



Verkkokauppa.com

– the address
of all passions

Company year 2021



Verkkokauppa.com's Annual reporting 2021

Verkkokauppa.com has published four separate reports, which together form the company's Annual reporting for 2021. The reports are available in Finnish and English, and the reporting components are the Company brochure, Report of the Board of Directors and the Financial Statements, Statement of non-financial information, and Corporate Governance statement including the Remuneration report. The Statement of non-financial information is about company's sustainability work and its progress during 2021. Reports can be read and downloaded on the [Verkkokauppa.com website](https://www.verkkokauppa.com) as separate pdf files.



CEO's Review

Corporate sales as a driver of growth

The year 2021 continued to be dominated by the coronavirus pandemic and much of the year went by under exceptional circumstances. The full year revenue of Verkkokauppa.com reached a record high of EUR 574.5 million. Growth was driven in particular by corporate sales, which grew by almost 20 percent during the year. In consumer sales, the year ended with growth of two percent. Wholesale sales outside Finland continued to decline and their share of revenue fell to less than seven percent.



EUR **575** mil.

**Highest turnover in
the company's history**

75%

**Finns reached with
next-day deliveries**

1.1%

**Exceptionally low product
return rate**

Consumer sales during the year were doubled. The early part of the year was strong, but toward the end of the year demand weakened as the last quarter saw the total market for consumer electronics, as measured by GFK, down by as much as 8%. During the year, growth came entirely from online sales, while in-store sales declined, especially as the store in Helsinki suffered from a sharp drop in commuter and passenger traffic and consequently lower footfall. The pandemic period of almost two years has clearly made consumers more accustomed to online shopping and we believe that this change will be permanent. For an increasing number of purchases, online shopping plays a big role, even if the final purchase is made in-store. In addition to in-store and online shopping, we are also focusing on developing a seamless multi-channel experience.

The most important development of the year was the positive growth in our corporate sales. It was great to see that our investment in one of our cornerstones paid off, and we gained many new corporate clients during the year. This confirms our view that procurement, especially by small and medium-sized companies, is moving in a more consumer-like direction, which plays to our strengths. We continue to see a lot of growth potential in corporate sales and we will continue to invest in its development by strengthening our sales organization and continuing our marketing efforts.

During the year, our profitability remained at last year's level. The net sales margin increased by 3% to EUR 91 million as costs increased by about 5%. Comparable operating profit (EBIT) was EUR 20.3 million, compared to EUR 20.4 million last year.

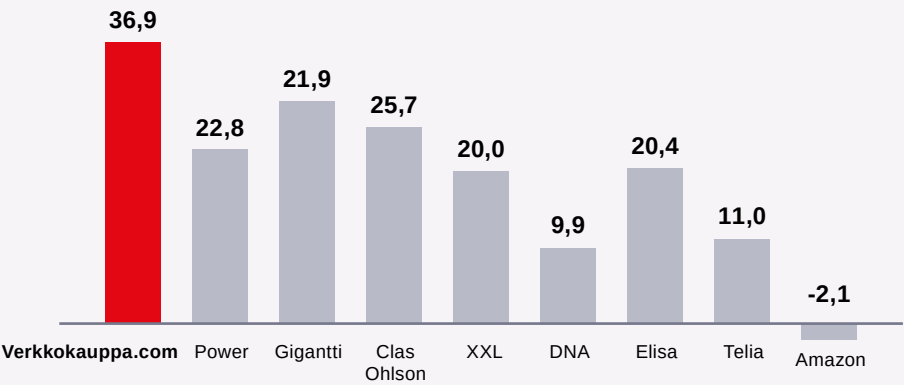
A weaker market and greater availability challenges than previous year

According to GFK, the growth of the total market in consumer electronics remained below 1% during the year, mainly due to weak demand toward the end of the year. The year was also marked by availability challenges across product groups due to the prolongation of the pandemic. In addition to raw material shortages and supply chain challenges, the increase in global demand has further weakened stock availability in many product categories, and delivery times have lengthened in general and uncertainty is growing. We have had to work harder than usual on procurement, but we have managed the situation remarkably well and have also consciously increased the stock level in our warehouses. Customers expect fast deliveries and efficient logistics, making it increasingly important to ensure availability through the quantity and attractiveness of products in our warehouses. In terms of product categories, the biggest growth areas were toys, barbecue and kitchen, cameras, games and entertainment, and sports. In terms of availability, we believe that the situation will continue to be challenging during 2022.

More than **80,000** products ranging
from laptops to analog watches



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



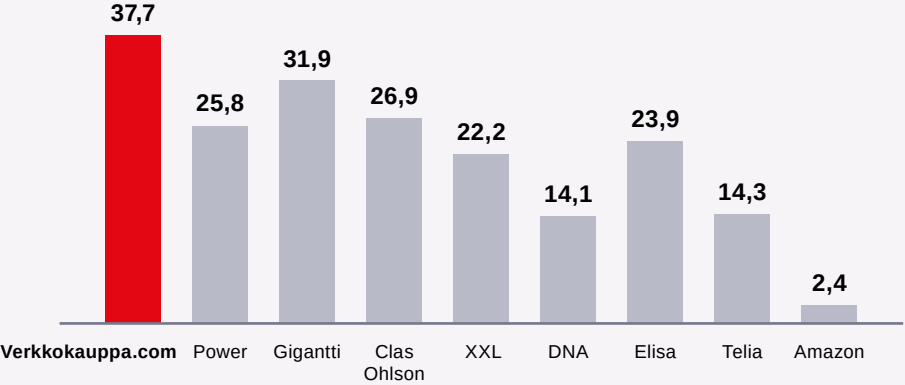
A strong brand as a competitive edge

The well-known and respected brand of Verkkokauppa.com will provide significant support for business growth in the coming years. In 2021, Verkkokauppa.com was again chosen as the most popular online store in Finland in Posti's large online survey. According to the study, ease and functionality of online transactions were key words for customers. In the Brandindex survey conducted by the research company YouGov, Verkkokauppa.com again continued to be the most popular, most talked about and best overall brand in its peer group in 2021 compared to other brands. During 2022, the company's goal is to further develop its brand recognition throughout Finland and to increase customer purchasing activity, especially in emerging categories.

Personnel to enable growth

Skilled and motivated personnel are one of the key enablers of our growth. During the year, we significantly increased our efforts to strengthen our work community. We engaged more actively in dialog with our employees and built a vision for wellbeing through feedback from employees and joint workshops. We extended paid lunch to part-time workers by changing it to Verkkisextra, which now means that we pay our shop and logistics employees more than 6% better than

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

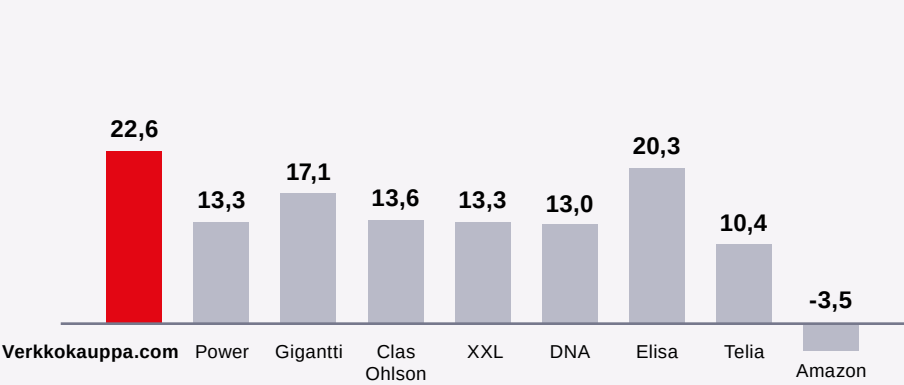


the collective agreement (TES). We expanded our occupational health services by introducing mental health-enhancing services and we made a strong contribution to training and coaching our managers. We held a number of workplace coaching sessions across the organization and during the year we saw dozens of career paths where employees moved to new roles in-house. We also introduced a new work-shift planning system, which will help us to better scale human resources according to current demand based on data. All of these measures are designed to ensure that our passionate personnel can do their best and deliver a great experience to our customers every day of the year.

Investment in inventory automation

For a year now, we have been resolutely moving toward our renewed strategy objectives. Future growth is made possible by our warehouse automation investment in Helsinki and a significant increase in the range. The implementation of the AutoStore inventory automation system is planned for the spring of 2022. This will enable us to add more than 15,000 product lines to our Jätkäsaari warehouse and significantly improve our operations and product availability. Verkkokauppa.com's warehouse automation includes a total of 36 robots capable of picking and delivering up to 1,000 items per hour. During the current year, in addition to AutoStore, a packaging

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



automation system will be installed in Jätkäsaari, which will fulfill up to 720 orders per hour. In 2021, the popularity of same-day home delivery continued to grow significantly, and meeting the demand for fast deliveries will be a key factor in the coming years. These are important steps in our company's journey toward our long-term growth target of one billion euro in revenue by the end of 2025. We intend to continue to develop our business over time, focusing on customer experience and the resulting profitable growth.

Joint effort

We have survived a challenging year by adapting to changing situations and managing to operate at a high service level. This has required a great deal of flexibility, persistence and positive attitude on the part of everyone. At the end of the year in particular, the Omicron variant put unprecedented pressure on our human resources, and yet we coped with the busy season and high delivery volumes admirably. The people of Verkkokauppa.com will continue to work for our customers with perseverance and passion in the years to come!

*Source YouGov BrandIndex n=Over 3,000

2021 the company achieved the highest revenue in its history

— **Q1** —

Verkkokauppa.com announced its refined strategy for the period 2021–2025

– Journey towards 1 billion in sales

— **Q2** —

Verkkokauppa.com awarded as one of the most innovative companies in Finland*

The popularity of home deliveries continued to rise; number of home deliveries increased by 8% and same-day express deliveries by 69%

— **Q3** —

Verkkokauppa.com joined the international Amfori BSCI association to develop social responsibility in the supply chains according to the principle of continuous improvement.

Building of a world-class automated urban logistics hub started in Jätkäsaari, Helsinki

Verkkokauppa.com's history's first Capital Markets Day was held

— **Q4** —

Verkkokauppa.com was once again chosen as Finland's most popular webstore by Posti's online shopping survey**

Number of product titles up to a new record – over 80,000 items in our assortment.

Our assortment is growing by up to 100 products a day

We strengthened our position as customer experience and customer loyalty leader in retail – customer satisfaction all time high, NPS 72***

* Hanken Finnish Innovation Index (FII)

** Posti's Online shopping survey 2021 n=2093

*** NPS 72 12/2021

A close-up photograph of a person's hands using a silver laptop. The laptop screen displays a Finnish e-commerce website with various product listings and advertisements. The person is wearing blue jeans and a grey patterned sweater. The background is slightly blurred, showing a wooden surface and a red patterned rug.

Operating environment

The shift to online commerce continues to grow.
In 2021, growth was not as strong as in early 2020,
during the height of COVID pandemic.

In 2021, according to Statista's estimates global online retail sales growth was 10.1%, with online sales accounting for 17.8%* of total global retail sales. In the post-pandemic period, growth is expected to remain high, and in Finland in particular we expect online shopping to become an integral part of the everyday lives of a growing percentage of Finnish consumers. The market for online and retail trade in Finland will continue to be very competitive. The decline in brick-and-mortar specialty stores is likely to continue, which will support the migration of new product categories online.

The coronavirus meant 2021 was an exceptional year for online shopping. The pandemic continued to strengthen the megatrend of growth in online trade. The company believes that the change brought

about by the coronavirus is rather permanent and sees that the e-commerce sector has entered a new era, where the target market has grown and any product or service is seen as possible to buy online.

In Finland, we can expect to see further major changes in customer shopping behavior and willingness to buy all kind of products online in the coming years.

Global e-commerce enables all buyers to choose from an ever-expanding supply. Competition in e-commerce is by nature international, as it is easy for consumers to compare and order products abroad. However, there is a tendency for informed consumers to favor local responsible operators, which also helps the company to

compete with international players. Verkkokauppa.com will thrive in the e-commerce arena, in particular thanks to its fast deliveries from local warehouses, its growing variety and its ever-evolving multi-channel business model. As a rule, the company benchmarks its operations and competitiveness against major global players and constantly seeks to anticipate market changes, acting as a local retail pioneer.

*Statista "E-commerce as share of total retail sales worldwide 2015–2025"

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Resources and enablers:



Professionals of Verkkokauppa.com

- Company employed an average of 776 persons in 2021



Omnichannel marketplace

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



Enablers of business

- Supply chain and supplier relations (approx. 750 suppliers)
- Local warehouses
- Fast and versatile deliveries
- Company's own and continuously evolving ERP system and webstore platform



Intellectual capital

- Brand image and brand awareness
- Concept of omnichannel customer experience
- Product knowhow and category management
- Customer and transaction data
- Product information and reviews



Financial Resources

- Balance sheet total EUR 172.3 million
- Cash and cash equivalents EUR 20.9 million



Owners

- 18,811 shareholders (31.12.2021)



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Excellent customer
experience and
strong brand

Efficient
order-to-delivery
process

Unparalleled
technical back-end
system

Broad assortment
of products

Competitive cost
structure

Added value and its effects:



Personnel

- Career paths and developing competence
- Community and employee engagement
- Wages and salaries EUR 28.9 million



Customers

- More than 80,000 products
- Probably always cheaper
- Easy and fast shopping on all devices
- Personalized customer experience for consumer, corporate and wholesale customers
- Tailored services for businesses of all sizes
- More than 50,000 active
- Customer satisfaction, NPS 72



Suppliers

- A modern distribution channel to reach consumer and corporate customers
- Purchases over EUR 490 million



Shareholders

- Operating profit for the financial year EUR 15.1 million
- Increasing quarterly dividend
- Dividends paid in 2021 EUR 20.1 million



Society

- Taxes and tax-like payments EUR 38.9 million
- All taxes are paid to Finland



Environment

- All electricity procured by the company 100% renewable
- Greenhouse gas emissions from own operations 319 tCO₂
- Waste recovery rate 100%, recycling rate 81%
- Recycled e-waste 351 tonnes

Our values

Courage



Transparency



Agility



Community

* Source: Posti's great online survey 2021

Sustainability

at Verkkokauppa.com

Sustainability is a key part of Verkkokauppa.com's operations. High-quality, safe products and selling products that customers actually need are at the heart of our operations.

Sustainability work focuses on priorities identified through materiality analysis and stakeholder dialogue, and covers a wide range of areas. Verkkokauppa.com's first sustainability program sets targets for the company's sustainability work in the 2021–2025 strategy period. The objectives will be pursued based on the principle of continuous improvement.

For more information on Verkkokauppa.com's sustainability, operating practices and performance, see the section on Sustainability at Verkkokauppa.com, Statement of non-financial information 2021. You can also read more about our sustainability work on our [website](#).

In 2021 we introduced reusable shopping bags made from renewable Paptic material.

Our sustainability focus areas



At the customer's service and on their side

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



Smaller environmental impact

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



Verkkokauppa.com as a Community

- We invest in leadership and culture
- We promote well-being and support professional development
- With us, you can be as you are



Profitable business and good governance

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

Highlights of responsibility work 2021

<p>We sell what our customers actually need</p> <p>and keep our return rate low at 1.1%</p>	<p>We invested in</p> <p>energy efficiency and renewable energy – our climate emissions fell by 34%</p>	<p>We foster</p> <p>a sense of community through active dialogue, staff surveys and workshops</p>	<p>We introduced</p> <p>Verkkokauppa.com's renewed Code of Conduct</p>	<p>In our online store</p> <p>customers can now compare appliances by energy efficiency class</p>
<p>We increased</p> <p>the resale of returned products – our outlet sales per item increased by 29% through online outlets and in-store outlets</p>	<p>We recycled</p> <p>351 tons of waste electrical and electronic equipment (WEEE)</p>	<p>We launched</p> <p>a welfare strategy and introduced new services for health and well-being at work</p>	<p>We added</p> <p>sustainability topics to the quarterly reports</p>	<p>We launched</p> <p>a website to provide information on our sustainability work</p>
<p>We joined</p> <p>the Amfori BSCI international corporate responsibility program to promote responsible working conditions in our supply chains</p>	<p>We introduced</p> <p>renewable and reusable Paptic bags and plastic bags made of 80% recycled plastic</p>	<p>We agreed</p> <p>on a completely flexible way of remote working in expert positions</p>	<p>We set targets</p> <p>for our sustainability work</p>	<p>We donated</p> <p>over 100 washing machines to people in need</p>

Verkkokauppa.com

strategy

Our vision is to remain as pioneer of e-commerce through continuous innovation and development. Our mission is to provide the best possible customer experience in the Nordic countries in selected categories.

Verkkokauppa.com's strategy is implemented through eight strong cornerstones:

1. Assortment

We offer the widest and most exciting assortment in selected categories in Finland. We are the first to make the most sought-after products available to our customers.

2. Experience

We deliver a seamless, multi-channel customer experience backed by our own advanced technology platform. We build customer journeys around the needs of the digital customer, with new services and capabilities being developed continuously.

3. Speed & flexibility

We deliver orders quickly to our customers. Our order delivery is fuelled by excellent availability and ease of use. We provide accurate and up-to-date information on the availability of our products through all our channels and locations. Verkkokauppa.com's delivery network already covers around 75% of Finns with next-day delivery.

4. Trust

We ensure that our promises are fulfilled with transparent product information and competitive prices in the retail sector by being "Probably always cheaper". We always focus on solving the customer's need in the best possible way without imposing. We want to be worthy of the customer's trust.

5. Strong brand

We enable our customers to fulfil their passions. We strive to maintain our position as Finland's most popular online shop by offering products at low prices, quickly and easily. We are growing our relevance in more and more new categories and building long-lasting and loyal customer relationships.

6. Passionate people

Our people are one of our key success factors. We are more than 750 passionate Verkkokauppa.com employees, from salespeople to system developers. We value each other and respect diversity and promote equality. We want to foster an atmosphere of community where everyone has the opportunity to continue to develop our business in the future.

7. Technology backbone

Our own IT-professionals and strong technological knowledge have provided us technical capabilities on which to build new services and features to provide the best experience possible.

8. New businesses and M&A

We ensure our ability to grow reach, selection and capabilities. In 2022 Verkkokauppa.com agreed to acquire e-ville.com online store to strengthen and expand its assortment in own brands and their sourcing service in the Far East will strengthen our key growth areas.

Verkkokauppa.com's long-term (2021–2025) financial targets

Verkkokauppa.com aims for a revenue of one billion euro and a 5% comparable EBIT margin by the end of 2025. Also, the company aims to push its fixed costs below 10% of revenue by 2025 through targeted investments into logistics, processes and automation, supply chain and product management, as well as marketing.

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

We regularly report on the progress and performance of the strategy in relation to the strategic goals.



**Revenue EUR 1 billion
and 5% EBIT margin**

by the end of 2025



More than **80,000** products
ranging from grills to smartwatches



Verkkokauppa.com's share- holders

Trading of Verkkokauppa.com shares on the Nasdaq Helsinki Ltd began on 5 June 2020. We are especially happy that the amount of shareholders has increased since, and at the end of December 2021, we had more than 18,800 shareholders.

Finnish households had 53 percent share of company's shares, and financial and insurance corporations had 16 percent. Other Finnish investors had 19 percent. Out of total sharebase, foreign shareholders had some 12 percent of shares. Company's market capitalization (excl. own shares) was EUR 319 million.

Dividend

Verkkokauppa.com continues its dividend policy, according to which the company pays an increasing dividend to its owners on a quarterly basis. The Board of Directors proposes to the Annual General Meeting 2022, that a total dividend of EUR 0.246 per share be paid for the financial year 2021. The total dividend is to be divided into a payment of EUR 0.060 per share following the Annual General meeting. In addition, it is proposed to the AGM to authorize the Board of Directors to decide at its discretion the distribution of total of EUR 0.186 per share to be divided in three quarterly instalments.

Investor Relations

Investor Relations function serves shareholders, investors and analysts. Verkkokauppa.com's Investor Relations is located in Helsinki, alongside with Jätkäsaari store and it serves investors and analysts by answering the enquiries by phone or e-mail, or at the investor meetings arranged. All questions and the meeting requests are asked to be send to Investor relations.

Primary information and communication channel is company's [investor website](#). Website is in Finnish and English, and there can be found all up-to-date and timely information on company; releases, financial reports, publications, presentations from result news conferences and links to webcasts as well as investor calendar. You can check the publication dates and other investor events in the investor calendar. The website also provided information on the largest shareholders, as well as a share price monitor, an investment return calculators and a historical price look-up. On the investor saite, you can subscribe to our newsletter mailing list, so you always get the lates news stratight to your inbox.

Capital Markets Day

On 2021, Verkkokauppa.com hosted its first Capital Markets Day in the company's history. During the event, company management presented the road toward a revenue of one billion euros, strategy execution and how the company is capitalizing on the shift to online by leveraging its most exciting assortment as well as company's own

technology backbone. A recording of the event and presentation materials are available on the company's investor website: <https://investors.verkkokauppa.com/en/capital-markets-day>.

Result publications

In connection to quarterly result publications, Verkkokauppa.com arrange news conferences in Finnish and in English. At news conferences, the CEO of Verkkokauppa.com will present the result and the events can be followed via a live webcast. The earnings report will be published in English and in Finnish, typically at 8:00 am, and presentation material for the events will be available on the investor pages after the release of the earnings report. Recordings of the press conferences will be available after the events.

Silent period

Verkkokauppa.com observes a 21-day period of silence before releasing financial reports. During the silent period Verkkokauppa.com does not meet with representatives of the capital markets.

Verkkokauppa.com's financial calendar 2022

- Financial Statements Release 2021 was published on Thursday 10 February 2022
- The Financial Statements for 2021 will be published during the week beginning 28 February (week 9) in 2022
- AGM on 24 March 2022
- Interim report for January – March 2022 on Thursday 28 April 2022
- Half-year financial report for January – June 2022 on Thursday 14 July 2022
- Interim report for January – September 2022 on Thursday 27 October 2022
- Financial statements bulletin for the year 2022 on Thursday 9 February 2023.

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Visit our Investors website: <https://investors.verkkokauppa.com/en>

Join mailing list for Company releases: www.joinverk.com

Watch investor Webcasts: www.verklive.com

Verkkokauppa.com

empowers its customers to follow their passion by providing a wide product assortment of around 80,000 products. Verkkokauppa.com Oyj serves its retail and corporate customers through its webstore, megastores, 24h kiosk and network of collection points as well as fast deliveries and various services. As Finland's most popular and most visited domestic online retailer, its deliveries cover around 75 percent of the Finnish population within the next day. The Company has four megastores: in Oulu, Pirkkala, Raisio, and Helsinki, where its headquarters is also located. Verkkokauppa.com employs more than 750 people and its shares are listed on the Nasdaq Helsinki stock exchange with the ticker VERK.



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