

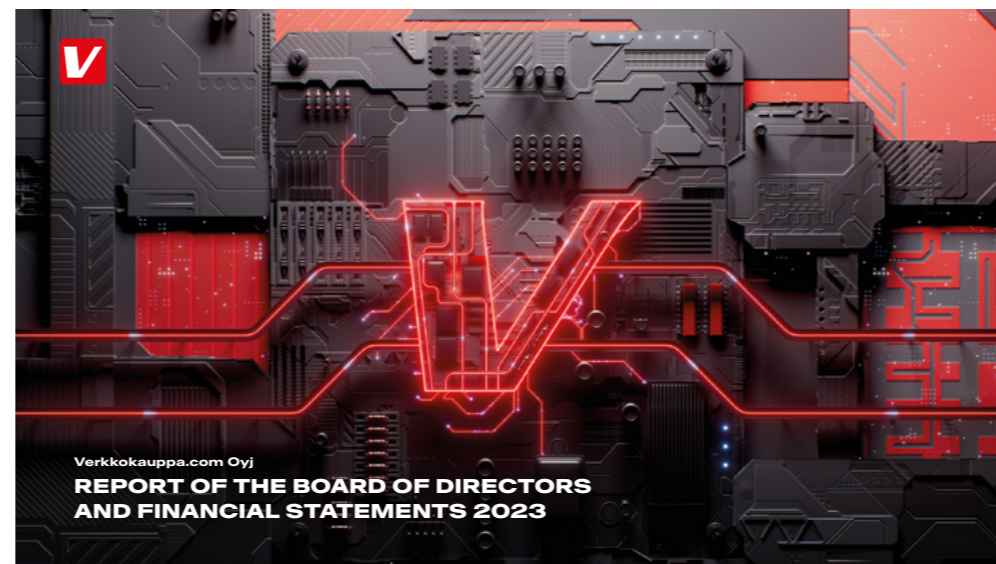


Verkkokauppa.com Oyj

COMPANY YEAR 2023

VERKKOKAUPPA.COM'S ANNUAL REPORTING 2023

Verkkokauppa.com has published its annual reporting package for 2023. The reporting components are: the Company brochure, the Report of the Board of Directors and the Financial Statements, including the Non-Financial Statement, and the Corporate Governance Statement including the Remuneration Report. The reports are available in Finnish and English, and they can be read and downloaded separately from Verkkokauppa.com's [investor site](#) as separate pdf files. In addition, the company will publish a separate sustainability report during spring 2024.



CEO REVIEW

WE SUCCEEDED IN AN UNCERTAIN ENVIRONMENT



CEO
Panu Porkka

In 2023, Verkkokauppa.com's operating environment was characterised by uncertainty about the recovery of inflation, the development of interest rates and energy prices. This affected consumers' purchasing power. Despite the difficult operating environment, we adapted by implementing cost-saving measures and optimising our operations.

During the year, we again managed to win our peer markets and increase our market share. Our profit improvement program delivered the results we were aiming for, improving the profitability of our business and increasing our profits. Online sales picked up slightly towards the end of the year and in our core categories our sales grew by 2 percent in the last quarter of 2023. We were particularly successful in our own brands, which are important to our margins, with sales up by 28 percent in the last quarter and by 26 percent for the full year.



During the year, we also renewed the company's strategy. During the strategy period 2024–2028, our goal is to continue to grow faster than the market and increase profitability. During the strategy period, we will accelerate the migration of retail to online with the fastest deliveries in Finland. Our journey to market leadership in Finland will succeed through a commitment to innovation, retail excellence and an unwaveringly strong customer experience.

Online store reform amid challenges

The early months of 2023 were a time of cautious spending and a relatively calm competitive environment. While turnover declined, our strategic initiatives, such as the successful revamp of our online store and the introduction of one-hour home delivery in the Helsinki metropolitan area, demonstrated our commitment to strengthening and developing an unrivalled customer experience.

During the year, we overhauled the structure and visuals of our online store and succeeded in further streamlining the customer experience. Our website receives around one million visits per month, and over the years our customer base has diversified – our online store has grown to become a shop for all Finns. It was therefore vital for us to revamp our online presence to meet the needs of our growing customer base.

With the revamp, the overall picture of our online experience is clear for every customer. We developed a wealth of new features to make the shopping decision easier, an even clearer user experience and a visually refreshed look and feel.

We want our website to be the one stop for all customers, where it's so easy and inspiring to shop that there's really no point in going anywhere else.

Strengthening competitiveness

During the year, we stepped up our efforts to strengthen our competitiveness in challenging market conditions. The market environment remained challenging as price competition intensified and economic uncertainty affected consumer purchasing behavior. In early 2023, we launched a profit improvement program to ensure operational efficiency. A focus on managing inventory levels, improving speed of delivery, introducing a dynamic pricing tool and a successful brand marketing overhaul ensured that we withstood the industry-wide decline in demand.

// **We were the first in our industry to introduce 24/7 express delivery**



As part of our profit improvement program, we made significant progress in optimizing our range, streamlining supply flows and adjusting costs. Thanks to constructive change negotiations, we were able to implement substantial reforms, achieve savings in personnel costs and improve the way we work together in our organization.

Speed at the heart - up to one-hour delivery

We were the first in our industry to introduce 24/7 express delivery, which has brought a new era of speed, convenience, and accessibility to our customers in the retail sector. The strategic decision to extend our Helsinki store opening hours around the clock, together with our innovative one-hour home delivery service, demonstrates our strong commitment to challenging industry trends and meeting the changing needs of our diverse customer base.

The expansion of the one hour delivery service to 83 postcode areas in Helsinki, Espoo and Vantaa has been a great success. Orders can be delivered to your doorstep within an hour, 24 hours a day, and we have achieved a committed response to the service in a delivery area of almost 700 000 inhabitants. The success of the service reinforces our mission to be the preferred shopping destination for Finns, regardless of time of day or place.

New internationally award-winning services

Verkkokauppa.com's Vaihtokauppa trade-in service revolutionized the resale of used electronics in 2023. The innovative platform, developed in-house and launched earlier this year, allows our customers to effortlessly sell their equipment from home and receive an immediate refund on their Verkkokauppa.com account.

This initiative is in direct continuity with our commitment to promote responsible retail sales. Our commitment to the circular economy is evident as the service facilitates the reuse and recycling of equipment. After a simple return process, the equipment is either sold to new users or recycled responsibly, contributing to our sustainability goals.

The trade-in service covers smartphones, smartwatches, tablets and laptops, and will be systematically extended to other product categories. We foresee a

future where almost any device can be exchanged for an instant refund, offering our customers unparalleled choice, flexibility and sustainability.

Our Vaihtokauppa trade-in service was recognized in Finland as one of the most important responsible digital services, and internationally we were awarded for our innovative customer experience in Vaihtokauppa trade-in service.

A renewed strategy for sustainable growth

In November 2023, we published an updated strategy to accelerate profitable, faster-than-market growth. The vision of Verkkokauppa.com is to create a new normal for buying and owning. The cornerstones of our strategy are to accelerate the online transition by making buying extremely fast, easy and affordable. We are also looking for new growth through new openings, both in terms of range and new markets, and by growing our services business.

In summary, Verkkokauppa.com will continue to lead the market, taking advantage of the market recovery and sustainable business models to strengthen its position. We are committed to exceeding customer expectations, providing the fastest delivery, superior customer experience, affordable pricing and winning selection. It is these factors that will continue to drive our success.

A market environment success story

Verkkokauppa.com is not just a retailer, we are the architects of the Finnish retail landscape. Our adaptability and dedication to providing unique experiences have made us an industry leader. Nowhere else can you find comparable express delivery and exchange services, demonstrating our ability to lead and innovate the market.

My sincere thanks to the entire Verkkokauppa.com team for their unwavering dedication and hard work that has made this year's success possible. As we look to the future, let's continue to redefine retail, deepen customer loyalty, and drive sustainable growth. I believe in our community, our openness, and our professionalism, which will enable every online retailer to proudly serve customers every day.

HIGHLIGHTS OF THE YEAR 2023

OPERATIONAL HIGHLIGHTS

The biggest eve
ONLINE STORE RENEWAL
completed

Product return rate only
0.7%

over
80,000
financing account customers

**A FULLY DIGITALVAIHTOKAUPPA
TRADE-IN SERVICE,**
which extends products life cycle

We launched for the capital region
UP TO ONE-HOUR DELIVERY
around the clock

FINANCIAL ACHIEVEMENTS

Revenue
503 million
(543)

Operating profit
6.1 million
(3.5)

Gross margin
16.1%

Inventories declined by
-16%

OPERATING ENVIRONMENT 2023

Russia's war of aggression in Ukraine slowed the recovery of the world economy from the COVID-19 pandemic. The war has led to economic sanctions on several countries, rising commodity prices and disruptions to supply chains, causing inflation in the prices of goods and services and affecting many markets around the world. At the same time, demand for commodities fell, leading to rising inventories at retailers and manufacturers worldwide.

Consumer sentiment in Europe in 2023 reflected both optimism and uncertainty. Geopolitical concerns and rising prices influenced consumer behaviour, with increased attention to price in purchasing decisions. Customer purchasing power weakened, but despite the economic challenges, consumers remained optimistic about the future of the market.

The Finnish online and retail market was still highly competitive. Economic uncertainties that affected consumer behaviour in 2023 contributed to the closure of several speciality retailers. The prevailing conditions increasingly favoured companies with a diversified product range and fast deliveries.

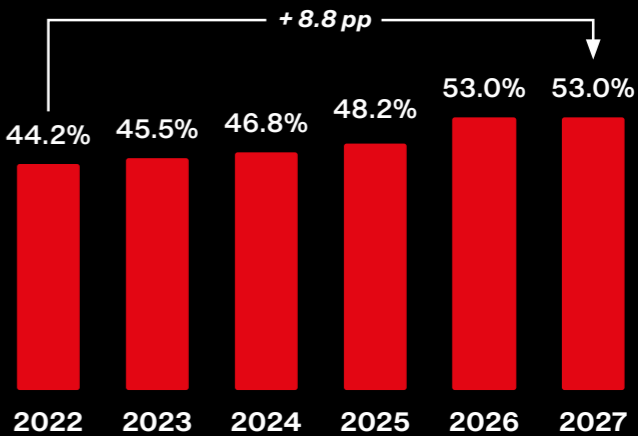
Intense and complex competition

Over the past few years, consumer buying behavior has changed. Speed of purchase and sustainability have become among the most important factors that customers expect from retailers. As the business environment has evolved, all retailers have had to change the way they operate. The pace and scale of change has challenged the largest retailers. The market is complex and uncertain in part because consumer demands are changing what they want from retailers. An increasingly strong factor in the coming years will be the accelerated migration of shopping to online and the fact that a growing proportion of consumers prefer to buy consumer electronics online rather than in bricks-and-mortar stores. The combined effect of these changes in consumer behavior is causing every retailer to reassess established models and practices.

Speed and ease of shopping will be a key factor, which will provide opportunities for a company like Verkkokauppa.com. Consumers have a global offering to choose from, where it is increasingly challenging for companies to differentiate themselves. In the market environment of the coming years, Verkkokauppa.com will succeed thanks to its fast deliveries, its curated assortment and its ever-evolving multi-channel business model.

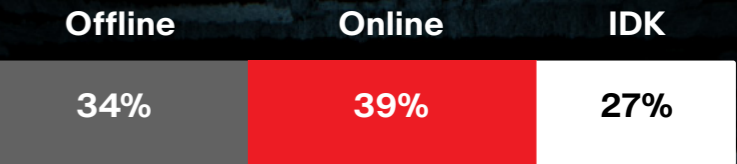
GROWING ONLINE SHOPPING

Online sales development in consumer electronics, Finland 2022-2027



Source: Statista

Consumers preferring to buy consumer electronics online rather than offline



Source: Finnish Commerce Federation 2023

RENEWED STRATEGY

At the end of 2023, Verkkokauppa.com published its renewed strategy to continue to lead the market with a vision to create a new normal for buying and owning. The company's strategy for the period 2024–2028 is to outperform the market with a CAGR of more than 5%, an operating margin of more than 5% and a reduction in fixed costs to less than 10% of revenues by the end of 2028. Verkkokauppa.com aims to strengthen its market leadership by accelerating the shift of online commerce by making shopping fast, extremely convenient and affordable.

In particular, four strategic cornerstones are at the heart of this strategy

In a dynamic retail environment, adapting to changing consumer behaviour and technological developments is crucial for sustainable success. To successfully navigate this evolution, Verkkokauppa.com has a strategy at the heart of its operations that focuses on four cornerstones that together will lead us towards an accelerated transition to online retailing and thus profitable growth.

1. Fastest fulfilment

Verkkokauppa.com's commitment to fastest delivery is a direct response to today's customer needs. Lightning-fast delivery speeds are becoming the new standard, providing consumers with an unparalleled sense of immediacy. The goal is a hassle-free shopping experience through optimised product flows, automated intralogistics and efficient distribution networks. By putting speed and efficiency first, the company will lead the competition in its industry.

2. Curated assortment

Staying ahead of the market requires not only responding to consumer needs, but also anticipating them. During the strategic period, the range will be expanded, in particular to new product areas that are optimally suited to fast delivery and Verkkokauppa.com platform. The use of new business models, data-driven and automated processes will enable cost-efficiency and scalability. The range will also be extended to include own brands, which will account for a significant share of Verkkokauppa.com's range.

3. New business models

In line with its vision, Verkkokauppa.com wants to offer real, sustainable alternatives to buying products. The company's current Tili-service, combined with the Vaihtokauppa trade-in service, provides a strong foundation for new value-added services and product launches. The current trade-in service will be expanded and the range of recycled products will be significantly increased. The company will also increase its Retail Media activities during the strategic period to strengthen profitability. As a new business, Verkkokauppa.com will introduce new subscription-based services during the strategy period and continue pilots in new market areas also outside the borders of Finland, making versatile use of both its own platform and selected partners.

4. Operational excellence

The company makes extensive use of artificial intelligence and data to manage the flow of goods, improve operational efficiency and provide a superior personalized customer experience. Its flexible platform and extensive software development expertise enable it to leverage leading technologies and selected partners in a variety of ways and form the basis for the capabilities that will be built over the coming strategic period.

OUR STRATEGY



Our purpose

TO REWRITE THE RULES OF RETAIL



Our vision

TO CREATE THE NEW NORM FOR BUYING AND OWNING

As rebels of retail, we do things differently. We will accelerate the online transition and lead the way with the fastest deliveries and ultimate convenience supported by new services. Everyday, we strive to find more streamlined ways to surpass our customers' expectations.

LONG-TERM FINANCIAL TARGETS, by the end of 2028

GROWTH

Top line growth (CAGR) of more than 5%, outgrowing the market



PROFITABILITY

EBIT margin above 5%



COST-EFFICIENCY

Fixed costs below 10% of revenue



APPEALING DIVIDEND PAYOUT POLICY

Target to pay out 60–80% of annual net profit in quarterly growing dividends*

* However, in order to improve the company's equity ratio, the Board will propose to the AGM 2024 that no dividend be paid on the result for 2023.



2023

OUR STRATEGY FOR 2024-2028

WE WILL ACCELERATE THE ONLINE SHIFT

with four cornerstones leading to profitable growth

**OUR PURPOSE IS TO REWRITE
THE RULES OF RETAIL**

1. FASTEST FULFILMENT

Blazing delivery speed a new norm of buying
The most effortless shopping experience
Automated product flows and intralogistics

3. NEW BUSINESS MODELS

New subscription-based services, new norm of owning
New profit models e.g Retail as Media
New fulfilment operating models

2. CURATED ASSORTMENT

First one to introduce latest products and innovations
Full assortment with best availability in selected categories
High-quality Private Label selection

4. OPERATIONAL EXCELLENCE

Most efficient retail operations
Feature-rich and leading own platform
Data and AI powered way-of-working

**OUR VISION IS TO CREATE A NEW NORM
FOR BUYING AND OWNING**

CREATING VALUE FOR ALL STAKEHOLDERS

RESOURCES AND ENABLERS:



Professionals of Verkkokauppa.com

- Company employed an average of 690 persons in 2023



Omnichannel marketplace

- The most popular webstore in Finland
- Four megastores
- Maintenance and value-added services



Enablers of business

- Supply chain and supplier relations (approx. 1 000 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 179.3 million
- Cash and cash equivalents EUR 31.9 million



Owners

- 20 697 shareholders (31.12.2023)



TO CREATE THE NEW NORM FOR BUYING AND OWNING

Strong brand

Fastest fulfilment

Curated assortment

New business models

Operational excellence

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 70,000 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
- Customer satisfaction 23% of sales from B2B



Suppliers

- A modern distribution channel to reach consumer and corporate customers
- Purchases over EUR 410 million



Shareholders

- Operating profit for the financial year EUR 2.1 million
- Profit per share 0.05 euros



Society

- Taxes and tax-like payments EUR 37.05 million



Environment

- All electricity 100% renewable
- Greenhouse gas emissions from own operations 97 tCO₂e
- Waste recovery rate 100%, recycling rate 75%
- Recycled e-waste 211 tons

Our values

Courage



Transparency



Agility



Community



SUSTAINABILITY AT VERKKOKAUPPA.COM

Sustainability is a key part of Verkkokauppa.com's strategy. Quality and safe products, selling products that customers actually need, and circular economy services to extend the life of electronics support the company's vision to create a new normal for buying and owning.

In line with its sustainability program, the company supports its customers in making responsible choices and offers products and services that support the circular economy. Launched in April 2023, the Vaihtokauppa trade-in service allows customers to sell back their used electronic equipment that is in good working order. The range of used products and the after-sales services and spare parts availability for private label products will be systematically expanded.

The environmental impact is reduced by using renewable energy in an energy-efficient way, by favoring responsible packaging materials and by promoting material recycling.

We invest in our people and community in terms of corporate culture, learning culture, coaching, diversity, well-being and safety at work.

The principle of Verkkokauppa.com is to products that customers actually need, while minimizing customer returns and waste. In 2023, the overall return rate fell to 0.9, of which 0.7% (0.7) was for "change of minds" and 0.2% (0.3) for service returns.

HIGHLIGHTS OF OUR SUSTAINABILITY WORK IN 2023

WE LAUNCHED

the Vaihtokauppa trade-in service

WE MULTIPLIED

the range of second-hand products

WE EXTENDED

our after-sales services for our private label brands

WE SOLD

products that customers actually need and kept
the return rate low: 0.7%

WE INVESTED IN

diversity by setting up a diversity team and hiring senior
experience experts

WE ENSURED

responsible working conditions: 99.8% of suppliers of private
label products were audited

WE INVESTED IN

our learning culture and well-being at work and halved
the number of accidents at work

Information about Verkkokauppa.com's corporate responsibility, policies and results:

- Report of the Board of Directors and financial statements 2023 pp. 6–12
- Sustainability Report 2023
- verkkokauppa.com/en/sustainability

VERKKOKAUPPA.COM'S SHAREHOLDERS

Verkkokauppa.com was listed on the Helsinki Stock Exchange in 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 2023. Finnish households own 56 percent of the shares. Finnish financial and insurance corporations own 14 percent and the general government etc. Finnish parties own 19 percent of the company's shares. Foreign ownership of our shares is slightly over 10 percent. Verkkokauppa.com's market capitalization at the end of the year was EUR 118 million.

Investor Relations

Verkkokauppa.com's Investor Relations function serves shareholders, both private and institutional investors as well as analysts both in Finland and abroad. Contact information for investor relations can be found on our investor website at investors.verkkokauppa.com. Investor Relations serve, for example, by answering investor and analyst inquiries and by arranging investor meetings. The purpose of the function is to support the fair valuation of the Verkkokauppa.com share by providing the market with consistent, correct, relevant and reliable information about the company to ensure that all market participants have a transparent and clear picture of the company, its operations, objectives and strategy, as well as its financial situation.

The primary communication channel is the company's investor website; [Investors.verkkokauppa.com/fi](https://investors.verkkokauppa.com/fi). In the summer 2023, we launched a renewed website to serve our owners, investors and others interested in the company even better and with a fresher look. The website is in Finnish and English, and the site contains all up-to-date information about the company; releases, financial reports and publications, presentations and webcasts of results briefings. The investor calendar can be used to check the publication dates of financial results and other events aimed at investors.

// Verkkokauppa.com's Annual General Meeting is planned to be held on Thursday, 4 April 2024

The website also contains information on the largest shareholders, the shareholdings of the company's management and a share price monitor. On the investor website, you can sign up for our release mailing list and receive the latest news directly to your inbox.

We communicate up-to-date information on social media, e.g. through our Instagram account for investors and shareholders – [verkkokauppa.com_investors](https://www.instagram.com/verkkokauppa_investors). We recommend that you follow up on the account to spot reminders of company events and announcements. In addition, we opened an IR Blog in the autumn, where we publish articles on topical and interesting themes. The blog posts are available on the investor website.

Financial reporting

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

Annual General Meeting 2024

Verkkokauppa.com's Annual General Meeting is planned to be held on Thursday, 4 April 2024 at 2 p.m. as a remote meeting. The Board of Directors will publish the notice of the Annual General Meeting separately at a later date.

Dividend

The company's target is to pay 60–80 percent of annual net profit in the form of increasing quarterly dividends. However, to improve the company's equity ratio, the Board of Directors will propose to the Annual General Meeting 2024 that no dividend be paid on the result for 2023.

Silent period

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

VERKKOKAUPPA.COM ECONOMIC CALENDAR 2024

- Financial Statements Bulletin for 2023 published on 8 February 2024
- The Financial Statements for 2023, including the Report of the Board of Directors, will be published during week 9, 2024
- The Annual General Meeting is planned to be held on Thursday, April 4, 2024
- The Interim Report for January-March 2024 will be published on Thursday, April 25, 2024
- The Half-Year Financial Report for January-June 2024 will be published on Thursday, July 18, 2024
- The Interim Report for January-September 2024 will be published on Thursday, October 24, 2024
- The Financial Statements Bulletin for 2024 will be published on February 6, 2025

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Visit Verkkokauppa.com's investor pages:
<https://investors.verkkokauppa.com/en>

Join the mailing list for the company's releases:
https://investors.verkkokauppa.com/en/subscribe_to_releases

Watch the webcasts:
www.verklive.com



Verkkokauppa.com is an e-commerce pioneer that stands passionately on the customer's side. Verkkokauppa.com accelerates the transition of commerce to online with Finland's fastest deliveries and ultimate convenience. The company leads the way by offering one-hour deliveries to almost 700,000 customers, a winning assortment and probably always cheaper prices. Everyday, the company strives to find more streamlined ways to surpass its customer's expectations and to create a new norm for buying and owning.

Verkkokauppa.com was founded in 1992 and has been online since day one. The company's revenue in 2023 was EUR 503 million and it employs around 700 people. Verkkokauppa.com is listed on the Nasdaq Helsinki stock exchange.



linkedin.com/company/verkkokauppa.com



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