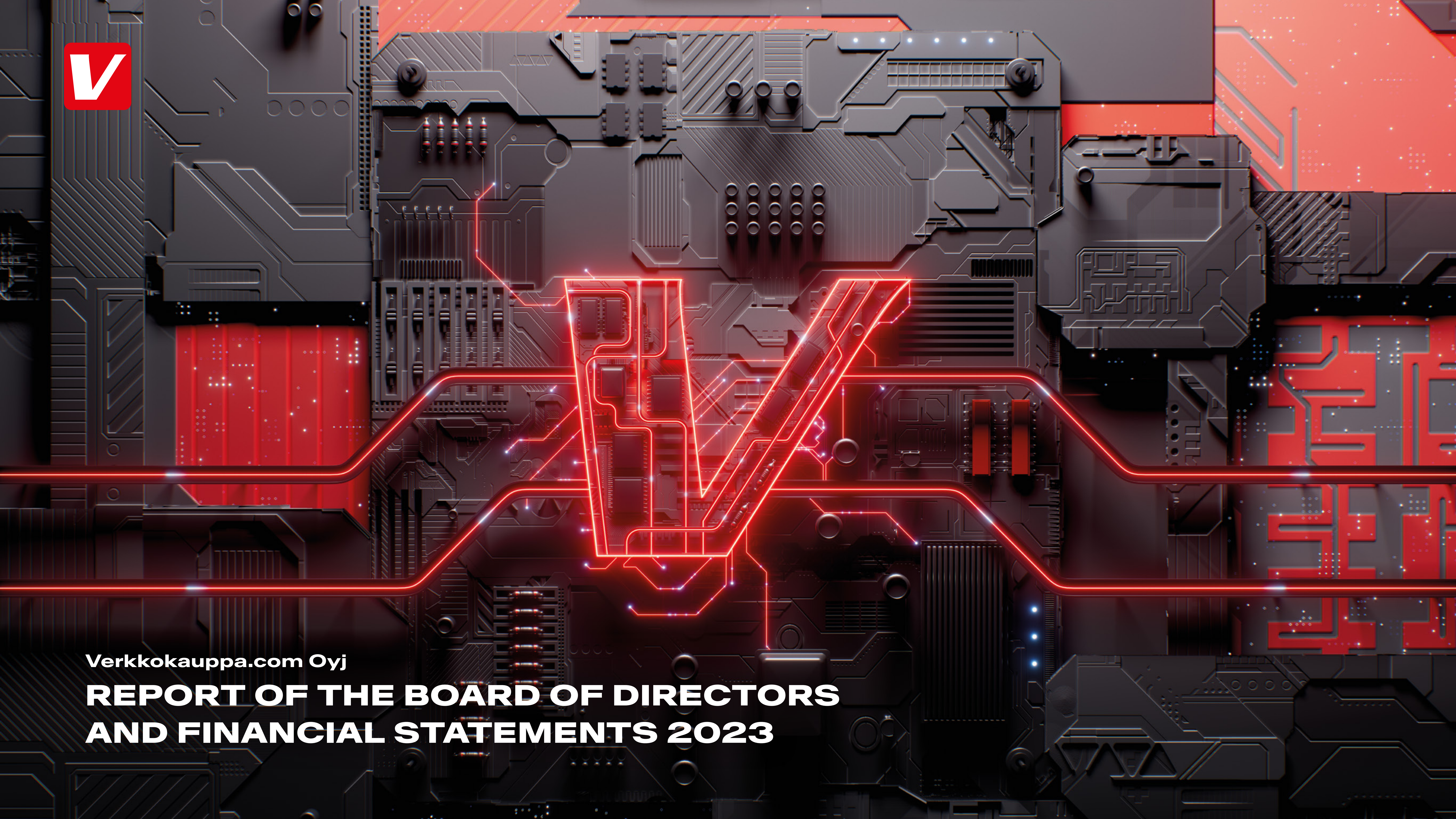
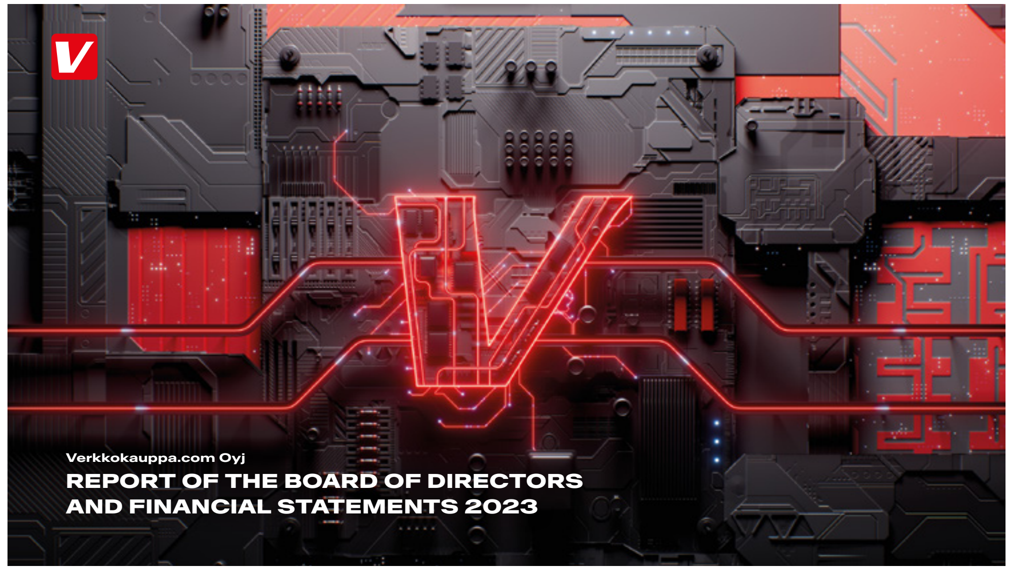


Verkkokauppa.com Oyj

REPORT OF THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS 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.



REPORT OF THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS 2023

REPORT OF THE BOARD OF DIRECTORS

Fiscal year 2023 in brief

In 2023, Verkkokauppa.com's operating environment was characterised by uncertainty about the curbing of inflation as well as the development of interest rates and energy prices, which impacted the purchasing power of the consumers. Consumers' confidence in their own economy was weak throughout the year and private consumption fell clearly in 2023. Due to decreased demand, we launched a profit improvement programme at the beginning of the year to improve operational efficiency and competitiveness and to secure profitability. We focused on optimizing the assortment and improving the efficiency of inventory, supply flows and organizational structure. As part of the profit improvement programme, the company also initiated change negotiations with the aim of renewing the organization's structures to correspond to the company's long-term strategy and adjusting the number of personnel and personnel costs to the prevailing demand situation. As a result of the profit improvement programme measures, we achieved the targeted results and thus improved the profitability. We focused on lowering our cost base and inventory value to a healthy level, which led to significant improvement in cash flow. In 2023, comparable operating profit increased by EUR 2.6 million to EUR 6.1 million (EUR 3.5 million). We also achieved market leadership status in Finland's fiercely competitive home electronics market. Revenue in 2023 declined by 7.4 percent and totaled EUR 502.9 million (EUR 543.1 million).

During the past year, the company launched several new services to provide a superior customer experience. In the Helsinki metropolitan area, 24/7 deliveries and pick-ups were launched. A major overhaul of the functionalities of the online store was carried out to develop the online shopping experience. In addition, Vaihtokauppa – a fully digital trade-in service for used electronic products in the circular economy, was introduced as a new service, which lowers the threshold for recycling used phones and computers and enables a longer life cycle for the device. In November, Verkkokauppa.com updated its strategy to accelerate profitable growth.

During the fiscal year, financial development was positively impacted by the profit improvement programme implemented during the year. Operating profit for the financial year improved by EUR 2.4 million to EUR 4.7 million (2.3), accounting for 0.9 percent (0.4%) of revenue. Comparable operating profit was EUR 6.1 million (3.5) and result for the period EUR 2.1 million (0.3). In 2023, items affecting comparability of operating profit totaled EUR 1.4 million, of which EUR 1.2 million related to change negotiation costs and the rest to the e-ville.com acquisition.

Revenue and profitability development

Verkkokauppa.com's revenue in 2023 declined by 7.4 percent year on year, totaling EUR 502.9 million (543.1).

Verkkokauppa.com's self-financed customer financing services revenue was EUR 6.8 million (4.7), including interest income, fees, and commissions.

Personnel costs declined by 8.8 percent during the year and amounted to EUR 36.7 million (40.2). Personnel costs included EUR 1.0 million in restructuring costs. Other operating expenses were on par with the comparison year, and amounted to EUR 33.5 million (33.4). E.g. external warehouse and marketing costs declined during the year whereas credit losses and related provisions increased. Credit loss provisions amounted to EUR 1.2 million (0.8) at the end of December.

The company's operating profit (EBIT) in January–December improved by EUR 2.4 million and totaled EUR 4.7 million (2.3) and its share of revenue was 0.9 percent (0.4 %). Profitability was impacted by the implemented profit improvement program, with which the efficiency of assortment, inventory, and costs as well as optimization of pricing has improved. In the comparison period, profitability was weakened by an inventory write-down of EUR 1.6 million. Comparable operating profit improved by EUR 2.6 million from the comparison period and was EUR 6.1 million (3.5). Items impacting comparability in the reporting period were a restructuring provision of EUR 1.2 million and EUR 0.2 million related to earlier acquisition. In the reference period, comparability was impacted by EUR 1.2 million euros related to the acquisition. The result for January-December was EUR 2.1 million (0.3).

Earnings per share in January-December were EUR 0.05 (0,01).

Key events during the fiscal year

16 January 2023 Verkkokauppa.com issued a profit warning and announced that the company adjusts its business operations to meet the decreased demand and makes a write-down related to the streamlining of its assortment. At the same time the company gave a preliminary information on the financial development of 2022.

16 January 2023 Verkkokauppa.com launched a profit improvement program to secure its profitability and initiated change negotiations.

16 February 2023 Verkkokauppa.com's shareholders' nomination board's proposals regarding the composition and remuneration of the Board of Directors.

9 March 2023 Verkkokauppa.com completed its change negotiations.

2 May 2023 Change in Verkkokauppa.com's Managment Team: **Vesa Järveläinen** leaves the company.

27 June 2023 Verkkokauppa.com's shareholder's nomination board members were appointed: **Samuli Seppälä**, Founder of Verkkokauppa.com, representing himself; **Erkka Kohonen** (Chair),

Senior Portfolio Manager, appointed by Varma Mutual Pension Insurance Company; **Jukka Järvelä**, Head of Equities, Mandatum Asset Management, nominated by Mandatum Life Insurance Company Limited; and **Arja Talma**, as an expert member in the role of the Chairperson of the Board of Verkkokauppa.com Oyj.

15 August 2023 Changes in Verkkokauppa.com's Managment Team – strategic and technological development was concentrated into one function. The company's Chief Technology Officer, **Jyrki Tulokas**, took, in addition to his current role, responsibility for strategic development and will continue as Chief Strategy & Technology Officer. **Perttu Meldo**, Verkkokauppa.com's Chief Strategy and Innovation Officer and member of the Management Team, has decided to leave the company to join a new employer.

7 September 2023 Change in Verkkokauppa.com's Managment Team: HR Director **Saara Tikkanen** to leave the company.

28 September 2023 **Tatu Kaleva** was appointed as Chief Commercial Officer of Verkkokauppa.com.

21 November 2023 Verkkokauppa.com updated its strategy to accelerate profitable growth.

14 December 2023 **Satu Berlin** was appointed as Chief HR Officer and member of the managenment team at Verkkokauppa.com. She will start in her position on 1 March 2024.

Operating environment

In 2023, Verkkokauppa.com's operating environment was characterised by economic uncertainty about the development of high inflation, interest rates and energy prices. The Finnish economy was in recession. GDP contracted by 0.5 percent in 2023 and the weakness of economic growth was broad-based. Consumers' confidence in their own economy continued weak throughout the year and uncertainty rose towards the end of the year, when consumers' assessment of their own financial situation sank to the lowest level since 2000. Concerns were about one's own financial situation and unemployment, as a result of which private consumption contracted clearly. In December, consumers still regarded the time very unfavourable for buying durable goods.

The renewal cycle for discretionary household products lengthened. In a challenging economic situation, consumers were increasingly price conscious. In the summer, economic uncertainty also began to be reflected in the purchasing behaviour of small and medium-sized corporate customers. Seasonal sales in the summer were subdued and the hoped-for pick-up in sales was largely not realised. In the last quarter of the year, the consumer market for home electronics contracted from the previous year.

We still believe that customers' shift to online is permanent.

(Source: The Bank of Finland, Economic forecast – December 2023, Statista – Consumer confidence)

Finance and investments

In 2023, cash flow from operating activities totalled EUR 20.3 million (1.5). Cash flow before change in working capital was EUR 11.3 million (8.5). The company's net financial expenses were EUR 1.7 million (1.6).

The company had liquid cash and cash equivalents of EUR 31.9 million (21.2). Interest-bearing liabilities amounted to EUR 38.0 million (41.0) including lease liabilities. Interest-bearing net debt was EUR 6.1 million (19.8). The equity ratio was 16.2% (15.8%).

The investments amounted to EUR 1.9 million (9.3) in 2023. The investments were mainly directed at the online renewal project and development related to business analytics. During the year, the company capitalised EUR 0.9 million (0.8) associated to wages and salaries.

At the end of 2023, Verkkokauppa.com had a total of EUR 21.3 million (24.1) of loans from financial institutions. The company has revolving credit facilities totaling EUR 25 million, which have not been utilized and are valid until 2025.

Financial key figures

	2023	2022	2020
Revenue, MEUR	502.9	543.1	574.5
Opertaing profit, %	0.9%	0.4%	3.5%
Comparable operating profit, %	1.2%	0.6%	3.5%
Equity ratio, %	16.2%	15.8%	21.4%
Gearing, %	21.5%	74.6%	-2.2%
Investments, MEUR	1.9	9.3	4.9
Cash flow from the operations, as stated in the cash flow statement, MEUR	20.3	1.5	6.7
Personnel at the end of the period	677	838	825

Personnel

The number of personnel decreased compared to the previous year and was 677 (838) at the end of December 2023. The number of employees includes both full-time and part-time employees.

In March 2023, change negotiations at Verkkokauppa.com were completed. The negotiations covered the entire personnel of the company, and as a result, the number of employees was reduced by 75. In addition to personnel reductions, the company temporarily laid off all company officers, senior officers and management, for a period of 14 days. To support the change negotiations, the company offered both external training on living with change and internal training on change management. During the year, the company invested in the working atmosphere, and the heart rate of the personnel was measured four times. The Continuous Leadership Index was also introduced as part of the sentiment measurement.

During the year, a role structure was built for the equal management of the company's duties and roles, which aims to ensure fair pay and better career development.

Statement of non-financial information 2023

Reporting principles

Verkkokauppa.com reports on its sustainability work in 2023 in compliance with the requirements of the EU Directive on the disclosure of non-financial information and the Finnish Accounting Act. The information in the report has not been verified by a third party. This report was prepared using common key performance indicators (KPIs) and topic–specific indicators in accordance with GRI Standards 2016–2021. The reporting covers the group's operations, including the e-ville.com operations, acquired in 2022. In addition to the information presented in the Board of Directors' report, Verkkokauppa.com will publish a separate sustainability report in the spring of 2024, which will cover the company's sustainability work and its progress during 2023 in greater detail. The company is actively monitoring the evolving corporate sustainability legislation and is preparing to report in accordance with the EU's Corporate Sustainability Reporting Directive (CSRD) for the fiscal year 2024.

Operating model and value creation

Verkkokauppa.com is a Finnish retail company with online retail operations primarily in Finland; stores in Helsinki, Pirkkala, Raisio, and Oulu; pickup warehouses in Helsinki and Vantaa, as well as wholesale sales in the EU and EEA. The company's service offering includes installation, maintenance and recycling services, trade-in, visibility services, and financing services. The company's strengths include investment in customer experience, fast deliveries through local warehouses, and a developing multichannel business model. The product range includes over 70 000 products, of which over 2 100 are the company's private label brands. The core categories of the product range are computers and peripherals, TV and video, mobile devices, and home appliances.

The company's turnover was EUR 502.9 million (EUR 543.1 million) in 2023, and the net profit for the financial year was EUR 2.1 million (EUR 0.3 million). At the end of the year, the company had 677 employees (838). The company's headquarters are in Helsinki, and its shares are listed on Nasdaq Helsinki under the symbol VERK.

Sustainability in Verkkokauppa.com's strategy

Sustainability is a key part of Verkkokauppa.com's strategy, one of the cornerstones of which is expanding its service business by offering sustainable alternatives to purchasing products. Sustainability work is developed purposefully and comprehensively in accordance with the company's sustainability program. Key topics include offering high-quality and safe products, selling products that customers actually need, and services to extend the life of products, supporting the company's vision of creating a new normal for buying and owning.

Managing Corporate Sustainability

The company's Board of Directors defines and approves the objectives of the corporate sustainability work and the content related to their disclosure. The Audit Committee of the Board of Directors acts as a preparatory and monitoring group to which the progress and monitoring of the company's corporate responsibility work is reported twice a year at minimum. The Board of Directors approves the company's Code of Conduct, the sustainability focus areas selected through materiality analysis and the sustainability program. The Board monitors activities from an environmental and social responsibility perspective, including climate risks and opportunities, which are assessed as part of the company's risk management and materiality process. The company's Sustainability Steering Group acts as a preparatory and follow-up body within the company.

Materiality principle

The needs and expectations of stakeholders are taken into account in Verkkokauppa.com's sustainability work. Verkkokauppa.com defines the key themes of sustainability work through materiality analysis. The company's key stakeholders are employees, customers, partners, and owners. The latest completed materiality analysis was conducted in 2020–2021, taking into account the following:

- The environmental, social, and economic impacts of the company's activities
- Expectations of key stakeholders
- The company's values and strategic priorities
- Characteristics of business and operating environment
- Global trends
- Key international agreements
- Key legislation under preparation

The company has initiated a double materiality analysis required by the EU's sustainability reporting directive, which assesses the economic impacts of sustainability issues on the company's operations in addition to the impacts of the company's operations. The analysis will be completed in early 2024.

Progress in sustainability work in 2023

The company's sustainability program for 2021-2025 is divided into four themes: at the customer's service and on their side, smaller environmental impact, Verkkokauppa.com as a community, and profitable business and good governance. The progress of the sustainability program as a whole will be reported in the sustainability report to be published in the spring of 2024. The Sustainability Steering Group, which includes an expert representative from each core function of the company, is responsible for implementing the sustainability program. The company's sustainability program will be updated in 2024 to reflect the company's renewed strategy for 2024–2028 and the results of the double materiality analysis.

Code of conduct, policies and sustainable business practices

The Code of Conduct and values of Verkkokauppa.com define the way the company operates and apply to all employees and management. The Code of Conduct is public and available on the company's website, and the company expects its partners to adhere to it. The Code of Conduct covers the company's policies and practices on customer focus, communications, marketing, disclosure of information, personnel and company culture, cooperation with partners, anti- corruption and anti-bribery, human and labor rights, information security and data protection, environment, legal compliance, and reporting channel. The Code of Conduct is supplemented and refined by other company policies, the most important of which are the Anti-Corruption and Anti-Bribery Policy, the Personnel Policy, the Supplier Compliance Policy, the Disclosure Policy, the Risk Management Policy, the Data Security Policy and the Insider Policy. The company's artificial intelligence policy was developed in the reporting year. The Code of Conduct and the policies have been approved by the Company's Board of Directors. The company complies with applicable sanctions legislation and has developed specific guidelines to ensure proper wholesale and travel sales. In 2023, 93% (92) of the staff completed an online training on the Code of Conduct.

Respect for human rights

Verkkokauppa.com respects and promotes internationally recognized human rights from the perspective of customers, the supply chain and the work community. Respect for human rights is included in the company's Code of Conduct. In addition, the requirement to respect human and labor rights is specified in the Supplier Code of Conduct, considering cooperation with partners in countries where human and labor rights are not sufficiently protected by law. In addition, Verkkokauppa.com's activities are guided by international declarations, conventions and recommendations, such as the UN Universal Declaration of Human Rights and the Convention on the Rights of the Child, the ILO Convention on Fundamental Labor Rights, the OECD Guidelines for Multinational Enterprises, and the UN Guiding Principles on Business and Human Rights.

Anti-corruption and anti-bribery

The company has a zero-tolerance policy, meaning that it does not tolerate any form of bribery, corruption or other unethical influence in any form in its business. The company's principles on anti-corruption and anti-bribery are stated in the company's Code of Conduct and further elaborated in the company's Anti-Corruption and Anti-Bribery Policy. The policy is designed to help identify and prevent situations where there is a risk of unethical influence. The policy provides guidance on how employees and management are permitted to accept or give gifts, hospitality, product giveaways or discounts, participate in trips or sales competitions, and defines the company's approval process for these. It also sets out principles for avoiding conflicts of interest, dealing with public authorities, sponsorship, charity and donations. The policy is available to employees on the company intranet and is discussed in the annual online training session on the policy. In addition, corruption risks are assessed annually on a departmental basis as part of the risk management process.

In 2023, the company was not aware of any corruption-related cases, lawsuits, or investigations against the company for 2023. In 2023, there were no legal actions or judgments relating to antitrust infringements, cartels, or abuse of dominant position.

Procurement practices

Verkkokauppa.com carefully selects its suppliers according to its procurement process and aims for long-term partnerships. The way of operating is based on fairness and transparency. Verkkokauppa.com has been a member of the amfori BSCI program promoting sustainable trade since 2021 and is committed to the BSCI's principles of operation and the development of operations according to the continuous improvement model. Verkkokauppa.com requires all its suppliers to comply with the company's Code of Conduct and to commit to the suppliers' principles of operation (Supplier Code of Conduct), which include the amfori BSCI principles of operation and are part of the contractual terms. Verkkokauppa.com does not have its own production facilities. The company complies with all applicable trade sanctions and customs import and export regulations.

The requirements related to responsibility are defined in the suppliers' code of conduct, which covers broadly, among other things, human rights, social and environmental responsibility, and risk materials. In terms of social responsibility, the topics covered, in line with the amfori BSCI Code of Conduct, are social management system and cascade effect, worker involvement and protection, the rights of freedom of association and collective bargaining, prohibition of discrimination, violence and harassment, fair remuneration, decent working hours, occupational health and safety, prohibition of child labor, special protection for young workers, prohibition of precarious employment, prohibition of bonded, forced labor and human trafficking, protection of the environment and ethical business behavior. Topics covered by environmental responsibility include environmental systems, energy and climate, waste, chemicals and hazardous substances, water and effluents, emissions to air, circular economy and life cycle perspective, sustainable packaging materials, and biodiversity. Suppliers are required to consider the environmental perspective also in their own supply chain.

In the reporting year, the harmonization and integration of the procurement practices of the subsidiary e-ville.com acquired in 2022 was completed. Of the first-tier suppliers that manufacture Verkkokauppa.com's private label brands and operate in high-risk countries, 99.8% (98) had a valid social responsibility audit.

Risk management

Sustainability-related risks are identified, assessed, evaluated, and managed as part of the company's overall risk management activities. The sustainability perspective is integrated into the principles of risk management, process description, and guidelines. Risk management is part of the company's management system, which is managed according to the annual plan. Sustainability issues, also from a risk perspective, are regularly discussed at Management Team meetings and are also part of the reporting received by the Board of Directors. The Audit Committee supports the Board of Directors by preparing the monitoring and control tasks that fall within the Board's remit, such as the effectiveness of risk management systems. The company's risk management is based on the ISO 31000 standard and other generally recognized practices, such as the Ministry of Finance guidelines on digital security, VAHTI. Risk management is carried out in accordance with the company's risk management policy. The risk management policy approved by the Board of Directors describes the company's risk management principles, responsibilities and practices. In line with the policy, the aim is also to proactively prepare for sustainability related uncertainties or deviations. In 2023, no critical sustainability risks were identified.

Environment

The main principles of Verkkokauppa.com's environmental work are stated in the company's Code of Conduct. Verkkokauppa.com monitors its environmental impact and aims to improve its environmental performance by minimizing negative environmental impacts and promoting positive impacts. In terms of the direct environmental impacts of the Company's activities, material issues include responsible selling, offering services supporting sustainable consumption, energy choices and energy efficiency at its premises, packaging material choices and material efficiency, minimizing product waste, reducing waste and directing material for reuse. Indirect impacts relate to the manufacture, transport, use and disposal of the products sold. The company exercises due diligence by using well- known partners, either directly or through a network, and ensures that they have the necessary certifications for their activities. Suppliers are required to take environmental considerations into account in accordance with the company's Supplier Code of Conduct.

Selling products that customers actually need and promoting a circular economy

Verkkokauppa.com's principle is to sell products that customers actually need, while minimizing customer returns and wastage. Success is measured by the product return rate (%). In 2023, the product return rate was 0.7% (0.7) and in addition to this, maintenance returns were 0.2% (0.3). In accordance with its sustainability program, the company supports its customers in making responsible choices and offers products and services that support a circular economy. In April 2023, the company launched a trade-in service "Vaihtokauppa" that promotes circular economy, allowing customers to sell their functional used electronic devices back and receive a credit to their customer account corresponding to the value of the device. The service operates entirely online, which lowers the threshold for getting functional used devices into circulation and promotes the extension of the life cycle of electronic devices. The range of used products was expanded to new categories, covering over one hundred items in computers, tablets, peripherals, and phones. The maintenance services and spare parts availability offered for the company's private label products were systematically expanded to cover new product categories.

Minimizing climate impacts

The company conducts an annual carbon footprint calculation covering the entire value chain, including the essential direct and indirect greenhouse gas emissions according to the GHG protocol. The emission calculation shows that most of the company's climate impact comes from indirect emissions in the value chain (scope 3), especially

from the manufacturing and use of sold products. In accordance with its sustainability program, Verkkokauppa.com aims to achieve zero greenhouse gas emissions from its own operation (scope 1 and 2) and reduce its indirect climate impact (scope 3). Measures to reduce climate impact progressed slower than expected in the reporting year; the company aims to develop an emission reduction plan and work with suppliers and partners to reduce indirect emissions.

In 2023, the company's own operation's greenhouse gas emissions (scope 1 and scope 2) were 97 tCO_2e (67). Emissions increased by 45% due to increased heating energy consumption. In the longer term, emissions have decreased by 77% compared to 2019. The 2023 full emission calculation, including indirect scope 3 emissions, will be published in the company's sustainability report in the spring of 2024.

Energy choices and efficiency

The electricity purchased by the company is entirely EPD-certified renewable energy. Verkkokauppa.com is constantly looking for ways to improve energy efficiency and thus reduce emissions. In the reporting year, an energy management software was introduced in Helsinki operations to optimize heating and cooling. The total electricity consumption of Verkkokauppa.com in 2023 was 4 125 MWh (4 106).

Material choices and efficiency

Verkkokauppa.com aims to select the best packaging materials for the environment and use them efficiently. The company monitors industry developments and tests new packaging products. Whenever possible, the product's own packaging is used for shipping, and unnecessary additional packaging is avoided. Recyclable fiber materials, such as cardboard bags, boxes, and fillers, are used for packaging, and plastic is avoided. The goal is to increase the proportion of recycled materials in packaging materials.

Waste, circulation of materials and waste prevention

Verkkokauppa.com's waste management policy is based on order of priority, where the primary aim is to avoid waste and then to promote reuse and recycling of materials. When a product sold reaches the end of its life cycle, customers are helped to recycle it properly, especially for waste electrical and electronic equipment (WEEE) and batteries, to recover valuable materials and to dispose of hazardous waste safely. All Verkkokauppa.com stores accept WEEE waste and batteries in accordance and beyond the producer responsibility, offering the possibility to recycle even large household appliances with no obligation to buy. The company's goal is to constantly improve the recycling rate of waste. In 2023, the company's waste recovery rate was 100% (100). All waste was directed to utilization, of which approx. 52% (65) was reused, 23% (19) was recycled as material, and 25% (16) was recovered for energy production. No waste was diverted to landfill.

Personnel

In Verkkokauppa.com's strategy, the personnel play a key role in achieving the company's business objectives. In line with the values defined together with the personnel, the company wants to foster a bold, agile and transparent organizational culture and invest in the sense of community. The personnel policy complements and refines Verkkokauppa.com's Code of Conduct. The role of the personnel policy is to ensure that the company has the human resources and practices in place to achieve its objectives. The personnel policy is available on the company's website and covers the following topics: values, culture, respect for diversity, equality and fairness, non- discrimination and non-harassment, recruitment practices, leadership, internal communication, occupational safety, well-being at work, job satisfaction, skills development, remuneration, rewards and benefits, and cooperation. The annually updated internal personnel development plan describes, among other things, the goals and measures to develop and maintain the competence of the personnel and to promote well-being at work.

Employment

The number of personnel fluctuates throughout the year and is at its highest during the high season at the end of the year. Verkkokauppa.com strives to hire personnel under permanent employment contracts, using fixed-term contracts only for justified reasons, such as the high demand season at the end of the year and the summer season. Most positions are full-time, but due to the nature of the work, some employment contracts are part-time. The company does not have zero-hours contracts, where working hours are not defined. Agency-hired workers are used to fill unplanned capacity gaps, such as short-term substitute assignments due to illness, and to ensure sufficient capacity due to strongly fluctuating customer demand or incoming material flow. The use of self-employed or freelance workers is limited to individual cases in expert positions. In early 2023, the company carried out change negotiations related to a profit improvement program, reducing 75 employees. The company also temporarily laid off all company employees, senior employees, and management for a period of 14 days. In addition, as a result of the negotiations, the job descriptions of salespeople were changed, and new contracts were made with almost everyone to support organizational change. Most of the personnel work in Finland. At the end of the year, 18 people (2.7%) as well as 13 agency-hired workers worked in the Asian operations of the group.

Well-being and safety at work, job satisfaction

Occupational safety and well-being are monitored and developed in cooperation with HR, the Health and Safety Committee and occupational health care. The Health and Safety Committee, which meets on average four times a year, defines an occupational health and safety action plan, which is approved by the company's Management Team. Ensuring a safe working environment means preventing accidents and identifying and avoiding hazards and near misses in a spirit of shared responsibility. To prevent incidents, personnel are trained in safety at work and safety risks are regularly reviewed, for example through safety walks. In the reporting year, work safety was promoted and communicated, resulting in a halving of work accidents compared to the previous year. The annual occupational health action plan guides the development of work well-being and increasingly focuses on preventive measures. The early intervention model is used as support for the work community, and its use was intensified in the reporting year. In addition, low-threshold services supporting mental health were offered to employees and supervisors. Work well-being indicators and work accident statistics are regularly monitored by the management team. Different aspects of well-being are developed and supported throughout the employment relationship. The personnel's wellbeing, engagement and willingness to recommend were measured with a personnel survey four times during the year.

Personnel indicators

	2023	2022	2021	Additional information
Employment				
Personnel on average	690	788	773	The comparative figure for 2022 has been updated to include e-ville employees.
Personnel at the end of the year	677	838	825	
Full-time / part-time (%)	75/25	73/27	74/26	The comparative figure for 2022 has been updated to include e-ville.com employees.
Permanent / fixed-term (%)	89/11	83/17	81/19	
Volatility				
Total turnover rate (%)	15.5	10.4	10.3	Does not include seasonal workers.
Sickness absence and accidents				
Sickness absence rate (%)	4.9	5.6*	4.3	Theoretical regular working time. Does not cover e-ville.com employees, 3% of the personnel.
Accident frequency	3.3	10.2	7.3	Accidents at work per million hours worked, calculated on actual hours worked. Does not cover workers hired by agency. Does not cover e-ville.com employees, 3% of the personnel.

Figures are reported based on year-end information. *) Data corrected from what was reported in 2022.

Diversity, equality and equity

Verkkokauppa.com wants to foster its community culture and promote fairness, equality, diversity, inclusiveness and appreciation of different backgrounds. Gender, age, worldview ethnicity, disability, educational background, citizenship, language, political or economic status, health, appearance, or family matters must not create inequalities between people in terms of company pay, remuneration, organizational changes, training or recruitment. Diversity and gender mainstreaming are considered in the development of activities, including by drawing attention to and dismantling potential gender biased practices and improving inclusiveness. The experience of being valued regardless of background is one of the diversity and inclusion metrics monitored in the personnel survey and part of the sustainability program. In the reporting year, a diversity group was established to promote diversity, equality, inclusion, and a sense of belonging, in the beginning primarily by increasing personnel awareness of diversity. The proportion of men and women is monitored by task level to ensure that women have equal opportunities to advance to supervisor and management positions. The company uses gender-neutral job titles to reflect the accessibility of jobs for all, regardless of gender or other personal characteristics. In the reporting year, a role complexity assessment model was introduced, and a salary survey was conducted to promote pay equality.

Diversity of personnel and governing bodies by gender

	2023 (%)		2022 (%)	
	Men	Women	Men	Women
All personnel	72	28	72	28
Supervisors	66	34	70	30
Heads and Deputy Heads of department	81	19	78	22
Top management	63	37	67	33
Board of Directors	71	29	71	29

Situation at the end of year

Competence development

The company invests in the development of competence and learning culture. During the reporting year, emphasis was placed on developing leadership and supervisory work and online course selection was increased significantly. The topics of the trainings included product knowledge and working life skills related to the company's change process. In addition, degree training was organized, and a mentoring program continued.

Information on the taxonomy of sustainable finance

The company reports information on the EU's sustainable finance taxonomy in accordance with EU Regulation 2020/852 and the requirements of the Finnish Accounting Act. The EU taxonomy is a classification system designed to channel capital flows towards sustainable investments and help achieve a climate-neutral European Union by 2050. At this stage, the classification system covers only those economic activities that have the greatest need and potential to significantly influence climate change mitigation and adaptation. Economic activities specific to the distributive trades sector are currently not explicitly mentioned in the taxonomy. In 2023, the company's business consisted of retail sales and sales of services supporting it. The company has reviewed its operations to identify activities in its business that would be eligible and aligned with taxonomy. The company's interpretation is that most of its business is not covered by the taxonomy. Verkkokauppa.com has not identified taxonomy eligible revenue, capital expenditures, or operating expenses in 2023. The required performance indicators for revenue, capital expenditures (CapEx), and operating expenses (OpEx) under the taxonomy regulation are reported in separate tables as defined in the regulation. The indicators are reported as non-eligible.

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities

				Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')										
Economic activities	Code(s)	Absolute turnover MEUR	Proportion of turnover %	Climate change mitigation %	Climate change adaptation %	Water and marine resources %	Circular economy %	Pollution %	Biodiversity and ecosystems %	Climate change mitigation Y/N	Climate change adaptation Y/N	Water and marine resources Y/N	Circular economy Y/N	Pollution Y/N	Biodiversity and ecosystems Y/N	Minimum safeguards Y/N	Taxonomy-aligned proportion of turnover, year 2022 %	Taxonomy-aligned proportion of turnover, year 2021 %	Category (enabling activity) E	Category '(transitional activity)' T
A. TAXONOMY-ELIGIBLE ACTIVITES %																				
A.1. Environmentally sustainable activities (Taxonomy aligned)																				
Turnover of environmentally sustainable activities (Taxonomy Aligned (A.1)																				
A.2. Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Turnover of taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)(A.2)																				
Total (A.1 + A.2)		0	0%																	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Turnover of Taxonomy-non-eligible activities (B)		502.9	100%																	
Total (A + B)		**502.9**	**100%**																	

The total revenue is based on the figures reported by the group.

Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities

				Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')										
Economic activities (1)	Code(s)	Absolute turnover MEUR	Proportion of turnover %	Climate change mitigation %	Climate change adaptation %	Water and marine resources %	Circular economy %	Pollution %	Biodiversity and ecosystems %	Climate change mitigation Y/N	Climate change adaptation Y/N	Water and marine resources Y/N	Circular economy Y/N	Pollution Y/N	Biodiversity and ecosystems Y/N	Minimum safeguards Y/N	Taxonomy-aligned proportion of turnover, year 2022 %	Taxonomy-aligned proportion of turnover, year 2021 %	Category (enabling activity) E	Category '(transitional activity)' T
A. TAXONOMY-ELIGIBLE ACTIVITES %																				
A.1. Environmentally sustainable activities (Taxonomy aligned)																				
CapEx of environmentally sustainable activities (Taxonomy Aligned (A.1)																				
A.2. Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
CapEx of taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)(A.2)																				
Total (A.1 + A.2)		0	0%																	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
CapEx of Taxonomy-non-eligible activities (B)		2.4	100%																	
Total (A + B)		**2.4**	**100%**																	

Capital expenditures include additions to tangible assets, intangible assets, and rights of use during the financial year.

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities

				Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')										
Economic activities (1)	Code(s)	Absolute turnover MEUR	Proportion of turnover %	Climate change mitigation %	Climate change adaptation %	Water and marine resources %	Circular economy %	Pollution %	Biodiversity and ecosystems %	Climate change mitigation Y/N	Climate change adaptation Y/N	Water and marine resources Y/N	Circular economy Y/N	Pollution Y/N	Biodiversity and ecosystems Y/N	Minimum safeguards Y/N	Taxonomy-aligned proportion of turnover, year 2022 %	Taxonomy-aligned proportion of turnover, year 2021 %	Category (enabling activity) E	Category '(transitional activity)' T
A. TAXONOMY-ELIGIBLE ACTIVITES %																				
A.1. Environmentally sustainable activities (Taxonomy aligned)																				
OpEx of environmentally sustainable activities (Taxonomy Aligned (A.1)																				
A.2. Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
OpEx of taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)(A.2)																				
Total (A.1 + A.2)		0	0%																	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
OpEx of Taxonomy-non-eligible activities (B)		69.0	100%																	
Total (A + B)		**69.0**	**100%**																	

Total operating expenses include direct costs not capitalized that are related to the company's business and operations.

Information presented in the notes to the financial statements

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

Share trading and shares

Verkkokauppa.com share (VERK) in Nasdaq Helsinki stock exchange in January-December 2023:

No. of shared traded	Share of total shares, %	Value, EUR million	Last, EUR	High, EUR	Low, EUR	Average, EUR
6,886,994	15.18	18,212,687	2.60	2.99	2.24	2.64

Verkkokauppa.com market capitalization and shareholders

	31 December 2023
Market capitalization (excl. Own shares), EUR million	117.5
Number of shareholders (of which nominee shareholders)	20,697 (8)
Nominee registrations and direct foreign shareholders, %	10.82
Households, %	56.12
Financial and insurance corporations, %	14.18
Other Finnish investors, %	19.02

At the end of the year, the company's largest shareholders were **Samuli Seppälä** (34.2%), Varma Mutual Pension Insurance Company (8.5%), Ilmarinen Mutual Pension Insurance Company (4.8%), Mandatum Life Insurance Company Limited (4.8%) and Nordea Small Cap Fund (3.1%).

On 31 December 2023, the share capital was EUR 100,000 and the total number of shares in the company was 45,354,532 including 145,719 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 0.32 percent of all shares. In January-December 2023, the company transferred a total of 125,538 treasury shares as part of the remuneration of Board members and key employees.

More information about Verkkokauppa.com's shares and shareholders and management holdings can be found on the company's investor website.

Flagging notifications

On 1 October 2023, Verkkokauppa.com Oyj received notifications in accordance with Chapter 9, Section 10 of the Finnish Securities Market Act according to which the legal entity exercising the ultimate control of the shares subject to the flagging obligation has changed from Sampo Plc to Mandatum Plc in connection with the partial demerger of Sampo Plc on 1 October 2023. Due to the partial demerger, Sampo Plc's holding in Verkkokauppa.com Oyj fell below 5% and Mandatum Plc's holding exceeded 5%.

Long-term incentive plans

Verkkokauppa.com has had a share-based incentive plan for the CEO and the Management Team; Performance Share Plan for 2020–2022. The programme ended in 2022, but the final instalment of the programme took place in May 2023.

11.5.2023 The Board of Directors of Verkkokauppa.com decided on a new share-based incentive plan (Performance Share Plan 2023–2027) for the CEO and the Management Team. The plan has three performance periods covering the financial years 2023–2025, 2024–2026 and 2025–2027. The Board of Directors decides annually on the commencement of the performance period and its details. The performance criterion for the first performance period 2023–2025 is Total Share Return (TSR).

The purpose of the plan is to align the objectives of shareholders and management in order to increase the value of the company in the long term, to encourage management to invest personally in the company's shares, to commit managers to the company and to offer them a competitive reward plan in which participants can earn shares as reward for performance and own investment.

Section 7.12 of the notes section describes the company's share-based incentive plan in more detail.

No new shares will be issued in connection with the payment of the share rewards and therefore the resolution will not have a dilutive effect.

Verkkokauppa.com's management team

Verkkokauppa.com's management team at the end of 2023:

Member	From / until
Panu Porkka, CEO	
Nina Anttila, Chief Supply Chain Officer	
Mikko Forsell, CFO	
Vesa Järveläinen, Chief Commercial Officer	Until 2 November 2023
Tatu Kaleva, Chief Commercial Officer	From 1 October 2023
Pekka Litmanen, Chief Experience Officer	
Perttu Meldo, Chief Strategy and Innovations Officer	Until 18 August 2023
Saara Tikkanen, HR Director	Until 31 December 2023
Jyrki Tulokas, Chief Strategy and Technolgy Officer	
Suvituuli Tuukkanen, Marketing and Communications Director	

Acquisitions

The company did not make any acquisitions during the fiscal year 2023. In the comparison period, 1.4.2022, Verkkokauppa.com acquired the Finnish online store e-ville.com. Further information on the acquisition can be found in *Note 7.20 Business combinations*.

Performance improvement programme and change negotiations

On 16.1.2023, Verkkokauppa.com launched a profit improvement programme to secure profitability, and in connection with this, the company started change negotiations. The profit improvement programme targeted an annual profit improvement of EUR 10 million, of which approximately EUR 6 million was realised in 2023.

Verkkokauppa.com completed the change negotiations on 9.3.2023. As a result of the negotiations, the number of employees was reduced by 75 and all of the company officers, senior officers and management were temorarity laid off for a fixed period of 14 days. The measures resulted in savings of approximately EUR 4 million in personnel costs in 2023. The restructuring resulted in costs of EUR 1.2 million, which affect the comparability of the result.

Board authorizations

The Annual General Meeting held on 30 March 2023 authorized the Board of Directors to decide on the acquisition of a maximum of 4 535,453 shares in one or more instalments using the Company's unrestricted equity, taking into account, however, the provisions of the Finnish Companies Act the maximum number of own shares. The proposed number of shares corresponds to a maximum of approximately ten percent of the total number of shares in the company. The Board of Directors was authorized to decide on the material terms and conditions of the share issue.

At the end of 2023, the Board of Directors had a valid authorization to decide on the repurchase of a maximum of 4,535,453 shares in one or more tranches and to decide to issue a maximum total of 4,535,453 shares in a share issue with one or more resolutions. The number of shares in both authorisations corresponds to a maximum of ten per cent of the company's total number of shares.

The Board of Directors has used its authorization to transfer a total of 37,430 of the company's own shares for the payment of Board remuneration. The authorization is valid until the next Annual General Meeting, which is planned to be held on 4 April 2024, but no longer than until 30 June 2024. The authorization revokes previous unused authorizations to acquire shares.

In addition to the above, the Board of Directors has no other valid share issue authorisations.

Board of Directors

The AGM confirmed the amount of Board members to be seven. **Johan Ryding**, **Kai Seikku**, **Samuli Seppälä** and **Arja Talma** (Chairperson) were re-elected. Additionally, **Robin Bade**, **Henrik Pankakosk**i and **Kati Riikonen** were elected as new members.

The compositions of the Board committees were decided to be as follows: members of the Audit Committee are **Kai Seikku** (Chairperson), **Arja Talma** (Vice Chairperson), **Henrik Pankakoski** and **Kati Riikonen**. Members of the Remuneration Committee are **Arja Talma** (Chairperson), **Robin Bade**, **Johan Ryding** and **Kai Seikku**.

Verkkokauppa.com's stock exchange release published on 30 March 2023 on the decisions of the Annual General Meeting, is available on the company's investor website.

Annual general meeting 2023

The Annual General Meeting of Verkkokauppa.com Oyj was held in Helsinki on 30 March 2023. The AGM adopted the financial statements and discharged the members of the Board and the CEO from liability for the financial year 2022 and approved the company's remuneration report for governing bodies as well as authorized the Board to decide on a repurchase of the company's own shares and the issuance of shares.

PricewaterhouseCoopers Oy was elected as the Company's auditor and as the auditor-in-charge will serve **Mikko Nieminen**. In addition, the AGM approved the Shareholders' Nomination Board's proposals concerning Board and auditor selection and remuneration. Also, the Articles of Association were amended such that the general meeting may be held as a so-called remote meeting.

Dividend

On 30 March 2023, Verkkokauppa.com Oyj's Annual General Meeting resolved that the Company deviates from its dividend distribution policy and that no dividend be paid for the financial year 2022.

Company strategy

In November, Verkkokauppa.com updated its strategy for accelerating profitable growth for the period 2024-2028 and its financial targets for the strategy period. Verkkokauppa.com continues as a forerunner in the market with the vision of creating the new normal for buying and owning. Optimized product flows, automated intralogistics and distribution network enable the fastest deliveries on the market. Verkkokauppa.com's constantly expanding express delivery service is pioneering even by international standards and is fast increasing its share of all deliveries. The cornerstones of the strategy are growing the current business faster than the market, expanding the assortment as new openings, private label products and new markets; significant growth of the services business; and stronger profitability by continuously developing own operations and platform. The company will efficiently take advantage of market recovery and the new, sustainable business models will support the strengthening of our market position.

Financial targets

In 2024-2028 strategy period, the company aims for faster than the market, annual revenue growth (CAGR) of over 5 percent, an annual operating profit margin of over 5 percent and to reduce fixed costs to less than 10 percent of revenue by the end of 2028. The target is to pay out 60-80 percent of annual net profit in quarterly growing dividends.

To improve the company's equity ratio, the Board of Directors proposes to the Annual General Meeting 2024 that no dividend be paid for the financial year 2023.

Corporate governance statement and remuneration reports

The Corporate Governance Statement will be published in connection with the Company's Financial Statements for 2023 and on the company's website.

Most significant risks and uncertainties

The company's business operations involve risks and uncertainties, such as risks related to the implementation of business strategy and investments, risks related to procurement and logistics, as well as risks related to information systems, compliance with laws, rules and regulations, and other operational factors of the company's business. The risks and uncertainties described above may have an impact on the company's business, financial position or results of operations and may require the company to change its business model.

The risks and uncertainties described below may have a negative or positive impact on the company's business, financial position or results. The company's Board of Directors has approved a risk management operating model based on the ISO 31000 standard. Risks are managed and managed in accordance with the company's risk management policy.

Strategic risks

The choices made by the company regarding the business strategy and selected focus areas may prove to be uncertain in terms of implementation in the short or long term and involve a positive opportunity or negative threat. Uncertainties related to strategic targets are continuously monitored as part of the company's strategic planning and risk management. The online shift, customers' need for fast deliveries or new norms for owning may materialise more slowly or only partially than estimated, which may slow down business development and growth.

Market risks

There is uncertainty about the geopolitical situation in the world and the crises in Ukraine, the Middle East and macroeconomics. General economic uncertainty, high inflation, energy prices and, consequently, uncertainty about the behaviour of financial markets are slowing down household and corporate consumption and further weakening investment capacity. Higher interest rates encourage households to save instead of spending. The Finnish economy is in recession, and economic development is forecast to remain weak in 2024. The economy is expected to recover towards the end of 2024. However, inflation has slowed down in Finland and households' purchasing power has strengthened. At present, visibility into general economic developments is very limited. (https://www.suomenpankki.fi/en/media-and-publications/releases/2023/finlands-economy-is-in-recession-and-the-recovery-will-be-slow/)

The home technology industry is highly competitive, and therefore the company's operating result and profitability are exposed to changes and uncertainties in the market and industry, including consumer behaviour and general economic development. The company's business is seasonal and focused on early summer and the last quarter of the year.

Operational risks

The company's business depends on the uninterrupted operation of its website and IT systems. The development of operations requires key personnel to have competence and capabilities in change management, in addition to which the company is also affected by risks related to business strategy and investment execution as well as corporate transactions. Risks related to the operational factors of the company's business also include logistics and supply chain management as well as business continuity in possible exceptional situations. The geographical concentration of the manufacturing of procured products in specific individual countries or parts thereof increases risks related to the supply chain and availability of goods. Delays and disruptions in the supply chain, logistics or information systems, as well as uncertainties related to logistics partners, can hamper business operations. These operational risks are managed by developing appropriate backup systems and alternative operating methods and by investing in the uninterrupted operation of information systems. Operational risks are also covered by insurance. The company has identified AI-related risks, and they are managed through an AI management model. According to the model, all AI systems will be deployed through an impact assessment. This is how we ensure compliance with future EU AI law.

Changing and increasingly complex legislation may require significant changes in operations and lead to additional costs. Failure to comply with the legislation may result in fines or damages. The company's reputation, recognition and trust among consumers is a competitive advantage, and negative publicity related to, for example, regulation, product safety of private label products or responsibility may have adverse financial effects on the company. Verkkokauppa.com's goal is to convey and publish consistent, correct, relevant and reliable information in a timely manner to the market, and there is a risk that the company will fail in its reporting to the market. A possible prolonged disruption related to business operations or prolonged poor profitability of business operations may affect the company's liquidity or financial position.

Financial risks

With regard to the continuity of the company's business, the identified risks are related to the efficient and economical use of capital. The purchase prices and terms of purchased products, inventory curation and turnover, and commercial success in reselling products may pose risks to business profitability and cash flows. Verkkokauppa.com also provides financial services at its own risk to consumer customers, which involves a risk of possible credit losses. In addition, the company's external financing involves conditions whose possible non-fulfillment could prematurely cause the loans to mature or the need to resettle changed terms. The risks and uncertainties described above may have an impact on the Company's business, financial position or results of operations and may require the Company to change its business model.

Events after the reporting period

On 18 January 2024, the Shareholders' Nomination Board informed of its proposals to the Annual General Meeting planned for 4 April 2024. According to the proposal, the Board of Directors consists of seven members and that the following persons be elected as members of the Board of Directors for a term expiring at the end of the Annual General Meeting 2025: The following are proposed to be re-elected: **Robin Bade**, **Henrik Pankakoski**, **Kati Riikonen**, **Samuli Seppälä** and **Arja Talma**, and the following are proposed as new members **Irmeli Rytkönen** and **Enel Sintonen.**

All candidates are independent of the company and its significant shareholders, with the exception of **Samuli Seppälä**. The personal data of the proposed new members of the Board of Directors are available on the company's investor website at https://investors.verkkokauppa.com/en/corporate_governance/annual_general_meeting_2024

The nominees to the Board have indicated to the Shareholders' Nomination Board that if elected, they will elect **Arja Talma** as the Chairperson of the Board.

The Nomination Board proposes that the remuneration of the Board of Directors remains unchanged.

Board proposal for profit distribution

According to Verkkokauppa.com's dividend policy, the company's target is to pay 60–80 percent of annual net profit in increasing quarterly dividends.

In order to improve the company's equity ratio, the Board of Directors proposes to the Annual General Meeting 2024 that Verkkokauppa.com deviate from its dividend policy and that no dividend be paid for the financial year 2023.

Business outlook

Due to the factors described in the Risks section, consumer demand is expected to remain challenging. The conpany considers it difficult to forecast the development of the business environment for 2024.

The company believes that it will be able to take advantage of the online shift of commerce and increase its market position in its chosen product categories. The company estimates that the increasing number of customers moving online will be permanent.

Financial guidance for 2024

Verkkokauppa.com expects revenue for 2024 to remain at the 2023 level (2023: EUR 502.9 million) and comparable operating profit (comparable EBIT) to increase from 2023 (2023: EUR 6.1 million).

Distribution of shareholders on 31 December 2023

Size of shareholding, shares	Number of shareholders	% of shareholders	Number of shares	% of shares
0–100	10,503	50.75%	406,481	0.90%
101–500	6,667	32.21%	1,704,618	3.76%
501–1,000	1,818	8.78%	1,400,772	3.09%
1,001–5,000	1,462	7.06%	3,080,604	6.79%
5,001–10,000	129	0.62%	960,829	2.12%
10,001–50,000	79	0.38%	1,483,704	3.27%
50,001–100,000	7	0.03%	489,080	1.08%
100,001–	23	0.11%	31,014,334	68.38%
Non-Finnish shareholders	8	0.04%	4,814,110	10.61%
Total	**20,696**	**100.00%**	**45,354,532**	**100.00%**

Shareholder breakdown by sector on 31 December 2023

	Number of shareholders	% of shareholders	Number of shares	% of shares
Private corporates	20,121	97.22 %	25,452,638	56.12%
Financial and insurance institutions	11	0.05 %	9,210,427	20.31%
Finance companies' entities	8	0.04 %	2,436,524	5.37%
Households	466	2.25 %	2,190,246	4.83%
Other	49	0.24 %	877,916	1.94%
Non-profit organizations	33	0.16 %	372,671	0.82%
Non-Finnish shareholders	8	0.04 %	4,814,110	10.61%
Total	**20,696**	**100.00%**	**45,354,532**	**100.00%**

Major shareholders on 31 December 2023

Name	Number of shares	% of shares
Seppälä Sam Samuli	15,527,000	34.23%
Varma Mutual Pension Insurance Company	3,865,932	8.52%
Mandatum Life Insurance Company Limited	2,174,309	4.79%
Ilmarinen Mutual Pension Insurance Company	2,163,681	4.77%
Nordea Nordic Small Cap Fund	1,411,669	3.11%
Investment Fund Evli Finland Smallcap	998,165	2.20%
Skogberg Ville Johannes	650,628	1.43%
Mutual Insurance Company Kaleva	634,266	1.40%
Savings Bank Kotimaa investment Fund	506,325	1.12%
Special Investment Fund Aktia Mikro Markka	403,933	0.89%
10 biggest shareholders, total	28,335,908	62.48%
Other shareholders	17,018,624	37.52%
Total	**45,354,532**	**100.00%**

Alternative performance measurement

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

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

Alternative performance measures do not substitute the IFRS key ratios.

Financial key figures

	1–12/2023	1–12/2022	1–12/2021	1–12/2020
Revenue, thousand euros	502.9	543.1	575	554
Gross profit, thousand euros	80.9	80.6	91.2	88.4
Gross margin-%	16.1%	14.8%	15.9%	16.0%
EBITDA, thousand euros	11.1	7.8	25.3	24.6
EBITDA-%	2.2%	1.4%	4.4%	4.4%
Operating profit, thousand euros	4.7	2.3	20.3	19.6
Operating profit-%	0.9%	0.4%	3.5%	3.5%
Comparable operating profit, thousand euros	6.1	3.5	20.3	20.4
Comparable operating profit- %	1.2%	0.6%	3.5%	3.7%
Profit for the period, thousand euros	2.1	0.3	15,1	14.6
Equity ratio, %	16.2%	15.8%	21.4%	24.5%
Gearing, %	21.5%	74.6%	-2.2%	-52.2%
Personnel at the end of the period	677	838	825	818

Share performance indicators

	1–12/2023	1–12/2022	1–12/2021	1–12/2020
Basic earnings per share, euros	0.05	0.01	0.34	0.33
Diluted earnings per share, euros	0.05	0.01	0.33	0.32
Number of issued shares	45,355	45,355	45,065	45,065
Number of treasury shares	146	271	323	353
Weighted average number of shares outstanding	45,209	45,083	44,731	44,907
Dilutes weighted average number of shares outstanding	45,277	45,342	45,205	45,447
Equity per share, €	0.63	0.59	0.79	0.90
Dividend per share, €*	-	-	0.25	0.45
Payout ratio, %	-	-	73%	138%
Effective dividend yield, %	-	-	3.5%	6.3%
Price per earnings ratio (P/E ratio)	-	-	21.1	21.9
Lowest share price	2.24	2.83	6.61	2.49
Highest share price	2.99	7.43	10.34	7.90
Average share price	2.64	4.59	8.17	4.95
Period end share price	2.6	2.84	7.13	7.12
Market value of the shares at period end, MEUR	117.5	128.6	321.3	320.9
The number of traded shares	6,886	9,197	20,924	26,714
Traded shares of all shares, %	15.2%	20.3%	46.4%	59.3%

* 2023: The Board proposes to the AGM of 2024, that no dividend to be distributed from the profit of the 2023 financial year

Formulas for key ratios

Key ratio	Definitions		Basis of alternative performance measures adopted
Gross profit	Revenue – materials and services		Gross profit shows the profitability of the sales
Gross margin, %	(Revenue – materials and services) / Revenue	x 100	Gross margin measures the profitability of the sales of Verkkokauppa.com Group
EBITDA	Operating profit + depreciation + amortization		EBITDA shows the operational profitability
EBITDA, %	(Operating profit + depreciation + amortization) / Revenue	x 100	EBITDA measures the operational profitability of Verkkokauppa.com Group
Operating profit (ebit)	Result for the period before income taxes and net finance income and costs		Operating profit describes the business results and is a key metric used in medium-term targets
Operating margin (ebit), %	Operating profit / Revenue	x 100	Operating margin measures operational efficiency of Verkkokauppa.com Group
Items affecting comparability	Material items which are not part of noComparable operating profits expenses related to possible transfer to official list of Nasdaq Helsinki, restructuring costs including workforce redundancy and other restructuring costs, impairment losses of fixed assets, gain or losses recognized from disposals of fixed assets/businesses, transaction costs related to business acquisition, compensations for damages and legal proceedings		
Comparable operating profit	Operating profit before taxes and financial net adjusted with items affecting comparability		With the help of a comparable operating profit, it is possible to compare the operating profit realized in different accounting periods without the effect of items that are not essentially part of the usual business
Comparable operating profit margin %	Comparable operating profit / revenue		Comparable operating margin measures comparable operational efficiency of Verkkokauppa.com Group
Equity ratio, %	Total equity / Balance sheet total – advance payments received	x 100	Equity ratio measures Verkkokauppa.com Group's solvency, ability to bear losses and ability to meet commitments in the long run
Interest-bearing net debt	Lease liabilities – cash and cash equivalents		The indicator describes the group's debt position
Gearing, %	Lease liabilities – cash and cash equivalents / Total equity	x 100	Gearing measures the relation of equity and interest-bearing net debt of Verkkokauppa.com group and shows the indebtedness of the company
Investments	Increases in intangible assets, property, plant and equipment during the financial period		

Key ratio	Definitions		Basis of alternative performance measures adopted
Net investments	Investments in intangible and tangible assets - proceeds from the sale of fixed assets. Net investments do not include non-capitalized/unfinished acquisitions.		
Earnings per share, Basic	Profit for the period attributable to equity holders of the company Weighted average number of shares outstanding		The key figures describe the distribution of the group's profit to its owners.
Earnings per share, diluted	Profit for the period attributable to equity holders of the company / Weighted average number of shares outstanding + dilutive potential shares		
Equity per share	Equity / Number of shares at reporting day		
Dividend per share	Dividend / Number of shares at reporting day revised by share split		
Dividend payout ratio, %	Dividend per share revised by share split / Earnings by share revised by share split	x 100	
Effective dividend yield %	Dividend per share / Share price at reporting day	x 100	
Price per earnings ratio (P/E ratio)	Share price at reporting day / Earnings per share		
Traded shares of all shares, %	The number of changed share during the reporting period / The average number of share during the reporting period	x 100	

Reconciliation of alternative key ratio

EUR million	1–12/2023	1–12/2022
Operating profit	4.7	2.3
- costs related to comparable operating result	1.4	1.2
Comparable operating profit	**6.1**	**3.5**

EUR million	1–12/2023	1–12/2022
Direct costs of acquiring businesses	0.0	0.8
Earn-out Additional purchase price	0.2	0.4
Restructuring reservation	1.2	-
Costs related to comparable operating result total	**1.4**	**1.2**

CONSOLIDATED FINANCIAL STATEMENTS 2023

1 CONSOLIDATED STATEMENT OF INCOME

EUR thousand	Note	2023	2022
Revenue	7.2	**502,852**	**543 117**
Other operating income	7.3	420	908
Materials and services	7.4	-422,001	-462,522
Employee benefit expenses	7.5	-36,690	-40,233
Depreciation and amortization	7.7	-6,365	-5 552
Other operating expenses	7.8	-33,500	-33 434
Operating profit		**4,716**	**2 285**
Finance income	7.9	331	16
Finance costs	7.9	-2,273	-1,686
Profit before income taxes		**2,774**	**615**
Income taxes	7.10, 7.16	-704	-291
Profit for the financial year		**2,070**	**324**
Profit for the financial year attributable to			
Equity holders of the company		2,070	324
Earnings per share calculated from the profit attributable to equity holders			
Earnings per share, basic (EUR)	7.11	0.05	0,01
Earnings per share, diluted (EUR)	7.11	0.05	0,01

The notes are an integral part of these financial statements.

2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	2023	2022
Profit for the financial year	**2,070**	**324**
Other comprehensive income items:		
Conversion differences	27	30
Items that may be transferred to income in the future		
Realized fair value changes from equity investments	0	72
Income taxes related to items	0	-14
Other comprehensive income after taxes, total	**0**	**58**
Comprehensive income for the financial year	**2,097**	**412**
Comprehensive income for the financial year attributable to		
Equity holders of the company	2,097	412

3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR thousand	Note	31.12.2023	31.12.2022
Non-current assets			
Intangible assets	7.13	4,950	3 831
Goodwill		2,846	2 846
Tangible assets	7.14	5,811	6 752
Right-of-use assets	7.15	13,349	12,866
Deferred tax assets	7.16	1,174	1,380
Trade receivables	7.17	7,824	5,615
Other non-current receivables		396	397
Non-current assets, total		**36,349**	**33,687**
Current assets			
Inventories	7.18	62,721	74,767
Trade receivables	7.17	37,292	28,833
Loan receivables	7.23.1	0	427
Other receivables	7.17	2,770	2,691
Income tax receivables	7.10	0	898
Accrued income	7.17	8,256	9,679
Cash and cash equivalents	7.19	31,893	21,210
Current assets, total		**142,932**	**138,506**
Total assets		**179,281**	**172,193**

EUR thousand	Note	31.12.2023	31.12.2022
Equity			
Share capital		100	100
Treasury shares		-786	-1 410
Invested unrestricted equity fund		27,599	27,472
Conversion differences		21	26
Retained earnings		-526	-42
Profit for the financial year		2,070	324
Total equity	7.21	**28,479**	**26,470**
Non-current liabilities			
Lease liabilities	7.15	11,729	12,334
Deferred tax liabilities	7.16	74	106
Financial institution loans, long-term	7.23.1	18,750	23,750
Provisions	7.25	1,008	745
Other long-term liabilities		0	30
Non-current liabilities, total		**31,560**	**36,965**
Current liabilities			
Lease liabilities	7.15	4,974	4,477
Financial institution loans, short-term	7.23.1	2,558	394
Advance payments received		3,487	4,963
Trade payables		78,962	66,834
Other current liabilities	7.24	12,381	11,634
Accrued liabilities	7.24	16,847	20,457
Income tax liabilities		34	0
Current liabilities, total		**119,242**	**108,758**
Total liabilities		**150,803**	**145,724**
Total equity and liabilities		**179,281**	**172,193**

The notes are an integral part of these financial statements.

4 CONSOLIDATED CASH FLOW STATEMENT

EUR thousand	Note	2023	2022
Cash flow from operating activities			
Profit before income taxes		2,774	615
Depreciation and impairment	7.7	6,365	5,552
Finance income and costs	7.9	1,942	1,670
Other adjustments		257	704
Cash flow before change in working capital		11,338	8,541
Change in working capital			
Increase (-)/decrease (+) in non-current non-interest-bearing trade receivables		-2,209	-1,761
Increase (-)/decrease (+) in trade and other receivables		-7,116	-2,274
Increase (-)/decrease (+) in inventories		12,046	14,086
Increase (+)/decrease (-) in current liabilities		7,576	-12,445
Cash flow before financial items and taxes		21,635	6,148
Interest paid		-1,159	-615
Interest received		331	16
Interest of lease liabilities		-912	-1,071
Income tax paid		402	-2,967
Cash flow from operating activities		**20,297**	**1,511**
Cash flow from investing activities			
Acquisition of subsidiaries		427	-4,571
Purchases of property, plant and equipment		-335	-2,773
Purchases of intangible assets		-2,041	-2,254
Proceeds from equity investments		0	339
Cash flow from investing activities		**-1,949**	**-9,260**

EUR thousand	Note	2023	2022
Cash flow from financing activities			
Decrease (-) in lease liabilities		-4,810	-4,237
Dividends paid		0	-11,066
Proceeds from long-term loans		0	25,000
Payments to long-term loans		0	-1,250
Proceeds from short-term loans		0	5,030
Payments to short-term loans		-2,836	-5,531
Cash flow from financing activities		**-7,646**	**7,946**
Increase (+) / decrease (-) in cash and cash equivalents		**10,702**	**198**
Cash and cash equivalents at beginning of financial year		21,210	20,917
Translation differences		-20	96
Cash and cash equivalents at end of financial year	7.19	31,893	21,210

The notes are an integral part of these financial statements.

5 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

EUR thousand	A	B	C	D	E	F
Equity 1 Jan 2023	**100**	**-1,410**	**27,472**	**0**	**308**	**26,470**
Profit for the financial year	-	-	-	-	2,070	**2,070**
Changes in fair values of equity investments	-	-	-	-	27	27
Comprehensive income for the financial year, total	**-**	**-**	**-**	**0**	**2,097**	**2,097**
Disposal of treasury shares - Board fees	-	237	127	-	-237	**127**
Share-based remuneration	-	387	-	-	-602	**-215**
Transactions with owners, total	**-**	**624**	**127**	**0**	**-839**	**-88**
Equity 31 Dec 2023	**100**	**-786**	**27,599**	**0**	**1,565**	**28,479**
Equity 1 Jan 2022	**100**	**-1 611**	**25,938**	**0**	**11,255**	**35,683**
Equity 1 Jan 2022	-	-	-	-	**324**	**324**
Profit for the financial year	-	-	-	-	30	**30**
Changes in fair values of equity investments	-	-	-	0	58	**58**
Comprehensive income for the financial year, total	-	**-**	**-**	**0**	**412**	**412**
Dividend distribution	-	-	-	-	-11,068	**-11,068**
Acquisition of treasury shares	-	-	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**	**0**	**-11,360**	**-9,626**
Equity 31 Dec 2022	**100**	**-1,410**	**27,472**	**0**	**308**	**26,470**

6 GROUP ACCOUNTING PRINCIPLES

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

6.1 Basic information on the Company

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

The Board of Directors of the Company approved these Group financial statements for publication at its meeting on 13 febryary 2024. In accordance with the Finnish Corporate Act, shareholders have the right to approve or reject the financial statements at the Annual General Meeting held after the publication of the financial statements. It is also possible to decide upon changes to the financial statements at the Annual General Meeting.

6.2 Basis of preparation

These consolidated financial statements were prepared in accordance with the IFRS Accounting Standards as adopted by the European Union.

The structure of the group is described in note Group structure 6.4

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

The Group financial statements are presented in euros, which is the group's functional and presentation currency. Business transactions denominated in foreign currency have been converted during the consolidation phase of the group to denominated in the group's presentation currency at the average exchange rates of the period.. Receivables and liabilities denominated in foreign currencies are converted at the exchange rates prevailing on the balance sheet date. Exchange rate differences arising from transactions related to business operations are recorded as adjustments to purchases, and exchange rate differences on cash assets are recorded as financing income and expenses.

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

The Group's Combination Principles – subsidiaries

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

Exchange rate differences are treated in the reporting as following:

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

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

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

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

Management judgment related to the choice and application of accounting policies

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

Segment reporting

The management of Verkkokauppa.com Oyj has exercised judgment in applying the consolidation criteria to combine the operating segments into a single reportable segment. Customers are the same in all operating segments that offer the same goods and services under the same terms in one main market, i.e. Finland. At the core of the Company's business model is a strong integration of webstore and retail stores, joint support functions serving the entire business as well as the volume benefits enabled by centralized business.

Key factors of uncertainty related to estimates

The estimates and assumptions are based on historical knowledge and/or other justifiable assumptions that are considered reasonable at the time of preparing the financial statements. It is possible that actual results may differ from the estimates used in the financial statements. The factors of uncertainty and assumptions made related to estimates that may give rise to a significant risk of change in the carrying values of assets and liabilities relate to the following items:

Business integration

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

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

The acquisition completed in the financial year 2022 involves a delayed purchase price, an additional purchase price, the combined value of which can be a maximum of 6.7 million euros.

The additional purchase price and the delayed purchase price are recorded as an expense and not part of the purchase price, because they are linked to the obligation to take care of the acquired property. At the end of December, the management estimated the additional purchase price to be 1.0 (1.5) million euros, and 0.2 (0.4) million euros was recorded as an expense for the financial year. The expense recording is treated as an item affecting comparability.

Measurement of leases

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

Measurement of inventories

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

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

The Verkkokauppa.com Oyj offers financing to its customers. These receivables involve a risk of credit loss. The Group recognizes expected credit losses using the provision matrix model. The provision matrix is described in more detail in the note on *Financial risk management 7.23.3.* The sufficiency of credit loss percentages is monitored regularly. The assessment of the expected level of credit losses and the sufficiency of credit loss rates is based on changes in customer payment behavior and the level of actual credit losses.

Rebates related to inventory

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

Provisions

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

6.4 Group Information

The table below shows the parent company and the subsidiaries belonging to the group as of 31 December 2023. Unless otherwise stated, their share capital consists entirely of shares directly owned by the group, and the share of ownership corresponds to the group's voting rights.

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

Subsidiaries

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

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

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

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

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

Verkkokauppa.com company structure

	Country	Ownership of shares % 31 Dec 2023
Parent compnay		
Verkkokauppa.com Oyj	Finland	
Subsidiaries		
e-ville.com Distribution Oy	Finland	100%
Arc Distribution Oy	Finland	100%
Digi Electronics Ltd	Hong Kong	100%
Digital Trading (Shenzhen) Co. Ltd	China	100%

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

No IFRS accounting standard, IFRIC interpretation or annual improvement or change made to IFRS accounting standards published on or after 1 January 2023 has not had a material impact on the 2023 financial statements.

Nor are any IFRS accounting standards coming into effect later that would affect the Verkkokauppa.com group's result, financial position or notes in connection with their introduction known at the time of closing the accounts.

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7.1 Segment reporting

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

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

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

7.2 Revenue from contracts with customers

Revenue streams

The revenue streams of the Group consist of the sale of goods and services. The product range consists of more than 78,000 products from 24 main product areas that the Group sells to consumers through its own webstore and four retail stores in Finland. The services offered for sale by the Group include installation and maintenance services, subscriptions and visibility sales. The customers of Verkkokauppa.com Oyj Group are both consumers and businesses.

Revenue recognition from sale of goods

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

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

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

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

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

The contracts with customers of Verkkokauppa.com Oyj do not contain any separate performance obligations that are to be recognized as income in different periods. The product warranties offered by the Group, third-year warranty and own-brand warranties are treated as assurance-type warranties because they do not render additional service to the customer. Assurance-type warranties are recognized as provisions. Detailed principles can be found in the note on *Provisions 7.25.*

Revenue recognition of sale of services

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

Gift cards

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

Presentation of revenue

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

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

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

Disaggregation of revenue

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

Timing of satisfying performance obligations

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

EUR thousand	2023	2022
At a point in time	498,607	537,544
Over time	4,244	5,573
Revenue, total	**502,852**	**543,117**

Revenue by external customer location

EUR thousand	2023	2022
Finland	468,363	502,991
EU	29,657	25,288
Rest of the world	4,832	14,837
Revenue by external customer location	**502,852**	**543,117**

Revenue by sales channel

EUR thousand	2023	2022
Customer segments		
Consumers	344,817.8	368,340.9
Business customers	113,819.9	125,242.4
Export	33,018.9	38,143.6
Other	11,195.1	11,390.1
Sales channels		
Web store	303,270.1	323,925.9
Store	155,550.2	169,616.3
Export	33,018.9	38,143.6
Other	11,012.5	11,431.3
Product categories		
Core categories (CE)	420,910.3	444,104.4
Developing categories	67,191.8	81,502.0
Other	14,602.1	17,335.5
Visits to websites, (in the millions).	72.4	82.4

Income recognized from customer financing

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

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

EUR thousand	2023	2022
Interest income recognized using effective interest rate method	4,244	3,088
Other income from company-financed customer financing	2,555	1,613
Revenues from self-financed customer financing , total	**6,799**	**4,701**

Contract assets and liabilities

EUR thousand	2023	2022
Contract assets	1,578	2,053
Contract advances received	3,474	4,880
Contract liabilities	1,784	2,186

Assets based on contracts are related to services that have not been invoiced, but have already been produced at the time of closing the accounts, as well as an asset related to the right of return. Contractual assets related to services already provided are transferred to accounts receivable when invoiced. The billing interval depends on the customer agreement. The average billing interval is three months. There have been no significant changes in assets based on contracts between financial periods.

Advances based on agreements include paid undelivered products and refunds to customer accounts. 161,061 thousand euros (178,760) have been received from advances during the accounting period.

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

During the financial year 2023, the amount recognized as revenue at the beginning of the period, included in the contract liabilities, was EUR 1,852 thousand (1,605).

7.3 Other operating income

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

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

EUR thousand	2023	2022
Lease income	266	545
Other income	154	363
Other operating income, total	**420**	**908**

7.4 Materials and services

EUR thousand	2023	2022
Purchases during the financial year	409,890	428,548
Change in inventories	12,029	14,097
External services	92	19,876
Materials and services, total	**422,011**	**462,522**

7.5 Employee benefits

Obligations related to short-term employee benefits

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

Pension obligations

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

EUR thousand	2023	2022
Wages and salaries	29,460	31,960
Pension expenses -defined contribution plans	5,472	6,015
Share-based payments	25	31
Other personnel-related expenses	815	1,175
Voluntary employee benefits	1,979	1,979
Total employee benefits before capitalization	**37,749**	**41,159**
Capitalized employee benefits for the financial year		
Wages and salaries	-883	-724
Pension expenses -defined contribution plans	-4	-157
Other personnel-related expenses	-172	-45
Capitalized employee benefits for the financial year	**-1,059**	**-926**
Total employee benefits	**36,690**	**40,233**

The capitalized personnel costs are mainly related to the development of Verkkokauppa.com Oyj's ERP and other key systems, which is explained more in note *Intangible assets 7.13.*

	2023	2022
Number of employees at the end of the financial year	677	838

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

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

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

7.6 Remuneration of key management personnel

The key management personnel include the company's board members, CEO and members of the management team. The remuneration committee of the board prepares a reference framework for the salaries, fees and other benefits of the company's CEO and management team, and the board decides on the CEO's salaries, fees and other benefits. The chairman of the board approves the salaries, bonuses and other benefits of the management team working under the CEO.

Remuneration of the CEO and the management team

Short-term employee benefits

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

The short-term compensation scheme consists of an annual bonus program with performance criteria (incentive bonus). The performance criteria and the determination of the remuneration are decided annually by the Board based on the proposal of the Remuneration Committee. The 2023 performance criteria were based on 25% of 2023 to the development of working capital and 75% of the Company's comparable operating profit. In addition, the Board of Directors may, at its discretion, decide to pay other lump sums (bonus).

Post-employment benefits

The company's CEO and other members of the management team are entitled to a statutory pension benefit. The company has no valid additional pensions or security arrangements for the CEO or other members of the management team..

Benefits payable in the event of termination

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

Share-based incentives

The company has a performance-based additional share system for the years 2023–2027. The system has three earning periods covering the fiscal years 2023–2025, 2024–2026 and 2025–2027. The board decides each year on the start of the earning period and its details. The earning criterion for the first earning period 2023–2025 is the total share return (TSR).

The plan is designed to align the objectives of shareholders and management to increase the long-term value of the Company, to encourage management to invest personally in the Company's shares, to engage executives in the Company and to provide them with a competitive remuneration package based on the acquisition, earning and accumulation of the Company's shares.

The previous share-based incentive system, the Performance Matching Share Plan 2020–2022, ended on December 31, 2022 and was realized as a payment in the spring of 2023.

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

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

Management remuneration

2023

EUR thousand	Panu Porkka, CEO	Management Team	2023, total
Short-term employee benefits			
Fixed basic salaries and fringe benefits	394	1,342	**1,736**
Incentive bonus	124	174	**298**
Statutory pension	74	251	**325**
Share-based payments			
Share-based payments	6	19	**25**
Total	**597**	**1,787**	**2,384**
Shareholding, pcs	119,000	103,552	**222,552**
% of shares	0.26%	0.23%	**0.49%**

2022

EUR thousand	Panu Porkka, CEO	Management Team	2023, total
Short-term employee benefits			
Fixed basic salaries and fringe benefits	409	1,374	**1,783**
Incentive bonus	10	15	**25**
Statutory pension	78	217	**295**
Share-based payments			
Share-based payments	53	**88**	**141**
Total	**551**	1,694	**2,245**
Shareholding, pcs	95,000	110,250	**205,250**
% of shares	0.21%	0.24%	**0.45%**

Remuneration of the Board of Directors

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

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

The Annual General Meeting of Verkkokauppa.com Oyj decided on 30 March 2023 that half of the annual remuneration of the members of the Board will be paid in shares of the Company after each quarterly announcement and the remaining part of the annual remuneration will be paid in cash, which will cover the taxes arising from the remuneration. During the financial year 2023, the company transferred 50,218 (32,140) treasury shares for the payment of the fees. Shares issued as fees do not have any restrictions on ownership or disposal.

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

EUR thousand	2023	2022
Board members, 31 Dec 2023		
Arja Talma, Chairman of the Board	89	89
Kai Seikku, Chairman of the Audit Committee	51	51
Samuli Seppälä	35	35
Johan Ryding	39	39
Robin Bade (member since 30 Mar 2023)	30	-
Kati Riikonen (member since 30 Mar 2023)	32	-
Henrik Pankakoski (member since 30 Mar 2023)	32	-
The former		
Mikko Kärkkäinen (member until 30 Mar 2023)	9	35
Frida Ridderstolpe (member until 30 Mar 2023)	9	35
Christoffer Häggblom (member until 30 Mar 2023)	14	66
Remuneration of the Board of Directors, total	**341**	**350**

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

Shareholding, pcs	2023	2022
Arja Talma, Chairman of the Board	37,853	23,780
Kai Seikku, Chairman of the Audit Committee	157,845	150,809
Samuli Seppälä	15,527,000	15,957,000
Johan Ryding	12,849	5,882
Robin Bade (member since 30 Mar 2023)	5,347	-
Kati Riikonen (member since 30 Mar 2023)	5,347	-
Henrik Pankakoski (member since 30 Mar 2023)	5,347	-
The former		
Mikko Kärkkäinen (member until 30 Mar 2023)	-	5,858
Frida Ridderstolpe (member until 30 Mar 2023)	-	5,858
Christoffer Häggblom (member until 30 Mar 2023)	-	33,339
Number of shares, total	**15,751,588**	**16,182,526**

% of shares	2023	2022
Arja Talma, Chairman of the Board	0.08%	0.05%
Kai Seikku, Chairman of the Audit Committee	0.35%	0.33%
Samuli Seppälä	34.23%	35.18%
Johan Ryding	0.03%	0.01%
Robin Bade (member since 30 Mar 2023)	0.01%	-
Kati Riikonen (member since 30 Mar 2023)	0.01%	-
Henrik Pankakoski (member since 30 Mar 2023)	0.01%	-
The former		,
Mikko Kärkkäinen (member until 30 Mar 2023)	-	0.01%
Frida Ridderstolpe (member until 30 Mar 2023)	-	0.01%
Christoffer Häggblom (member until 30 Mar 2023)	-	0.07%
% of shares, total	**34.72%**	**35.68%**

7.7 Depreciation and amortization

EUR thousand	2023	2022
Intangible assets		
Development costs	413	362
Other intangible assets	509	125
Amortization of intangible assets, total	**922**	**487**
Tangible assets		
Machinery and equipment	1,102	1,100
Other tangible assets	123	152
Depreciation of tangible assets, total	**1,224**	**1,252**
Right-of-use assets		
Premises and facilities	4,218	3,793
Machinery and equipment	0	19
Depreciation of right-of-use assets, total	**4,218**	**3,812**
Depreciation and amortization, total	**6,365**	**5,552**

7.8 Other operating expenses

EUR thousand	2023	2022
Premises maintenance and operation costs	6,794	7,101
Financial transactions expenses	1,676	1,918
Marketing	7,518	8,166
Administrative services	16,923	15,780
Other expenses	590	470
Other operating expenses, total	**33,500**	**33,434**

Auditor fees

EUR thousand	2023	2022
Statutory audit	216	155
Other services	39	20
Auditor fees, total	**258**	**175**

The audit firm selected by the Annual General Meeting is PricewaterhouseCoopers Oy Services other than auditing performed by PricewaterhouseCoopers Oy totaled 39 thousand euros..

7.9 Finance income and expenses

Finance income

EUR thousand	2023	2022
Interest income	331	16
Finance income, total	**331**	**16**

Finance costs

EUR thousand	2023	2022
Lease liability interest	912	1,071
Other interest costs	1,138	352
Other finance costs	161	212
Exchange rate differences on cash and cash equivalents	62	50
Finance costs, total	**2,273**	**1,686**

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

7.10 Income taxes

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

Income taxes in the income statement

EUR thousand	2023	2022
Current taxes	528	399
Taxes from previous financial periods	2	20
Change in deferred taxes	174	-129
Income taxes, total	**704**	**291**

The company has no pending tax disputes.

Reconciliation of the effective tax rate

EUR thousand	2023	2022
Profit before income taxes	**2,774**	**615**
Taxes calculated at the Finnish tax rate 20%	555	123
Effect of tax-exempt income	2	1
Effect of non-deductible expenses	-11	-53
Income taxes from previous accounting periods	2	20
Other	22	162
Unrecognized deferred tax assets from tax losses	135	38
Income taxes recognized in the income statement, total	**704**	**291**

The Finnish tax rate in the financial statements of the financial years 2023 and 2022 was 20 percent.

Taxes related to other comprehensive income items

2023

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

2022

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

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

7.11 Earnings per share

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

	2023	2022
Earnings per share, basic		
Profit for the year attributable to shareholders, EUR thousand	2,070	324
Weighted average number of outstanding shares, pcs	45,208,813	45,083,275
Basic earnings per share, EUR	**0.05**	**0,01**
Earnings per share, diluted		
Profit for the year attributable to the shareholders, EUR thousand	2,070	324
Potentially dilutive shares of share-based incentive plan, pcs.	22,833	318,333
Diluted weighted average number of outstanding shares, pcs.	45,231,646	45,401,608
Diluted earnings per share, EUR	**0.05**	**0.01**

Further information on the number of shares is presented in the note on *Equity 7.21.*

7.12 Share-based payments

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

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

Details of the share-based incentive plans.

The Board of Directors of Verkkokauppa.com Oyj resolved on 11th of May to establish a new share-based incentive plan for the CEO and the members of the Management Team of the company. The aim of the new plan is to align the objectives of the shareholders and the management in order to increase the value of the company in the long-term, to encourage the management to personally invest in the company's shares, to retain the target group at the company, and to offer them a competitive incentive plan in which the participants may earn shares as a reward for performance and their personal investment.

The new Performance Matching Share Plan 2023–2027 includes three performance periods, covering financial years 2023–2025, 2024–2026 and 2025–2027. The Board will decide annually on the commencement and details of a performance period. The performance criterion in the first performance period 2023–2025 is the Total Shareholder Return of the company's share (TSR). The achievement of the required TSR levels will determine the proportion out of the maximum reward that will be paid to a participant. The prerequisite for participation in the plan and receiving the reward is that the person allocates freely transferable Verkkokauppa.com Oyj shares held by him or her to the plan or acquires the company's shares in a number determined by the Board of Directors.

The rewards from the plan will be paid partly in the company's shares and partly in cash. The rewards will be paid by the end of May in the year following the end of the performance period. The cash proportion is intended for covering taxes and tax-related costs arising from the reward to the participant. In general, no reward will be paid if a participant's employment or service in the group ends before the reward payment. The CEO is obligated to hold 50 per cent of the reward shares until the CEO's total personal shareholding in the company corresponds to the CEO's annual salary.

The target group of the plan consists of nine persons (the CEO and all members of the Management Team). The gross rewards from the first performance period 2023–2025 correspond to the value of an approximate maximum total of 229,000 Verkkokauppa.com Oyj shares, including the proportion to be paid in cash.

Previous Verkkokauppa.com's share-based incentive plan, the Performance Matching Share Plan 2020–2022, ended on 31 December 2022 and the payments were realized as during the fiscal year 2023.

2023–2025 Plan	
Grant date	11 May 2023
Vesting start date	1 Jan 2026
Vesting conditions	Share ownership and employment
Payment method	Shares
Share price at grant date, EUR	2.50
Fair value of share at grant date, EUR*	1.70
Estimated number of participants at end of vesting period, %	89%
Estimate change in shares associated with the plan, %	2%
Number of plan participants	6

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

Effect of share-based payments on the operating result

EUR thousand	2023	2022
Expenses related to share-based payments in the income statement	25	31
Total	**25**	**31**

Effect of share-based payments on the balance sheet

EUR thousand	2023	2022
Recognized in equity	25	428
Total	**25**	**428**

7.13 Intangible assets

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

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

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

Goodwill

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

Goodwill related considerations

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

Research and development expenditure

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

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

Other intangible assets

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

EUR thousand	Development costs	Other intangible assets	Advance payments and work in progress	Consolidated goodwill	Total
Cost 1 Jan 2023	3,383	2,457	2,530	2,846	**11,216**
Increases	782	0	1,259	0	**2,041**
Disposals	0	0	0	0	**0**
Transfers between items		3,446	-3,446		**0**
Cost 31 Dec 2023	4,165	5,903	343	2,846	**13,257**
Accumulated amortization and impairment 1 Jan 2023	-2,986	-1,553	0	0	**-4,539**
Accumulated amortization on disposals	0	0	0	0	**0**
Transfers between items	0	0	0	0	0
Amortization for the financial year	-413	-509	0	0	-922
Accumulated amortization and impairment 31 Dec 2023	-3,398	-2,062	0	0	**-5,461**
Carrying amount 1 Jan 2023	**397**	**904**	**2,530**	**2,846**	**6,677**
Carrying amount 31 Dec 2023	**766**	**3,840**	**343**	**2,846**	**7,796**

EUR thousand	Development costs	Other intangible assets	Advance payments and work in progress	Consolidated goodwill	Total
Cost 1 Jan 2022	3,246	1,777	392	0	**5,415**
Increases	137	680	2,137	0	**2,955**
Business integration				2,846	**2,846**
Disposals					**0**
Transfers between items					**0**
Cost 31 Dec 2022	3,383	2,457	2,530	2,846	**11,216**
Accumulated amortization and impairment 1 Jan 2022	-2,743	-1,308	0	0	**-4,051**
Accumulated amortization on disposals					**0**
Transfers between items					**0**
Amortization for the financial year	-242	-245	0	0	**-487**
Accumulated amortization and impairment 31 Dec 2022	-2,986	-1,553	0	0	**-4,539**
Carrying amount 1 Jan 2022	**502**	**469**	**392**		**1,364**
Carrying amount 31 Dec 2022	**397**	**904**	**2,530**	**2,846**	**6,677**

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

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

Goodwill and impairment testing

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

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

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

Goodwill is allocated to cash flow generating units as follows: online store 1.4M€, stores 1.1M€ and export 0.4M€. According to goodwill testing, the current value of the group of cash-generating units exceeds the book value as follows: online store €48.1M, stores €70.1M and export €57.8M.

The discount rate

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

Key Assumptions

	3-year average	Residual value
Used discount rate - Stores	9.7%	9.7%
Used discount rate - Online shop	8.8%	8.8%
Used discount rate - Wholesale	9.5%	9.5%
Combined revenue growth assumption	6.8%	2.0%
Combined gross margin %	15.9%	16.0%
Combined operating profit% assumption	2.5%	3.7%
Combined investments M€	3.0	3.1

According to Verkkokauppa.co's sensitivity analysis, a -1.4% percentage point change in sales margin % for one store would cause a situation where the book value of the store in question (€3.4M) would exceed the recoverable amount. In other key assumptions, a similar situation was not observed in somewhat possible changes regarding stores, online shopping or wholesale.

7.14 Tangible assets

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

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

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

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

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

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

EUR thousand	Land	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total
Cost 1 Jan 2023	2	13,072	3,050	812	**16,936**
Increases	-	279	4	52	**335**
Additions, internal reorganisations			-	-	**-**
Disposals	-			-52	**-52**
Transfers between items	-	92	-	-92	**-**
Cost 31 Dec 2023	2	13,443	3,054	720	**17,219**
Accumulated depreciation 1 Jan 2023	-	-7,566	-2,617	-	**-10,183**
Depreciation for the financial year	-	-1,102	-123	-	**-1,224**
Accumulated depreciation 31 Dec 2023	-	-8,668	-2,740	-	**-11,408**
Carrying amount 1 Jan 2023	**2**	**5,506**	**433**	**812**	**6,752**
Carrying amount 31 Dec 2023	**2**	**4,775**	**314**	**720**	**5,811**

EUR thousand	Land	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total
Cost 1 Jan 2022	2	8,717	3,012	2,412	**14,142**
Increases	-	349	28	2,417	**2 794**
Transfers between items	-	4,006	11	-4,017	**0**
Cost 31 Dec 2022	2	13,072	3,050	812	**16,936**
Transfers between items	-	-6,463	-2,465	-	**-8,928**
Depreciation for the financial year	-	-1,103	-152		**-1,255**
Accumulated depreciation 31 Dec 2022	-	-7,566	-2,617	-	**-10,183**
Carrying amount 1 Jan 2022	**2**	**2,254**	**546**	**2,412**	**5,214**
Carrying amount 31 Dec 2022	**2**	**5,506**	**433**	**812**	**6,752**

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

7.15 Leases

Leases wherein the Group is the lessee

Recognition of leases

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

Measurement and recognition of lease liability

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

The lease agreement for the Jätkäsaari real estate, which covers approximately 59% of the balance sheet of the lease liabilities, has used the interest rate implicit in the lease contract. In other lease agreements, the interest rate of the Company's incremental borrowing rate has been used as the discount rate. The changes in the Company's financing position have been taken into consideration in determining the incremental borrowing rate in determining the risk premium. Discount rates vary between 1.3% and 7.0%.

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

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

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

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

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

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

Measurement of right-of-use assets

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

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

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

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

Subleases

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

Description of the Group's lease portfolio

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

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

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

Right-of-use assets

EUR thousand	Premises and facilities	Machinery and equipment	Total
Cost 1 Jan 2023	36,196	1,620	**37,816**
Increase/decrease due to remeasurement	4,701	-	**4,701**
Cost 31 Dec 2023	40,897	1,620	**42,517**
Accumulated depreciation 1 Jan 2023	-23,331	-1,620	**-24,950**
Depreciation for the financial year	-4,218	-	**-4,218**
Accumulated depreciation 31 Dec 2023	-27,549	-1,620	**-29,169**
Carrying amount 1 Jan 2023	**12,865**	**0**	**12,866**
Carrying amount 31 Dec 2023	**13,348**	**0**	**13,349**

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

The remeasurements carried out in 2023 and 2022 relate to index increases in lease contracts and to renegotiated leases.

Lease liabilities

Maturity analysis, contractual undiscounted cash flows

EUR thousand	31 Dec 2023	31 Dec 2022
Less than one year	5,696	5,248
From one to two years	11,258	9,256
From three to four years	1,146	4,246
Over five years	-	-
Undiscounted lease liabilities, total	**18,101**	**18,749**

Lease liabilities in the balance sheet

EUR thousand	31 Dec 2023	31 Dec 2022
Current lease liabilities	4,974	4,477
Non-current lease liabilities	11,729	12,334
Lease liabilities, total	**16,702**	**16,812**

Items recognized in the income statement

EUR thousand	2023	2022
Depreciations on right-of-use assets	4,218	3,812
Interests on lease liabilities	912	1,071
Lease income from subleasing right-of-use assets	266	545
Expenses related to leases of low-value assets	58	60

Items recognized in the cash flow statement

EUR thousand	2023	2022
Total cash outflow for leases	-5,723	-5,308

7.16 Deferred tax assets and liabilities

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

Change in deferred tax assets

EUR thousand	1 Jan 2023	Recognized through profit or loss	Recognized in equity	31 Dec 2022
Lease liabilities	3,364	-31	-	3,332
Inventories	43	19	-	62
Share-based payments	86	-86	-	0
Provisions	148	53	-	202
Eliminations of Group inventories	2	-0	-	2
Non-deductible expenses related to the acquisition of group companies	131	-131	-	0
Earn-out costs from the conditional purchase price	83	-83	-	0
Unused tax depreciation	80	159	-	239
Deferred tax assets, total	**3,938**	**-101**	**-**	**3,835**
Netting of deferred tax assets and liabilities	-2,558	-104	-	-2,662
Total after netting	**1,380**	**-205**	**-**	**1 174**

Change in deferred tax liabilities

EUR thousand	1 Jan 2023	Recognized through profit or loss	Recognized in equity	31 Dec 2022
Right-of-use assets	-2,558	-104	-	2,662
Fair value adjustments made in connection with the acquisition of a subsidiary	-106	32	-	-74
Deferred tax liabilities, total	**-2,664**	**-72**	**-**	**-2,736**
Netting of deferred tax assets and liabilities	2,558	104	-	2,662
Total after netting	**-106**	**32**	**0**	**-74**

EUR thousand	1 Jan 2022	Recognized through profit or loss	Recognized in equity	31 Dec 2022
Lease liabilities	4,024	-614		3,364
Inventories	102	-59	-	43
Share-based payments	101	-16	-	86
Provisions	179	-30	-	148
Eliminations of Group inventories		2	-	2
Non-deductible expenses related to the acquisition of group companies	-	131	-	131
Non-deductible expenses related to the acquisition of group companies	-	83	-	83
Earn-out costs from the conditional purchase price	-	-14	14	0
Depreciation difference	0	80	-	80
Unused tax depreciation	56	-56		0
Deferred tax assets, total	**4,462**	**-493**	**14**	**3,938**
Netting of deferred tax assets and liabilities	-3,155	598	-	2,558
Total after netting	**1,306**	**105**	**14**	**1,380**

Change in deferred tax liabilities

EUR thousand	1 Jan 2022	Increases	Recognized through profit or loss	Recognized in equity	31 Dec 2022
Leases	-3,155	-	598	-	-2,558
Fair value adjustments made in connection with the acquisition of a subsidiary	-	-130	24	-	-106
Deferred tax liabilities, total	**-3,155**	**-130**	**622**	**-**	**-2,664**
Netting of deferred tax assets and liabilities	3,155	-	-598	-	2,558
Total after netting	**0**	**-130**	**24**	**-**	**-106**

7.17 Trade receivables and other receivables

Trade receivables are receivables arising from goods or services sold to customers in the ordinary course of business. Other receivables are contract assets, other accrued income and financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables and other receivables are classified as current assets if customer payment in respect of them is expected within one year. Otherwise, they are presented as non-current assets. Non-current trade receivables are receivables related to customer financing and in current trade receivables they represent approximately 75% (2022; approximately 73%) of the balance sheet value of current trade receivables.

The principles relating to impairment are explained in the note on *Financial risk management 7.23.3*

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

EUR thousand	31 Dec 2023	31 Dec 2022
Non-current		
Trade receivables	7,824	5,615
Other non-current receivables	396	397
Non-current receivables, total	**8,220**	**6,012**
Current		
Trade receivables	37,292	28,833
Contract assets	2,770	3,516
Other accrued income	8,121	8,598
Vat receivables	135	-
Income tax receivables	-1,232	-596
Other receivables	1,232	2,171
Current receivables, total	**48,319**	**42,522**
Non-current and current receivables, total	**56,538**	**48,534**

Maging analysis of trade receivables

	31 Dec 2023		31 Dec 2022	
EUR thousand	Trade receivables	Loss allowance	Trade receivables	Loss allowance
Not due	38,383	467	29,984	259
Past due 1–60 days	7,721	586	4,942	323
Past due 61–120 days	111	56	211	114
Past due over 121 days	133	124	155	147
Total	**46,348**	**1,232**	**35,291**	**843**

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

EUR thousand	2023	2022
Opening bad debt allowance at 1 January	843	829
Increase in bad debt allowance recognized in profit or loss during year	3,263	1,319
Receivables written of during the year as uncollectible	-2,844	-1,251
Unused amount reversed	-30	-53
Closing bad debt allowance at 31 December	**1,232**	**843**

During the financial period, the Group recognized net credit losses on trade receivables totaling EUR 3,263 (1,319) thousand. Verkkokauppa.com Group sells all its overdue receivables on a "continuous trade" basis, where all receivables overdue for more than 60 days and financed by the Company itself are sold to third parties. This reduces the Company's accounts receivable risk.

7.18 Inventory

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

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

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

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

EUR thousand	31 Dec 2023	31 Dec 2022
Goods	62,721	74,767
Total	**62,721**	**74 767**

The Group has recorded a total of EUR 3.4 (4.1) million in inventories. The entries have adjusted the book value of the inventory to reflect its actual net realizable value. The amount for the fiscal year 2022 includes a write-down of 1.6 million euros related to inventory. This is part of the group's adaptation program, in which it enhances its product selection. In the fiscal year 2023, no corresponding write-down has been made.

7.19 Cash and cash equivalents

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

EUR thousand	31 Dec 2023	31 Dec 2022
Cash in hand and at banks	31,893	21,210
Total	**31,893**	**21 210**

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

7.20 Business combinations

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

Acquisitions for the fiscal year 2022

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

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

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

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

Purchase price

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

As part of the financing of the transaction, Verkkokauppa.com's board decided to carry out a directed share issue of 1.4 million euros, in connection with which 289,402 new shares were issued.

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

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

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

7.21 Equity

Treasury shares

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

Dividend distribution

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

Share capital and treasury shares

	Outstanding shares, pcs (1,000)	Number of treasury shares, pcs (1,000)	Number of shares, pcs (1,000)	Share capital carrying amount, EUR thousand
1 Jan 203	**45,083**	**271**	**45,355**	**100**
Acquisition of treasury shares	-	-	-	-
Proceeds from issue of share capital	-	-	-	-
Transfer of treasury shares, Board of Directors' remuneration	50	-50	-	-
Transfer of treasury shares, share-based incentive scheme	75	-75	-	-
31 Dec 2023	**45,209**	**146**	**45,355**	**100**

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

Verkkokauppa.com Oyj Group has one share class. The share has no nominal value. Each share entitles its holder to one vote at the Annual General Meeting. All issued shares have been fully paid out. At the end of the financial year 2023, the share capital of Verkkokauppa.com Oyj was EUR 100,000 and the number of shares was 45,083 275 including 145,719 (271,257) treasury shares held by the Company. During the financial years 2022–2023, the company has not acquired its own shares.

Fair value reserve

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

Invested unrestricted equity fund

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

Capital management

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

The Group has not applied for a credit rating from any external credit rating institution. Capital management is based on continuous monitoring of the objectives set by the Board and of the external financing and defined thresholds, as well as on the approval and implementation of balancing measures in case of any deviations. On the basis of the information it is provided, the Board of Directors evaluates the effects of any deviation and takes the necessary capital management decisions. The Group's net gearing target is defined and monitored as part of normal reporting. The ratio of net liabilities to equity is -21.5% (-74.6%) as one of the key indicators for the overall management of the balance sheet. The Group evaluates financing needs on a case-by-case basis considering the cyclical nature of business as well as potential business acquisitions.

At the end of the financial year 2023, the Group had revolving credit facilities totaling EUR 20 million that had not been utilized. The terms of the covenants are described in note *7.23.3 Financial risk management.*

EUR thousand	2023	2022
Net debt	-6,118	-19,745
Total shareholders' equity	28,479	26,470
Net debt to equity ratio	-21.5%	-74.6%

The ratio of net liabilities to equity remained positive at 21.5%. The group's net liabilities decreased and gross assets increased in the 2023 fiscal year.

Dividends

Dividends paid

2023

The company has not paid a dividend during the financial 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
	7.11.2022	0.063
Total dividends, EUR thousand		**11,068**

Dividend proposed

The board's dividend distribution proposal for the annual general meeting: In order to improve the company's equity ratio, the board proposes to the 2024 general meeting that Verkkokauppa.com Oyj deviates from its dividend distribution policy, and that no dividend will be paid for the financial year 2023.

7.22 Cash flow information

Net debt reconciliation

EUR thousand	2023	2022
Cash and cash equivalents	31,893	21,210
Bank loans	-21,308	-24,144
Lease liabilities	-16,702	-16,812
Net debt	**-6,118**	**-19,745**

EUR thousand	2023	2022
Cash	31,893	21,210
Gross debt - leases	-38,011	-40,955
Net debt	**-6,118**	**-19,745**

	Liabilities from financing activities			Other assets	
EUR thousand	Financial institution loans	Leases	Total	Cash and cash equivalents	Total
Net debt Jan 1, 2022	0	-20,139	-20,139	20,917	778
Increase of financial loans	-30,030		-30,030		-30,030
Decrease of financial loans	6,781		6,781		6,781
Increase in lease liabilities		-130	-130		-130
Decrease in lease liabilities		4,237	4,237		4,237
Cash flows			-	293	293
Other changes	-894	-779	-1,673		-1,673
Net debt Dec 31, 2022	**-24 144**	**-16 812**	**-40 955**	**21 210**	**-19 745**
Increase of financial loans	0		0		0
Decrease of financial loans	2,836		2,836		2,836
Increase in lease liabilities		-4,701	-4,701		-4,701
Decrease in lease liabilities		4,810	4,810		4,810
Cash flows			-	10,682	10,682
Other changes	-	-	-		-
Net debt 31 Dec 2023	**-21,308**	**-16,702**	**-38,011**	**31,893**	**-6,118**

The Company's net debt as of 31 Dec 2023 was EUR -6.1 million.

7.23 Funding

Financial assets

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

Classification and measurement

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

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

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

Impairment of financial assets

Impairment is described in more detail in the note on *Financial risk management 7.23.3.*

Financial liabilities

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

The group's financial liabilities consist of loans from financial institutions as well as purchase and lease liabilities. The principles of recording and valuation of these are described in their own notes, *Other short-term liabilities and accruals 7.24* and *Leases 7.15*.

7.23.1 Financial assets and liabilities by measurement category

31 Dec 2023 EUR thousand	Recognized at fair value through other comprehensive income	At amortized cost	Lease liabilities	Carrying amount
Non-current financial assets				
Trade and other receivables *	-	8,220	-	8,220
Non-current financial assets, total		**8,220**	**-**	**8,220**
Current financial assets				
Trade receivables	-	37,292	-	37,292
Cash and cash equivalents	-	31,893	-	31,893
Current financial assets, total	**-**	**69,185**	**-**	**69,185**
Financial assets by measurement category, total		**77,404**	**-**	**77,404**
Non-current financial liabilities				
Lease liabilities	-	-	11,729	11,729
Liabilities to credit institutions		18,750		
Non-current financial liabilities, total	**-**	**18,750**	**11,729**	**30,479**
Current financial liabilities				
Lease liabilities	-	-	4,974	4,974
Liabilities to credit institutions		2,558		
Trade payables	-	78,962	-	78,962
Current financial liabilities, total	**-**	**81,520**	**4,974**	**86,494**
Financial liabilities by measurement category, total	**-**	**100,270**	**16,702**	**116,973**

31 Dec 2022 EUR thousand	Recognized at fair value through other comprehensive income	At amortized cost	Lease liabilities	Carrying amount
Non-current financial assets				
Trade and other receivables *	-	6,012	-	**6,012**
Non-current financial assets, total	**-**	**6,012**	**-**	**6,012**
Current financial assets				
Trade receivables	-	28,833	-	**28,833**
Cash and cash equivalents	-	21,210	-	**21,210**
Current financial assets, total	**-**	**50,470**	**-**	**50,470**
Financial assets by measurement category, total	**-**	**56,482**	**-**	**56,482**
Non-current financial liabilities				
Lease liabilities	-	-	12,334	**12,334**
Liabilities to credit institutions		23,750		**23,750**
Non-current financial liabilities, total	**-**	**23,750**	**12,334**	**36,084**
Current financial liabilities				
Lease liabilities	-	-	4,477	**4,477**
Liabilities to credit institutions		394		**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**

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

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

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

7.23.2 Financial institution loans

At the end of 2023, the Verkkokauppa.com group had a total of 21.3 million interest-bearing financial institution loans. EUR (24.1). The company's financial institution loans have variable interest rates. The interest to be paid is determined every six months based on the Euribor reference rate and the net debt/EBITDA ratio. The maturity of the loans is 3 years, from April 6, 2022. The capital of the loans is amortized every six months. No assets have been given as collateral for financial institution loans. The loans are subject to covenant conditions, which are determined based on the net debt/EBITDA ratio and the net debt ratio. Activities in accordance with the loan covenant are reported to the lenders every six months, and the group's management monitors the fulfillment of the loan covenant regularly. In 2023, the Company has fulfilled the required covenant conditions. The purpose of the taken out financial institution loans is primarily to finance investment projects related to business development and to develop ongoing business. The company's net debt is primarily controlled by managing and optimizing working capital. The book values of the loans essentially correspond to the fair values of the loans, because the loans have variable interest rates and the group's risk premium has not changed substantially.

7.23.3 Financial risk management

General information

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

Funding and liquidity risk

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

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

Contractual cash flows based of financial liabilities and financial guarantee contracts

31 Dec 2023

EUR thousand	< 1 year	2–3 years	3–4 years	> 5 years	Total
Bank loans	2,558	18,750	-	-	**21,308**
Lease liabilities	5,696	11,258	1,146	-	**18,101**
Trade payables	78,962	-	-	-	**78,962**
Total	**87,217**	**30,008**	**1,146**	**-**	**118,371**

31.12.2022

EUR thousand	< 1 year	2–3 years	1–5 years	> 5 years	Total
Bank loans	2 894	21 250	-	-	**24 144**
Lease liabilities	5,248	9,256	4,246	-	**18,749**
Trade payables	66,834	-	-	-	**66,834**
Total	**74,975**	**30,506**	**4,246**	**-**	**109,726**

The balance sheet contains liquid assets of 18%. The Group diversifies the risk of financing (counterparty risk) by entering into various binding revolving credit facilities with large Nordic banks with solid ratings. By varying the amounts as well as the term of the revolving credit facilities, the Group manages the counterparty and maturity risk. It is also Group policy to maximize the use of cash discounts in the current interest environment.

At the end of the financial year 2023, the Company's liquidity reserve consisted of liquid funds. At the end of the financial year, liquid funds amounted to EUR 31.9 (21.2) million. The funds were distributed among various bank accounts.

Interest rate risk

The group's income and operational cash flows are mainly independent of fluctuations in market interest rates, and thus the group's exposure to interest rate risk is mainly related to its external loans. The average annual interest rate of the group's interest-bearing debt excluding lease contract liabilities in accordance with IFRS 16 was approximately 5.0% (2.3%). The table below shows the effects on the group's profit before taxes and the effect on equity. If interest rates were to rise or fall (+/- 1.0 percentage points) and other factors remained unchanged, it would affect the group's result after taxes by EUR 230 thousand (EUR 250 thousand) for the worse or for the better. The sensitivity analysis is based on the interest rate position at the end of the reporting period.

EUR thousand	2023	2022
Change	+/- 1%	+/-1%
Impact on profit after tax	230	250

Liquidity risk

The group aims to monitor the amount of financing required by the business by analysing sales cash flow forecasts, so that the group has enough liquid assets to finance operations and to repay maturing loans. The availability and flexibility of the group's financing is aimed at ensuring sufficient credit limit reserves, a balanced maturity distribution of loans and sufficiently long loan periods, as well as by using several financial institutions and forms of financing in the acquisition of financing. On 31 December 2023, the group had EUR 25 million (25) in the credit limit reserve, and their validity period is linked to the validity period of the financing agreement.

At the end of 2023, the Verkkokauppa.com group had interest-bearing financial institution loans totaling 21.3 million. EUR (23.8), which is amortized annually by 2.5 million. euro and the rest will be paid in April 2025.

Contingent liabilities and assets and commitments

No assets have been given as collateral for financial institution loans. Financial loans and credit limit agreements are subject to covenant conditions. The covenant terms determine the required net debt/EBITDA ratio and the net debt ratio. In 2023, Verkkokauppa.com has fulfilled these covenant conditions.

Credit and counterparty risk

Credit risks arise when a counterparty is unable to meet its contractual obligations, causing the Group to suffer a financial loss. Trade receivables and other receivables expose the Group to credit risk. The most significant credit risk relates to the Group consumer financing service. The Group's main credit risk consists of trade receivables from Group consumer financing and ordinary trade receivables from companies. The open position is larger and longer for Group-financed receivables than for conventional corporate trade receivables. As a result, the credit risk of a Group-financed is greater than that of a conventional corporate trade receivable. The rotation of trade receivables is also faster for corporate trade receivables. The Group has defined a credit policy for customer receivables with the aim of increasing profitable sales in advance, identifying and managing credit risks. The credit policy dictates the minimum principles of Verkkokauppa.com Oyj Group's credit sales and debt recovery. The credit risk is determined by the Credit Committee of the Group.

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

Verkkokauppa.com Group sells all its overdue receivables on a "continuous trade" basis, where all receivables overdue for more than 60 days are sold to third parties. This reduces the risk of Group receivables. The credit loss allowance related to trade receivables where EUR 1.2 (0.8) million.

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

Impairment

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

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

Company recognizes the impairment immediately. Impairment losses are recognized in other operating expenses in the income statement. Recoverable credit losses are recognized in other operating expenses in the income statement.

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

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

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

Changes in expected credit losses are recognized in other operating expenses in the income statement. The total net credit losses recognized in 2023 amounted to EUR 3,263 (1,319) thousand. The effects of the company's net credit losses are described in the note *Accounts receivable and other receivables 7.17.*

Foreign exchange rate risk

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

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

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

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

At the end of the financial year 2023, the amount of currency-denominated open trade payables amounted to EUR 286 (1,608) thousand. Exchange rate differences in accounts payable were irrelevant in 2023 and the comparison year.

7.24 Other current liabilities and accrued liabilities

EUR thousand	31 Dec 2023	31 Dec 2022
Contract liabilities	1,802	2,186
Accrued personnel expenses	6,687	7,391
Other accrued liabilities	10,159	13,065
Withholding tax liability	759	879
VAT liability	9,820	8,569
Other current liabilities and accrued liabilities, total	**29,227**	**32,090**

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

7.25 Provisions

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

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

A warranty reserve is recognized at the time of sale of a product based on management's estimate of the product degradation rate, which is based on historical experience. A provision for expected credit losses is recognized based on historical actuals. The profit-sharing model adopts the expected credit loss model according to IFRS 9, the principles of which are described in more detail in the note on *7.23.3 Financial risk management.*

EUR thousand	2023	2022
Provisions 1 Jan	745	896
Increases in provisions	263	0
Decreases in provisions	0	-151
Provisions 31 Dec	**1,008**	**745**

7.26 Related parties

Verkkokauppa.com Oyj Group's related parties are considered to include the members of the Board of Directors and the CEO of Verkkokauppa.com Oyj Group and other members of the Management Team of Verkkokauppa.com Oyj Group, close family members of the aforementioned persons and controlling entities of the aforementioned persons. Transactions with related parties have been carried out under normal commercial terms. Information regarding the remuneration of management and the board of directors is presented in section *7.6*.

Transactions with related parties

EUR thousand	2023	2022
Sales of goods and services		
To key management personnel and their related parties	92	72
Purchases of goods and services		
From key management personnel and their related parties	-	-

EUR thousand	2023	2022
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	5	-

7.27 Guarantees and commitments

EUR thousand	2023	2022
Collateral given for own commitments		
Mortgages	27,301	27,301
Guarantees	2,027	1,894
Other commitments and contingent liabilities	50	15

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

7.28 Subsequent events

On 18 January 2024, the shareholders' nomination committee announced its proposals to the annual general meeting scheduled for April 4, 2024.

According to the proposal, the board consists of seven members and that the following persons are elected as members of the board for a term that ends at the end of the 2025 annual general meeting.

The following are proposed for re-election: **Robin Bade**, **Henrik Pankakoski**, **Kati Riikonen**, **Samuli Seppälä** and **Arja Talma**, and **Irmeli Rytkönen** and **Enel Sinto** are proposed as new members. The personal information of the new members proposed as board members is available on the company's investor page, at https://investors.verkkokauppa.com/fi/hallinnointi/yhtiokokous_2024.

The persons proposed to be elected as board members have announced that if they are elected, they will elect **Arja Talma** as chairman of the board. All candidates are independent of the company and its significant shareholders, with the exception of **Samuli Seppälä**.

The nomination committee proposes that no changes be made to the fees to be paid.

8 FINANCIAL STATEMENTS OF PARENT COMPANY (FAS) 2023

INCOME STATEMENT

EUR thousand	Note	2023	2022
Revenue	8.2	**500,936**	**538,602**
Other operating income	8.3	**458**	**977**
Materials and services			
Materials and services			
Purchases during the year		-407,023	-442,965
Stock change		-11,267	-14,228
External services		-2,054	-1,205
Materials and services total		**-420,343**	**-458, 398**
Employee benefit expenses			
Salaries and fees	8.4,8.5	-28,296	-30,915
Personnel incidentals			
Pension expenses	8.4,8.5	-5,395	-5,799
Other personnel side costs	8.4,8.5	-945	-1,128
Employee benefit expenses total		**-34,637**	**-37,842**
Depreciation and amortization			
Planned depreciation	8.6	-1,983	-1,615
Depreciation and amortization total		**-1,983**	**-1,615**
Other operating expenses	8.7	**-40,189**	**-38,673**
Operating profit		**4,242**	**3,051**

EUR thousand	Note	2023	2022
Financial income and expenses			
Other interest and financing income			
From companies of the same group	8.8	29	22
From others	8.8	331	15
Interest expenses and other financial expenses			
For others	8.8	-1,337	-600
Financial income and expenses total		**-978**	**-562**
Profit (loss) before appropriations and taxes		**3,264**	**2,489**
Financial statement transfers			
Change in depreciation differences	8.20	-793	-400
Financial statement transfers total		**-793**	**-400**
Income taxes			
Taxes for the financial year	8.9	-537	-399
Taxes of previous fiscal years	8.9	-2	-20
Profit for the financial year		**1,933**	**1,669**

BALANCE

EQUIVALENT

EUR thousand	Note	2023	2022
NON-CURRENT ASSETS			
Intangible assets			
Other intangible asset	8.10	766	397
Immaterial rights	8.10	4	17
Other intangible assets	8.10	3,466	357
Prepaid expenses	8.10	343	2,530
Total intangible assets		**4,579**	**3,300**
Tangible assets			
Land and water areas	8.11	2	2
Machines and hardware	8.11	4,764	5,491
Other tangible assets	8.11	314	433
Advance payments and unfinished purchases	8.11	720	812
Total tangible assets		**5,800**	**6,738**
Investments			
Shares in companies of the same group	8.12	6,249	6,138
Other shares and participations		0	0
Total investments		**6,249**	**6,138**
NON-CURRENT ASSETS TOTAL		**16,628**	**16,176**
CURRENT ASSETS			
Inventories	8.16	**62,818**	**74,084**
Long-term receivables			
Accounts receivable	8.13	7,824	5,615
Receivables from companies of the same group	8.14	1,830	1,830
Other receivables	8.13	372	372
Total long-term receivables		**10,025**	**7,817**
Short-term receivables			
Accounts receivable	8.13	**36,978**	**28,709**
Receivables from companies of the same group	8.14	**1,072**	**232**
Other receivables	8.15	**2,743**	**2,629**
Accruals	8.15	**7,891**	**8,984**
Income tax receivables	8.15	**0**	**892**
Total short-term receivables		**48,685**	**41,445**
Cash and cash equivalentses	8.17	**30,729**	**20,667**
CURRENT ASSETS TOTAL		**152,257**	**144,014**
ASSETS TOTAL		**168,886**	**160,190**

RESPONSIBLE

EUR thousand	Note	2023	2022
EQUITY			
Share capital		100	100
Invested unrestricted equity fund		28,196	28,069
Retained earnings		3,495	1,624
Profit for the financial year		1,933	1,669
Total equity	8.18	**33,724**	**31,462**
Appropriations			
Depreciation difference	8.20	1,193	400
Appropriations total		**1,193**	**400**
Provisions			
Other provisions	8.24	1,008	745
Provisions total		**1,008**	**745**
Long-term liabilities			
Long-term debt			
Loans from financial institutions	8.23	18,750	22,500
Total long-term liabilities		**18,750**	**22,500**
Short-term debt			
Loans from financial institutions	8.21	**2,500**	**1,250**
Received prepayments		**4,692**	**6,433**
Trade payables		**78,831**	**66,677**
Liabilities to companies of the same group	8.22	**438**	**102**
Other short-term liabilities	8.21	**10,365**	**9,472**
Accrued liabilities	8.21	**17,348**	**21,149**
Income tax liabilities	8.21	**37**	**0**
Total short-term liabilities		**114,211**	**105,083**
LIABILITIES TOTAL		**132,961**	**127,583**
EQUITY AND LIABILITIES TOTAL		**168,886**	**160,190**

STATEMENT OF FUNDS

EUR thousand	2023	2022
Cash flow from operating activities		
Profit before income taxes	2,471	2,089
Adjustments		
Depreciations and amortizations	1,983	1,615
Finance income and expense	978	563
Other adjustments	1,385	296
Cash flow before change in working capital	6,817	4,562
Change in working capital		
Increase (-)/decrease (+) in non-current n-i-b trade receivables	-2,209	-1,745
Increase (-)/decrease (+) in trade and other receivables	-8,132	-5,103
Increase (-) /decrease (+) in inventories	11,267	14,228
Increase (+) /decrease (-) in accounts payable and other current liabilities	7,581	-10,557
Cash flow before financial items and taxes	15,324	1,385
Interest paid	-1,041	-21
Other finance expenses paid	-224	-579
Interest received	360	37
Income tax paid	390	-3,049
Cash flow from operating activities	**14,809**	**-2 227**

EUR thousand	2023	2022
Cash flow from investing activities		
Acquisition of subsidiary companies	427	-2,888
Investments in the invested unrestricted equity fund	-350	
Purchase of property, pland and equipment	-283	-2,771
Purchases of intangible assets	-2,041	-2,304
Granted loans	0	-3,080
Sales proceed from disposal of equity investments	0	339
Cash flow from investing activities	**-2,247**	**-10,705**
Cash flow from financing activities		
Dividends paid	0	-11,068
Withdrawals of long-term loans	0	25,000
Repayments of long-term loans	0	-1,250
Withdrawals of short-term loans Repayments of short-term loans	0	5,000
Repayments of short-term loans	-2,500	-5,000
Cash flow from financing activities	**-2,500**	**12,682**
Increase (+) / decrease (-) in cash and cash equivalents	**10,062**	**-250**
Cash and cash equivalents at beginning of financial year	20,667	20,917
Cash and cash equivalents at end of reporting period	30,729	20,667

NOTES TO THE FINANCIAL STATEMENTS 31.12.2023

8.1 Notes on the preparation of the financial statements

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

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

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

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

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

Net sales

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

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

The revenue include income from customer financing service.

Revenue recognition

Revenue is recognized at the time of product delivery.

Items in foreign currencies

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

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

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

Other operating income

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

Intangible and tangible assets

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

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

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

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

The periods for planned depreciations are as follows:

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

Accounts receivables

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

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

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

Point of payment receivables

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

Income taxes

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

Deferred taxes

Deferred taxes are not booked in the financial statements.

Provisions

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

Inventory valuation

Inventories are stated in the balance sheet at their acquisition cost or at the lower acquisition price or probable selling price.

8.2 Revenue

Revenue by external customer location

EUR thousand	2023	2022
Finland	467,648	499,316
EU	28,125	24,302
Rest of the world	5,163	14,985
Revenue by external customer location	**500,936**	**538,602**

8.3 Other operating income

EUR thousand	2023	2022
Lease income from subleasing right-of-use assets	266	545
Other income	191	431
Other operating income, total	**458**	**977**

8.4 Employee benefits

EUR thousand	2023	2022
Salaries and fees	29,179	31,639
Pension costs - contribution-based arrangements	5,400	5,956
Other personnel-related expenses	1,126	1,173
Total personnel costs before activation	**35,705**	**38,768**
Capitalized employee benefits for the financial year		
Wages and salaries	-883	-724
Pension expenses -defined contribution plans	-156	-157
Other personal expenses	-30	-45
Capitalized employee benefits for the financial year	**-1,068**	**-926**
Total personnel costs	**34,637**	**37,842**

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

	2023	2022
Number of employees at the end of the financial year	656	821

The number of personnel includes both full-time and part-time employees. The amount does not include hired labor.

Information on the management's employment benefits is presented in the notes *Management remuneration 8.5.*

8.5 Management remuneration

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

Management remuneration

2023

EUR Thousand	CEO	Management team	2023, total
Short-term employee benefits			
Fixed basic salaries and fringe benefits	394	1,342	**1,736**
Incentive bonus	124	174	**298**
Statutory pension	74	251	**325**
Share-based payments			
Share-based payments	6	19	**25**
Total	**597**	**1,787**	**2,384**
Shareholding, pcs	119,000	103,552	**222,552**
% of shares	0.26%	0.23%	**0.49%**

2022

EUR Thousand	CEO	Management team	2022, total
Short-term employee benefits			
Fixed basic salaries and fringe benefits	409	1,374	1,783
Incentive bonus	10	15	25
Statutory pension	78	217	295
Share-based payments			
Share-based payments	53	88	141
Total	**551**	**1,694**	**2,245**
Shareholding, pcs	95,000	110,250	**205,250**
% of shares	0.21%	0.24%	**0.45%**

Board fees

EUR thousand	2023	2022
Board members 31 Dec 2023		
Arja Talma, Chair of the Board	89	89
Christoffer Häggblom (member until 30 Mar)	14	66
Kai Seikku, Chairman of the Audit Committee	51	51
Samuli Seppälä	35	35
Mikko Kärkkäinen (member until 30 Mar)	9	35
Frida Ridderstolpe (member until 30 Mar)	9	35
Johan Ryding	39	39
Robin Bade (member since 30 Mar)	30	-
Henrik Pankakoski (member since 30 Mar)	32	-
Kati Riikonen (member since 30 Mar)	32	-
Remuneration of Board of Directors, total	**341**	**350**

During the financial year 2023, the company transferred 50,218 (32,140) treasury shares for the payment of the fees.

Board members' shareholdings on 31.12.

Shareholding, pcs	2023	2022
Arja Talma, Chair of the Board	37,853	23,780
Christoffer Häggblom (member until 30 Mar)	-	33,339
Kai Seikku, Chairman of the Audit Committee	157,845	150,809
Samuli Seppälä	15,527,000	15,957,000
Mikko Kärkkäinen (member until 30 Mar)	-	5,858
Frida Ridderstolpe (member until 30 Mar)	-	5,858
Johan Ryding	12,849	5,882
Robin Bade (member since 30 Mar)	5,347	-
Henrik Pankakoski (member since 30 Mar)	5,347	-
Kati Riikonen (member since 30 Mar)	5,347	-
Number of shares, total	**15,751,588**	**16,182,526**

% of shares	2023	2022
Arja Talma, Chair of the Board	0.08%	0.05%
Christoffer Häggblom (member until 30 Mar)	0.00%	0.07%
Kai Seikku, Tarkastusvaliokunnan puheenjohtaja	0.35%	0.33%
Samuli Seppälä	34.23%	35.18%
Mikko Kärkkäinen (member until 30 Mar)	0.00%	0.01%
Frida Ridderstolpe (member until 30 Mar)	0.00%	0.01%
Johan Ryding	0.03%	0.01%
Robin Bade (member since 30 Mar)	0.01%	-
Henrik Pankakoski (member since 30 Mar)	0.01%	-
Kati Riikonen (member since 30 Mar)	0.01%	-
% of shares, total	**34.72%**	**35,68%**

The tables above show board member's shareholdings and % of shares.

8.6 Depreciation and amortization

EUR thousand	2023	2022
Intangible assets		
Development costs	413	283
Other intangible assets	349	85
Amortization of intangible assets, total	**762**	**367**
Tangible assets		
Machinery and equipment	1,098	1,095
Other tangible assets	123	152
Depreciation of tangible assets, total	**1,221**	**1,247**
Depreciation and amortization, total	**1,983**	**1,615**

8.7 Other operating expenses

EUR thousand	2023	2022
Premises maintenance and operation expenses	12,264	12,157
Financial transactions expenses	1,637	1,880
Marketing	7,130	7,652
Administrative services	10,821	11,231
Other expenses	8,337	5,753
Other operating expenses, total	**40,189**	**38,673**

Auditor fees

EUR thousand	2023	2022
Statutory audit	204	142
Other services	29	20
Auditor fees, total	**233**	**162**

The auditing firm chosen by the general meeting is Pricewaterhouse-Coopers Oy. The non-auditing services performed by Pricewaterhouse-Coopers Oy totaled 29 thousand euros.

8.8 Finance income and costs

Finance income

EUR thousand	2023	2022
Interest income	331	15
Interest income from companies of the same group	29	22
Total	**360**	**37**

Finance costs

EUR thousand	2023	2022
Other interest costs	9	21
Other finance costs	161	212
Exchange rate differences on cash and cash equivalents	63	69
Monetary institution Loans interest expenses	1,104	298
Total	**1,337**	**600**

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

8.9 Income taxes

EUR thousand	2023	2022
Current taxes	537	399
Taxes for previous accounting periods	2	20
Income taxes, total	**539**	**420**

8.10 Intangible assets

EUR thousand	Development costs	Other intangible assets	Advance payments and work in progress	Total
Cost 1 Jan 2023	3,383	1,806	2,530	**7,719**
Increases	782		1,259	**2,041**
Disposals				
Transfers between items		3,446	-3,446	
Cost 31 Dec 2023	4,165	5,252	343	**9,759**
Accumulated amortization and impairment 1 Jan 2023	-2,986	-1,433	0	**-4,419**
Accumulated amortization on disposals				**0**
Transfers between items				**0**
Amortization for the financial year	-413	-349	0	**-762**
Accumulated amortization and impairment 31 Dec 2023	-3,398	-1,782	0	**-5,181**
Carrying amount 1 Jan 2023	**397**	**373**	**2,530**	**3,300**
Carrying amount 31 Dec 2023	**766**	**3,470**	**343**	**4,579**

EUR thousand	Development costs	Other intangible assets	Advance payments and work in progress	Total
Cost 1 Jan 2022	3,246	1,777	392	**5,415**
Increases	82	29	2,192	**2,304**
Disposals				**0**
Transfers between items	55		-55	**0**
Cost 31 Dec 2022	3,383	1,806	2,530	**7,719**
Accumulated amortization and impairment 1 Jan 2022	-2,743	-1,308		**-4,051**
Accumulated amortization on disposals				
Transfers between items				
Amortization for the financial year	-242	-125		**-367**
Accumulated amortization and impairment 31 Dec 2022	-2,986	-1,433		**-4,419**
Carrying amount 1 Jan 2022	**502**	**469**	**392**	**1,364**
Carrying amount 31 Dec 2022	**397**	**373**	**2,530**	**3,300**

8.11 Property, plant and equipment

EUR thousand	Land	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total
Cost 1 Jan 2023	2	13,050	3,050	812	**16,913**
Increases	-	279	4	52	**335**
Disposals	-			-52	**-52**
Transfers between items	-	92		-92	
Cost 31 Dec 2023	2	13,421	3,054	720	**17,196**
Accumulated depreciation 1 Jan 2023	-	-7,558	-2,617		**-10,176**
Accumulated depreciation on disposals	-				
Transfers between items	-				
Depreciation for the financial year	-	-1,098	-123		**-1,221**
Accumulated depreciation 31 Dec 2023	-	-8,656	-2,740		**-11,396**
Carrying amount 1 Jan 2023	**2**	**5,491**	**433**	**812**	**6,738**
Carrying amount 31 Dec 2023	**2**	**4,764**	**314**	**720**	**5,800**

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

8.12 Investments

EUR thousand		31 Dec 2023	31 Dec 2022
Holdings in group companies		6,138	-
Aqcuisition costs 1.1.		650	6,138
Increases		-539	
Carrying amount 31 Dec		**6,249**	**6,138**
Ownership of shares%	**Country**		
Arc Distribution Oy	Finland	100%	100%
e-ville.com Distribution Oy	Finland	100%	100%
Digi Electronics Ltd	Hong Kong	100%	100%
Digital Trading (Shenzhen) Co. Ltd	China	100%	100%

8.13 Trade receivables and other receivables

EUR thousand	2023	2022
Non-current		
Trade receivables	7,824	5,615
Other non-current receivables	372	372
Non-current receivables, total	**8,195**	**5,987**
Current		
Trade receivables	36,978	28,709
Other accrued income	7,891	8,984
Income tax receivables	0	892
Other receivables	2,743	2,629
Current receivables, total	**47,612**	**41,213**
Non-current and current receivables, total	**55,808**	**47,200**

8.14 Receivables from companies of the same group

EUR thousand	2023	2022
Group loan receivables, long-term	1,830	1,830
Group accounts receivable	1,017	205
Group accruals	5	5
Group interest receivables	51	22
Receivables from companies of the same group total	**2,902**	**2,062**

8.15 Other short-term receivables and accruals

EUR thousand	2023	2022
Prepayments	2,743	2,629
Support for purchases	5,924	6,481
Other transfer receivables	1,967	2,504
Income tax receivables	0	892
Other short-term receivables and accruals	**10,634**	**12,505**

8.16 Inventory

EUR thousand	2023	2022
Goods	62,818	74,084
Total	**62,818**	**74,084**

8.17 Cash and cash equivalents

EUR thousand	2023	2022
Cash in hand and at banks	30,729	20,667
Total	**30,729**	**20,667**

8.18 Equity

EUR thousand	2023	2022
Equity 1.1.	100	100
Equity 31.12	100	100
Invested unrestricted equity fund at the beginning of the period	28,069	25,938
Invested unrestricted equity fund additions	127	2,131
Invested unrestricted equity fund at the end of the period	28,196	28,069
Retained Earnings	3,495	12,692
Dividends, annual general meeting	0	-11,068
Profit/ Loss of the accounting period	1,933	1,669
Equity total	**33,724**	**31,462**
Restricted equity at the end of the period	100	100
Unrestricted equity at the end of the period	33,624	31,362
Unrestricted and restricted equity total	**33,724**	**31,462**

8.19 Calculation of distributable funds

EUR thousand	2023	2022
Invested unrestricted equity fund	28,196	28,069
Result from Previous years	3,495	12,692
- Dividends	0	-11,068
- Capitalization of development costs	-2,025	-2,589
Profit/Loss of the accounting period	1,933	1,669
Distributable funds total	**31,599**	**28,773**

8.20 Financial statement transfers

EUR thousand	2023	2022
Financial statement transfers1 Jan	400	0
Increases in financial statement transfers	793	400
Financial statement transfers 31 Dec	**1,193**	**400**

8.21 Other current liabilities and accrued liabilities

EUR thousand	2023	2022
Accrued personnel expenses	6,694	7,461
Other accrued liabilities	10,722	13,783
Withholding tax liability	708	821
VAT liability	9,588	8,556
Other current liabilities and accrued liabilities	**27,713**	**30, 621**

8.22 Liabilities from companies of the same group

EUR thousand	2023	2022
Group accounts payable	38	2
Group accrued liabilities	400	100
Liabilities from companies of the same group	**438**	**102**

8.23 Long-term debt capital

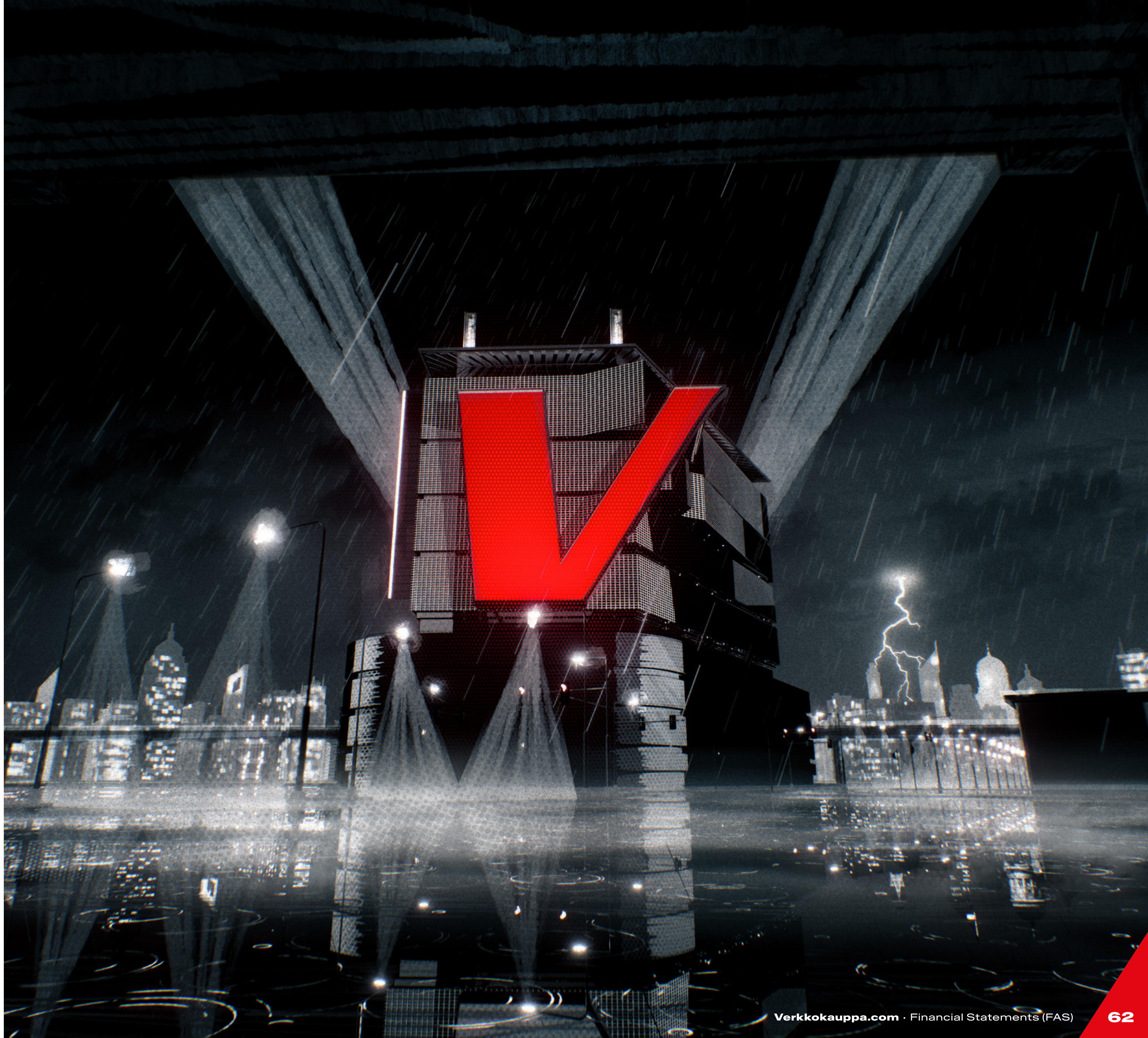
EUR thousand	2023	2022
Loans financial loans	18,750	22,500
Long-term debt capital	**18,750**	**22,500**

8.24 Provisions

EUR thousand	2023	2022
Provisions 1 Jan	745	896
Increases in provisions	263	-78
Decreases in provisions	0	-72
Provisions 31 Dec	**1,008**	**745**

8.25 Guarantees and commitments

EUR thousand	2023	2022
Collateral given for own commitments		
Mortgages	27,001	27,001
Guarantees	2,027	1,036
Other commitments and contingent liabilities		
Credit limit	25,000	25,000
Leasing liabilities	22	15
Rent liabilities	18,101	18,749
Guarantees and commitments	**72,151**	**71,801**



SIGNATURES FOR THE FINANCIAL STATEMENTS AND THE BOARD OF DIRECTORS' REPORT

Arja Talma Chair of the Board	**Panu Porkka** CEO
Johan Ryding Board Member	**Samuli Seppälä** Board Member
Kai Seikku Board Member	**Henrik Pankakoski** Board Member
Robin Bade Board Member	**Kati Riikonen** Board Member

AUDITOR'S REPORT (Translation of the Finnish Original)

To the Annual General Meeting of Verkkokauppa.com Oyj

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with IFRS Accounting Standards as adopted by the EU
- he financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

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

What we have audited

We have audited the financial statements of Verkkokauppa.com Oyj (business identity code 1456344-5) for the year ended 31 December 2023. The financial statements comprise:

- the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, which include material accounting policy information and other explanatory information
- the parent company's balance sheet, income statement, cash flow statement and notes.

Basis for Opinion

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

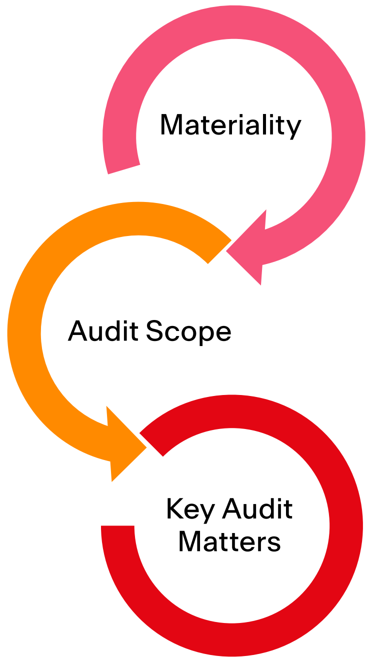
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

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

Our Audit Approach



Overview

- Overall group materiality: € 5 020 000, which represents 1% of group´s revenue
- Audit scope: The audit scope includes Verkkokauppa.com Oyj
- Timing of revenue recognition
- Valuation of inventories

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

Materiality

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

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

Overall group materiality	€ 5 020 000 (previous year € 5 400 000)
How we determined it	1% of the group´s revenue
Rationale for the materiality benchmark applied	We chose revenue as the benchmark because, in our view, it is the benchmark against which the performance of the company is most commonly measured by users. We chose 1 % which is within the range of acceptable quantitative materiality thresholds in auditing standards.

How we tailored our group audit scope

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

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

Key Audit Matters

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

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

Key audit matter in the audit	How our audit addressed the key audit matter
Timing of revenue recognition *Refer to note 7.2 of the consolidated financial statements and to note 8.1 and 8.2 of the parent companý s financial statements* The Group´s revenue, € 503 million, and Parent companý s revenue, € 501 million, consist of sale of goods and services. The transaction price of sale of goods consists of the list price of the goods, the variable consideration related to the right to return, as well as the transportation fee. The sale of goods is recognized when the customer assumes control of the goods. When a customer is paying using Apuraha financing, the Company recognizes the revenue from customer financing on a monthly basis according to the actuals. The transaction price for service contracts with customers consists mainly of fixed prices. The Company recognizes revenue from service contracts with customers when the service has been rendered or over time. Verkkokauppa.com´s revenue comprise a large amount of transactions and revenue is a significant item in the consolidated financial statements and parent companý s financial statements. Management exercises judgement e.g. when defining the variable consideration related to sale of goods. Given these factors, we have considered timing of revenue recognition to be a key audit matter.	Our audit procedures included test of controls related to timing of revenue recognition and test of details procedures. Our test of details included e.g. the following procedures: • We gained an understanding of the nature of the revenue streams and different contractual terms used. • We assessed the Company's accounting policies over revenue recognition. • We compared the accounting treatment of a sample of sales transactions and variable consideration to the terms of underlying contracts. • We tested a sample of sales transactions against incoming cash. • We tested a sample of sales invoices recorded in December 2023 and January 2024 to evaluate that revenue had been recognised in the right period. • We compared selected accounts receivable balances against payments received after the period end.
Valuation of inventories *Refer to note 7.18 of the consolidated financial statements and to note 8.1 and 8.16 of the parent companý s financial statements* Inventories form a significant part of the Group's assets, amounting to € 63 million, and Parent companý s assets, amounting to € 63 million, as of 31 December 2023. • Inventories are measured at the lower of cost and net realizable value. The cost of inventory is assigned by using the FIFO (first-in, first-out) method. The cost contains direct costs of purchase less rebates. • The goods inventory turnover and possible reduction in the net realizable value below cost is assessed regularly and a write-down of inventories is recognized when necessary. In addition, the Company recognizes a write-down of aged products, based on days in stock. • Inventories are a significant item in the consolidated financial statements and parent companý s financial statements. Management exercises judgement and applies assumptions when estimating the need for an obsolescence provision. Given these factors, we have considered valuation of inventories to be a key audit matter.	Our audit procedures included test of controls related to timing of revenue recognition and test of details procedures. Our test of details included e.g. the following procedures: • We assessed the adequacy of the obsolescence provision and checked adherence to the Company's accounting policy. • We compared, on a sample basis, the value of inventory items against purchase invoices and sales invoices to ensure that inventory items are measured at the lower of cost and net realizable value. • For a sample of warehouses, we attended the physical stock-take counting or reconciled third party confirmations with the accounting records.
There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the consolidated financial statements or the parent company financial statements.	

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

OTHER REPORTING REQUIREMENTS

Appointment

We were first appointed as auditors by the annual general meeting on 15 March 2016. Our appointment represents a total period of uninterrupted engagement of 8 years.

Other Information

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

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

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

In our opinion

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

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

Helsinki
PricewaterhouseCoopers Oy
Authorised Public Accountants

Mikko Nieminen
Authorised Public Accountant (KHT)

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.

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