survey on the responsibility of electronics and online stores, the results of which showed consumers' interest in consumer electronics responsibility issues, such as thoughtful consumption, product longevity, maintenance and repair services, energy efficiency, and willingness to purchase used electronics.

Verkkokauppa.com added used computers to its selection and is actively expanding the selection of used products, with the aim of offering products and services that support the circular economy. The maintenance services offered for own-brand products were significantly expanded.

The company's first emission calculation covering the entire value chain (scopes 1, 2, 3) for 2021 was carried out during spring 2022, and work on the emission reduction plan started.

Personnel responsibility was implemented by investing in company and learning culture, coaching management, and well-being and job security.

The introduction of new operating methods in procurement continued with the joining to the international amfori BSCI responsibility system. The company e.g. develops and monitors the realization of human rights and working life rights in the supply chains of own brands in cooperation with suppliers. In 2022, the company renewed the operating principles concerning suppliers covering more broadly e.g. human rights, social and environmental responsibility and risk materials.

Verkkokauppa.com's personnel operating principles are trained to all personnel annually, and in the reporting year, 92 percent of the employees completed the online training.

SHARE TRADING AND SHARES

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

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

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

Verkkokauppa.com Market Capitalization and Shareholders

	31 December 2022
Market capitalization (excl. Own shares), EUR million	128.6
Number of shareholders (of which nominee shareholders)	20,963 (8)
Nominee registrations and direct foreign shareholders, %	10.0
Households, %	56.4
Financial and insurance corporations, %	14.0
Other Finnish investors, %	19.5

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

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

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

Share-related authorizations

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

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

FLAGGING NOTIFICATIONS

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

LONG-TERM INCENTIVE PLANS

Verkkokauppa.com has one share-based incentive plan for the CEO and members of the Management Team, the Performance Matching Share Plan 2020–2022. For more detailed information on the share-based incentive plan, see Note 1.11.

On 2 March 2022, Verkkokauppa.com transferred a total of 20,000 of its own shares held by the company to seven key persons in accordance with the second matching period 2019–2021 of the Matching share plan 2018–2020 in order to pay share rewards. Additionally, a part of the reward was paid in cash intended to cover taxes and tax-related costs arising from the reward to the participant.

No new shares will be issued in connection with the payment of the share rewards and therefore the resolution has no diluting effect. On 31 December 2022, Verkkokauppa.com Oyj held 271,257 treasury shares.

VERKKOKAUPPA.COM'S MANAGEMENT TEAM

On 22 August 2022, Verkkokauppa.com announced that it strengthens its management team and appoints Nina Anttila

as a new Chief Supply Chain Officer and Perttu Meldo as Chief Strategy and Innovation Officer. Miika Heinonen, Verkkokauppa.com's Logistics Director and a member of the management team since 2011, took up a new role within the company. Kalle Koutajoki, Verkkokauppa.com's Chief Strategy and Development Officer did not continue in the service of the company.

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

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

Panu Porkka, CEO

Mikko Forsell, CFO

Nina Anttila, Chief Supply Chain

Vesa Järveläinen, Commercial Director

Pekka Litmanen, Chief Experience Officer

Perttu Meldo, Chief Strategy and Innovation Officer

Saara Tikkanen, HR Director

Jyrki Tulokas, Chief Technology Officer

Suvituuli Tuukkanen, Marketing and Communications Director

ACQUISITIONS

On 1 April 2022, Verkkokauppa.com Oyj completed the acquisition of e-ville.com online store. The purchase price amounts to approximately EUR 5.3 million, and an additional purchase price installments of up to approx. EUR 6.7 million. The total aggregate purchase price can amount to EUR 12.0 million at the maximum. For more information on the acquisition, see Note 1.9.

COMPANY STRATEGY

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

CORPORATE GOVERNANCE STATEMENT AND REMUNERATION REPORTS

Verkkokauppa.com publishes a separate corporate governance statement and remuneration report for 2022 in accordance with the recommendations of the Finnish Corporate Governance Code. The report also covers other key areas of governance. The documents will be available on Verkkokauppa.com's website separately from the Board of Directors' report no later than the week beginning 27 February 2023 (week 9).

DISCLOSURE OF NON-FINANCIAL INFORMATION

Verkkokauppa.com will publish its reporting on non-financial information, including information on the taxonomy of sustainable financing, in accordance with the Finnish Accounting Act, as part of the Board of Directors' report no later than on the week beginning 27 February 2023.

ANNUAL GENERAL MEETING 2022

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

Board composition in 2022

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

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

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

DIVIDEND

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

The Board has now used its authorization.

COMPOSITION OF THE SHAREHOLDERS' NOMINATION BOARD

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

EVENTS AFTER THE REPORTING PERIOD

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

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

SHORT-TERM RISKS AND BUSINESS UNCERTAINTIES

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

There is uncertainty about geopolitical conflicts in the world, the crisis in Ukraine, and macroeconomics. General economic uncertainty, growing inflation, and thereby the uncertainty about the behavior of financial markets can further weaken the purchasing power and investment ability of consumers and companies. Potential impacts on Verkkokauppa.com's business may be visible throughout the product supply chain, logistics, product and service prices, and the consumption behavior of our customers. Finland's economy is expected to shrink, and due to the slowdown in economic growth in the euro area, the risk of a recession overshadows the development of Finland's economy. At the moment, the visibility of economic development is very limited.

BUSINESS OUTLOOK

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

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

FINANCIAL GUIDANCE FOR 2023

In 2023, Verkkokauppa.com expects the revenue to decline (2022: EUR 543.3 million) and comparable operating profit (comparable EBIT) to improve (2022: EUR 3.5 million) compared to 2022.

BOARD PROPOSAL FOR PROFIT DISTRIBUTION

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

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

VERKKOKAUPPA.COM'S ANNUAL GENERAL MEETING 2023

Annual general meeting is planned to be held on Thursday 30 March 2023 in Helsinki. The Board of Directors will summon the meeting separately later by stock exchange release.

Helsinki, Finland, 8 February 2023

Verkkokauppa.com Oyj
Board of Directors

NEWS CONFERENCES

A press conference for analysts, investors and media will be held in Finnish over Livestream webcast on Thursday, 9 February 2023 at 10:00 a.m. (EET), in which Verkkokauppa.com's CEO Panu Porkka will present the developments in the reporting period.

A press conference in English will be held over Livestream webcast on Thursday, 9 February 2023 at 11:00 a.m. (EET). Questions can be sent beforehand or during the presentation via e-mail to investors@verkkokauppa.com.

Presentation materials for both events are available at <https://investors.verkkokauppa.com/en/presentations>. For both press conferences, the Livestream webcast is available at <https://livestream.com/verkkokauppa.com/events/10750606>.

COMPANY RELEASES AND EVENTS

Verkkokauppa.com will arrange events and publish its financial reports as follows:

- The Financial Statements for 2022 during the week starting on 27 February (week 9) in 2023
- Annual general meeting is planned to be held on Thursday 30 March 2023 in Helsinki.
- Interim report for January–March 2023 will be published on Thursday 27 April 2023
- Half-year financial report for January–June 2023 on Thursday 20 July 2023
- Interim report for January–September 2023 on Thursday 26 October 2023
- Financial statements bulleting for the year 2023 on Thursday 8 February 2024.

More information:

Panu Porkka, CEO, Verkkokauppa.com Oyj
panu.porkka@verkkokauppa.com

Mikko Forsell, CFO, Verkkokauppa.com Oyj
mikko.forsell@verkkokauppa.com
Tel. +358 50 434 2516

Marja Mäkinen, Head of Investor Relations and Corporate Communications, Verkkokauppa.com Oyj
marja.makinen@verkkokauppa.com
Tel. +358 40 671 2999

Distribution:
Nasdaq Helsinki
Main media
www.verkkokauppa.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.

VERKKOKAUPPA.COM FINANCIAL STATEMENTS RELEASE 1 Jan – Dec 31, 2022

Group consolidated statement of comprehensive income

EUR thousand	Note	10-12/ 2022	10-12/ 2021	1-12/ 2022	1-12/ 2021
Revenue	1.3	154,917	168,938	543,117	574,514
Other operating income		336	148	908	922
Materials and services		-133,043	-142,758	-462,522	-483,323
Employee benefit expenses		-11,116	-9,669	-40,233	-36,570
Depreciation and amortization		-1,415	-1,264	-5,552	-4,983
Other operating expenses		-8,875	-10,060	-33,434	-30,263
Operating profit		804	5,335	2,285	20,296
Finance income		10	1	16	6
Finance costs		-417	-340	-1,686	-1,352
Profit before income taxes		397	4,996	615	18,949
Income taxes		124	-1,005	-291	-3,856
Profit for the period		521	3,990	324	15,093
Profit for the period attributable to					
Equity holders of the company		521	3,990	324	15,093
Earnings per share calculated from the profit attributable to equity holders					
Earnings per share, basic (EUR)		0.01	0.09	0.01	0.33
Earnings per share, diluted (EUR)		0.01	0.09	0.01	0.32

Other comprehensive income

EUR thousand	10-12/ 2022	10-12/ 2021	1-12/ 2022	1-12/ 2021
Profit for the period	521	3,990	324	15,093
Items that may be reclassified to profit or loss				
Translation differences	-111	-	30	-
Items that will not be reclassified to profit or loss				
Realized changes in fair values of equity investments	-	-	72	-
Taxes	-	-	-14	-
Other comprehensive income after taxes, total		-	58	-
Comprehensive income for the period	410	3,990	413	15,093
Comprehensive income for the period				
Equity holders of the company	410	3,990	413	15,093

Consolidated Statement of financial position

EUR thousand	Note	31 Dec 2022	31 Dec 2021
Non-current assets			
Intangible assets		3,831	1,364
Goodwill		2,846	-
Property, plant and equipment		6,752	5,214
Right-of-use assets	1.5	12,866	15,776
Equity investments			266
Deferred tax assets		1,380	1,289
Trade receivables	1.6/1.7	5,615	3,817
Other non-current receivables		397	425
Non-current assets, total		33,687	28,151
Current assets			
Inventories		74,767	87,803
Trade receivables	1.6/1.7	28,833	23,124
Loans receivable		427	-
Other receivables		2,691	3,699
Income tax receivables		898	-
Accrued income		9,679	8,627
Cash and cash equivalents	1.7	21,210	20,917
Current assets, total		138,506	144,170
Total assets		172,193	172,321
Equity			
Share capital		100	100
Treasury shares		-1,410	-1,611
Invested unrestricted equity fund		27,472	25,938
Translation differences		30	-
Retained earnings		-46	-3,838
Profit for the period		324	15,093
Total equity		26,470	35,683
Non-current liabilities			
Lease liabilities	1.7	12,334	16,105
Liabilities to credit institutions		23,750	-
Deferred tax liabilities		106	-
Provisions		745	896
Non-current liabilities, total		36,965	17,001
Current liabilities			
Lease liabilities	1.7	4,477	4,034
Liabilities to credit institutions		394	-

Advance payments received		4,963	5,761
Trade payables	1.7	66,834	77,609
Other current liabilities		11,634	10,718
Accrued liabilities		20,457	19,778
Income tax liabilities			1,738
Current liabilities, total		108,758	119,638
Total liabilities		145,724	136,639
Total equity and liabilities		172,193	172,321

Group consolidated cash flow statement

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

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

Group statement of changes in equity

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

EUR thousand	A	B	C	D	E	F
Equity 1 Jan 2022	100	-1,611	25,938	0	11,255	35,683
Profit for the period	-	-	-	-	324	324
Transaction differences	-	-	-	-	30	30
Changes in fair values of equity investments	-	-	-		58	58
Comprehensive income for the period, total	-	-	-		413	413
Dividend distribution	-	-	-	-	-11,068	-11,068
Share issue or gratuitous investment in unrestricted equity	-	-	1,403	-	-	1,403
Disposal of treasury shares -Board fees	-	125	131	-	-125	131
Share-based incentives	-	75	-	-	-167	-92
Transactions with owners, total	-	200	1,534		-11,360	-9,626
Equity 31 Dec 2022	100	-1,410	27,472		308	26,470

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

Notes

1.1 Accounting principles applied in this Financial Statements Release

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

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

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

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

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

Exchange rate differences are treated in the reporting as following:

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

1.2 Segment reporting

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

1.3 Revenue from contracts with customers

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

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

Disaggregation of revenue

Satisfaction of performance obligation

	10-12/ 2022	10-12/ 2021	1-12/ 2022	1-12/ 2021
EUR thousand				
At a point in time	153,520	167,196	537,544	569,424
Over time	1,397	1,742	5,573	5,090
Revenue, total	154,917	168,938	543,117	574,514

Revenue by external customer location

	10-12/ 2022	10-12/ 2021	1-12/ 2022	1-12/ 2021
EUR thousand				
Finland	141,299	156,614	502,991	534,954
Rest of the world	13,618	12,324	40,126	39,560
Revenue by external customer location	154,917	168,938	543,117	574,514

Income recognized from customer financing

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

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

	10-12/ 2022	10-12/ 2021	1-12/ 2022	1-12/ 2021
EUR thousand				
Interest income recognized using effective interest rate method	765	757	3,088	2,778
Other income from company-financed customer financing	446	416	1,613	1,540
Income from company-financed Apuraha, total	1,211	1,174	4,701	4,318

1.4 Seasonality of business

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

1.5 Right-of-use assets

EUR thousand	31 Dec 2022	31 Dec 2021
Carrying amount 1.1.	15,776	17,347
Increases	130	1,202
Increase/decrease due to remeasurement	814	1,019
Disposals	-43	-141
Depreciation	-3,812	-3,650
Carrying amount at the end of period	12,866	15,776

The additions for the financial year includes the amount of 130 teur that came with the business acquisition on 1st April 2022.

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

1.6 Trade receivables

EUR thousand	30 Dec 2022		30 Dec 2021	
	Trade receivables	Loss allowance	Trade receivables	Loss allowance
Not due	29,984	259	22,771	229
Past due 1-60 days	4,942	323	4,629	280
Past due 61-120 days	211	114	135	87
Past due over 121 days	155	147	233	233
Total	35,291	843	27,769	829

1.7 Financial assets and liabilities by measurement category

31 Dec 2022	Recognized at fair value through other comprehensive income			
EUR thousand	At amortized cost	Lease liabilities	Carrying amount	
Non-current financial assets				
Equity investments (level 2)	-	-	-	-
Equity investments (level 3)		-	-	
Trade receivables and other financial receivables	-	6,012	-	6,012
Non-current financial assets, total	6,012	-	6,012	
Current financial assets				
Trade receivables	-	28,833	-	28,833
Loans receivable		427		427
Cash and cash equivalents	-	21,210	-	21,210
Current financial assets, total	-	50,470	-	50,470
Financial assets by measurement category, total	56,482	-	56,482	

Non-current financial liabilities				
Lease liabilities (level 2)	-	-	12,334	12,334
Liabilities to credit institutions		23,750	-	23,750
Non-current financial liabilities, total	-	-	12,334	36,084
Current financial liabilities				
Lease liabilities (level 2)	-	-	4,477	4,477
Liabilities to credit institutions		394	-	394
Trade payables	-	66,834	-	66,834
Current financial liabilities, total	-	67,228	4,477	71,705
Financial liabilities by measurement category, total	-	90,978	16,812	107,789

31 Dec 2021				
EUR thousand	Recognized at fair value through other comprehensive income	At amortized cost	Lease liabilities	Carrying amount
Non-current financial assets				
Equity investments (level 3)	266	-	-	266
Trade receivables and other financial receivables	-	4,241	-	4,241
Non-current financial assets, total	266	4,241	-	4,508
Current financial assets				
Trade receivables	-	23,124	-	23,124
Cash and cash equivalents	-	20,917	-	20,917
Current financial assets, total	-	44,041	-	44,041
Financial liabilities by measurement category, total	266	48,282	-	48,549
Non-current financial liabilities				
Lease liabilities (level 2)	-	-	16,105	16,105
Non-current financial liabilities, total	-	-	16,105	16,105
Current financial liabilities				
Lease liabilities (level 2)	-	-	4,034	4,034
Trade payables	-	77,609	-	77,609
Current financial liabilities, total	-	77,609	4,034	81,644
Financial liabilities by measurement category, total	-	77,609	20,139	97,749

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

1.8 Dividends

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

2022

For the previous year	Date of payment	Dividend per share, EUR
	4.4.2022	0.060
	9.5.2022	0.061
	25.7.2022	0.062
	27.10.2022	0.063
Total dividends, EUR thousand		11,068

2021

For the previous year	Date of payment	Dividend per share, EUR
	7.4.2021	0.276
	4.5.2021	0.057
	27.7.2021	0.058
	2.11.2021	0.059
Total dividends, EUR thousand		20,129

1.9 Disclosure of acquisitions and company structure

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

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

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

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

Purchase price

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

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

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

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

Acquired assets and liabilities are valued on the balance sheet on fair value on the acquisition date. EUR 0.7 million of acquired intangible assets were valued for customer relationships and trademarks. These assets will be depreciated over their useful lifetime. Goodwill is the portion of purchase price that is higher than the sum of net fair value of assets and liabilities acquired. Goodwill amounted to EUR 2.9 million and it is non-deductible in taxation.

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

Acquisition contribution on group's Financial Statements release

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

Since the acquisition date (1 April 2022), the acquisition has contributed EUR 5.4 million on the Group's revenue and EUR 1.3 million negative impact on Group's operating result.

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

Earn out and deferred purchase price are recorded as a cost and not part of the purchase price as these are conditional to acquired assets management obligation to work. As of 31 December 2022, management estimated the additional purchase price to amount to EUR 1.5 million of which EUR 0.4 million was reported as costs in year 2022. It is recognized as Item affecting the comparability.

Verkkokauppa.com company structure

Verkkokauppa.com company structure				
		Ownership of shares %	Share of votes %	
	Country	31.12.2022	31.12.2022	Business
Parent company				
Verkkokauppa.com Oyj	Finland			Retail
Subsidiaries				
e-ville.com Distribution Oy	Finland	100%	100%	Retail
Arc Distribution Oy	Finland	100%	100%	Retail
Digi Electronics Ltd	Hong Kong	100%	100%	Retail
Digital Trading (Shenzhen) Co. Ltd	China	100%	100%	Retail

1.10 Transactions with related parties

Verkkokauppa.com Group's related parties comprise the Board of Directors, the CEO as well as the other members of the Group companies Management Teams and the close members of the family of said persons as well as their controlled entities. Transactions with related parties have been carried out on usual commercial terms. One of the company's related parties is Board member Samuli Seppälä, who held 35.18% of all shares and votes in Verkkokauppa.com on 31 December 2022.

EUR thousand	31 Dec 2022	31 Dec 2021
Sales of goods and services		
To key management personnel and their related parties	72	86
Purchases of goods and services		
From key management personnel and their related parties		-

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

1.11 Long-term incentive plans

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

Matching Share Plan 2018–2020

In the Matching Share Plan 2018–2020, the participant may earn a number of matching shares, determined by the Board of Directors, based on their investment in Verkkokauppa.com Oyj's shares. The Matching Share Plan has two matching periods: 2018–2020 and

2019–2021. The rewards to be paid based on the matching period 2018–2020 correspond to the value of maximum total of 50,000 Verkkokauppa.com Oyj's shares and based on the matching period 2019–2021 to the value of maximum total of 45,000 Verkkokauppa.com Oyj's shares, including also the proportions to be paid in cash.

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

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

Performance Matching Share plan 2020-2022

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

The target group of the plan consists of seven persons, the CEO and six members of the Management Team. In accordance with the terms of the plan each participant is entitled to get a gross number of shares. However, a net number of shares will be paid to the participant after the company has withheld and paid the value of a part of the shares to cover the employee's tax obligation. The rewards to be paid based on the plan correspond to the value of approximately 440 thousand Verkkokauppa.com Oyj shares in total (gross amount).

1.12 Guarantees and commitments

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

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

1.13 IFRS Standards not yet effective

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

1.14 Subsequent events

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

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

ADDITIONAL INFORMATION

Quarterly income statement

EUR thousand	10-12/ 2022	7-9/ 2022	1-6/ 2022	1-3/ 2022
Revenue	154,917	137,764	125,681	124,755
Other operating income	336	215	198	159
Materials and services	-133,043	-117,669	-106,312	-105,497
Employee benefit expenses	-11,116	-9,126	-9,996	-9,995
Depreciation and amortization	-1,415	-1,426	-1,388	-1,323
Other operating expenses	-8,875	-8,033	-9,087	-7,439
Operating profit	804	1,725	-904	660
Finance income	10	4		2
Finance costs	-417	-370	-538	-361
Profit before income taxes	397	1,359	-1,442	301
Income taxes	124	-697	386	-104
Profit for the period	521	662	-1,056	197
Profit for the period attributable to				
Equity holders	521	662	-1,056	197
Earnings per share calculated from the profit attributable to equity holders				
Earnings per share, basic (EUR)	0.01	0.01	-0.02	0.00
Earnings per share, diluted (EUR)	0.01	0.01	-0.02	0.00

Alternative performance measurement

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

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

Alternative performance measures do not substitute the IFRS key ratios.

	2022				Q1-Q4 2022	2021				Q1-Q4 2021
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4	
Revenue, thousand euros	124,755	125,681	137,764	154,917	543,117	134,034	130,503	141,039	168,938	574,514
Gross profit, thousand euros	19,257	19,369	20,095	21,874	80,595	21,727	22,429	20,856	26,180	91,191
Gross margin-%	15.4%	15.4%	14.6%	14.1%	14.8%	16.2%	17.2%	14.8%	15.5%	15.9%
EBITDA, thousand euros	1,983	484	3,151	2,219	7,836	6,435	6,349	5,896	6,599	25,279
EBITDA-%	1.6%	0.4%	2.3%	1.4%	1.4%	4.8%	4.9%	4.2%	3.9%	4.4%
Operating profit, thousand euros	660	-904	1,725	804	2,285	5,201	5,108	4,652	5,335	20,296
Operating profit-%	0.5%	-0.7%	1.3%	0.5%	0.4%	3.9%	3.9%	3.3%	3.2%	3.5%
Comparable operating profit, thousand euros	876	-192	2,078	758	3,520	5,201	5,108	4,652	5,335	20,296
Comparable operating profit-%	0.7%	-0.2%	1.5%	0.5%	0.6%	3.9%	3.9%	3.3%	3.2%	3.5%
Profit for the period, thousand euros	197	-1,056	662	521	324	3,851	3,788	3,464	3,990	15,093
Interest-bearing net debt, thousand euros	18,154	28,605	29,788	19,745	19,745	-10,710	2,385	-682	-778	-778
Investments, thousand euros	1,412	4,276	974	2,598	9,260	433	1,681	849	1,891	4,854
Equity ratio, %	20.2%	18.2%	16.3%	15.8%	15.8%	20.3%	23.3%	22.4%	21.4%	21.4%
Gearing, %	54.7%	92.4%	103.2%	74.6%	74.6%	-33.5%	07.2%	-02.0%	-02.2%	-02.2%
Personnel at the end of period*	753	815	761	838	838	738	801	736	825	825
Basic earnings per share, euros	0.00	-0.02	0.00	0.01	0.01	0.09	0.08	0.08	0.09	0.33
Diluted earnings per share, euros	0.00	-0.02	0.00	0.01	0.01	0.09	0.08	0.08	0.09	0.32
Number of issued shares, 1,000 pcs	45,065	45,355	45,355	45,355	45,355	45,065	45,065	45,065	45,065	45,065
Number of treasury shares, 1,000 pcs	298	290	282	271	271	336	332	328	323	323
Weighted average number of shares outstanding, 1,000 pcs	44,747	45,047	45,073	45,083	45,083	44,715	44,721	44,727	44,731	44,731
Diluted weighted average number of shares outstanding, 1,000 pcs	45,189	45,473	45,439	45,342	45,342	45,221	45,227	45,232	45,205	45,205

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

Formulas for key ratios

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

EQUITY RATIO, %	Total equity / Balance sheet total – advance payments received		Equity ratio measures Verkkokauppa.com Group's solvency, ability to bear losses and ability to meet commitments in the long run
INTEREST-BEARING NET BEDT	Lease liabilities -cash and cash equivalents		Interest-bearing net debt measures Verkkokauppa.com Group's indebtedness
GEARING, %	Lease liabilities – cash and cash equivalents/ Total equity	x 100	Gearing measures the relation of equity and interest-bearing net debt of Verkkokauppa.com Group and shows the indebtedness of the company
INVESTMENTS	Increases in intangible assets, property, plant and equipment during the financial period		Investments provides additional information regarding operating cash flow demands
NET INVESTMENT	Investments in intangible and tangible assets - proceeds from the sale of fixed assets. Net investments do not include non-capitalized / work in progress		
EARNINGS PER SHARE, BASIC	Profit for the period attributable to equity holders of the company / Weighted average number of shares outstanding		Earnings per shares measures the profit for the period attributable to equity holders of the Group
EARNINGS PER SHARE, DILUTED	Profit for the period attributable to equity holders of the company / Weighted average number of shares outstanding + dilutive potential shares		

Reconciliation of alternative key ratios

EUR thousand	10-12/ 2022	10-12/ 2021	1-12/ 2022	1-12/ 2021
Operating profit	804	5,335	2,285	20,296
- costs related to acquisition	-46	-	1,235	-
Comparable operating profit	758	5,335	3,520	20,296