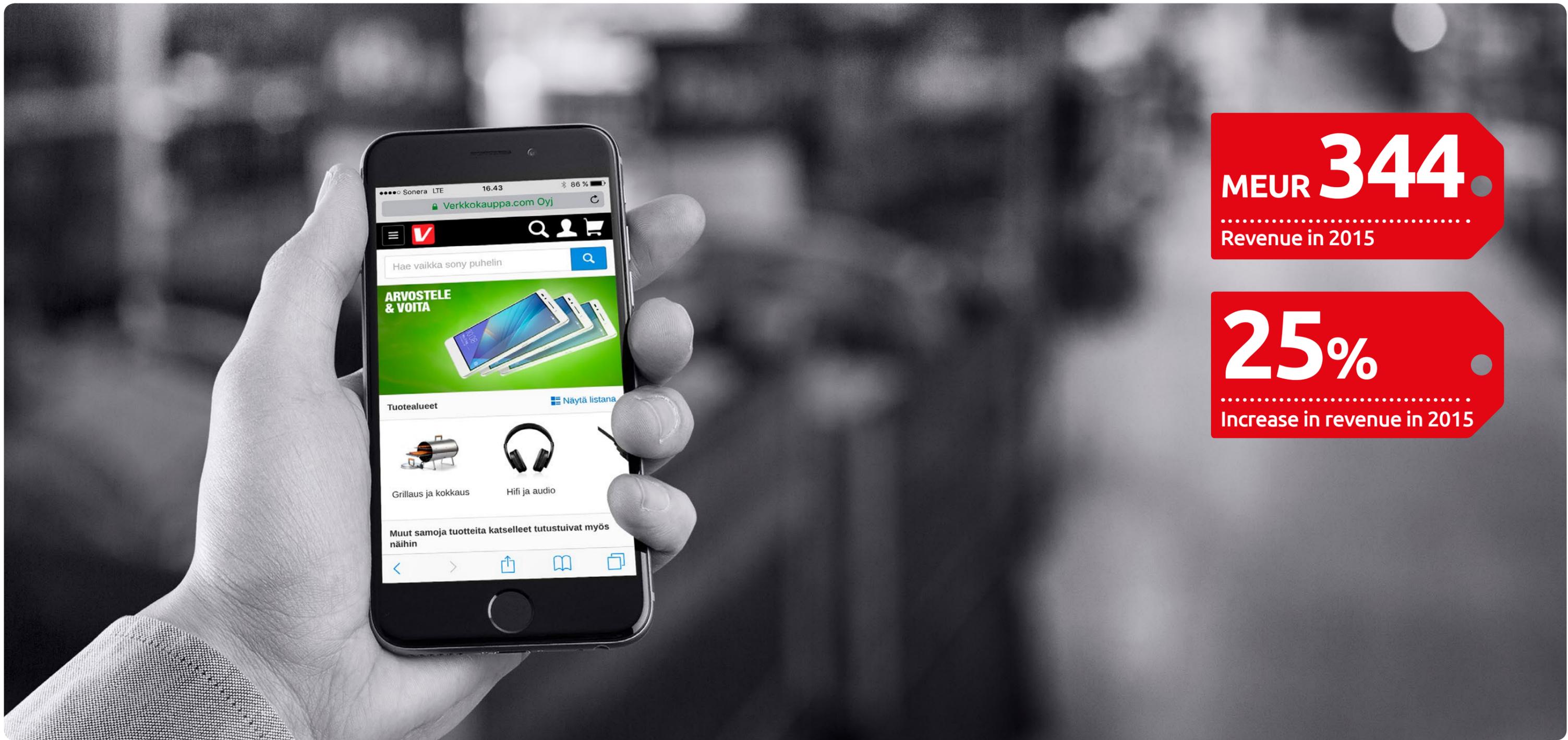




# Annual Report 2015

**Verkkokauppa**  
PROBABLY ALWAYS CHEAPER **.com**

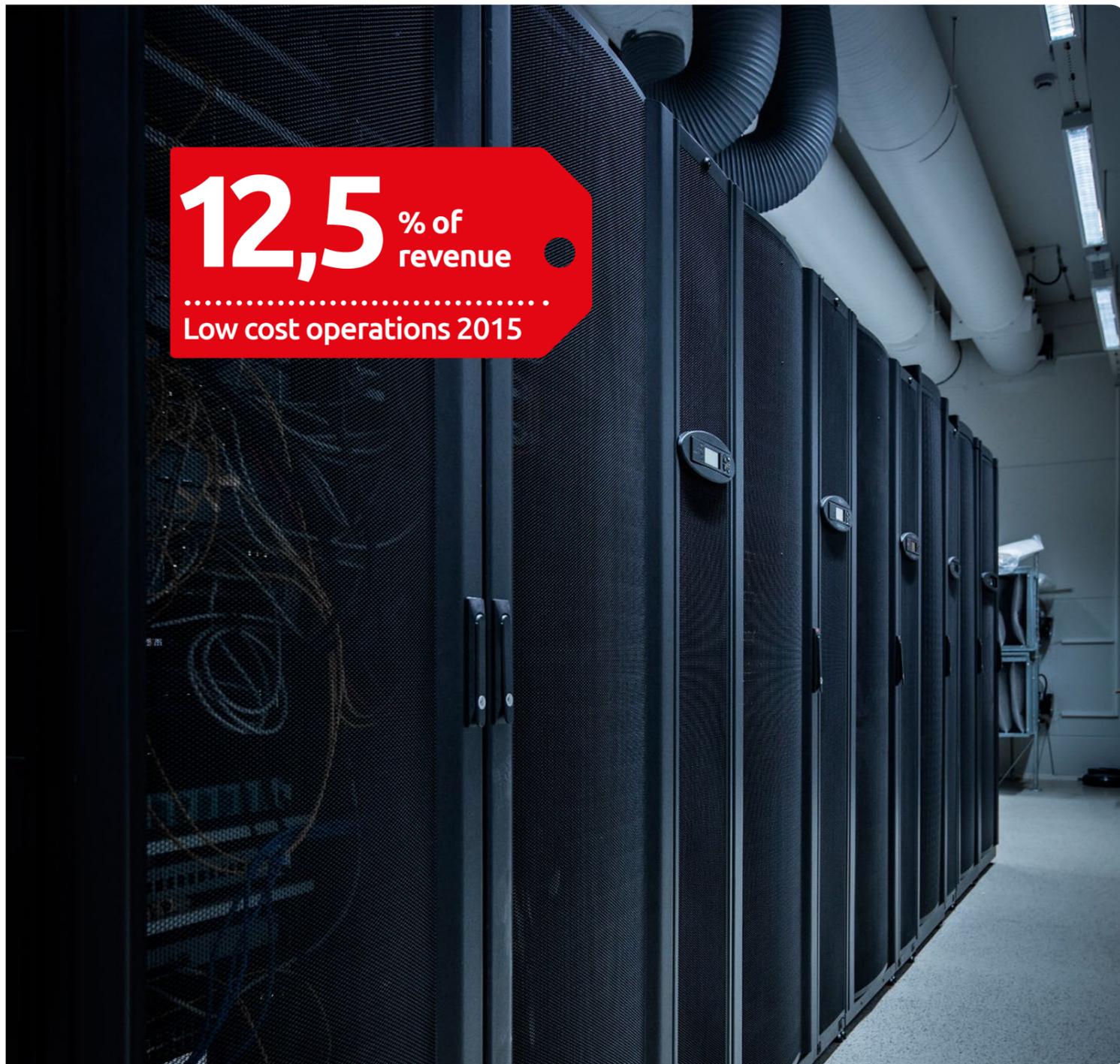


# The growth story continues

For Verkkokauppa.com, 2015 was a year of growth and expansion. The company launched new product categories and added new product lines to existing product categories. Thus the range of products was expanded without compromising quality or price promises. The eventful year also included interesting events and campaigns, which above all offered customers added value through experiences but also strengthened Verkkokauppa.com's image as a bold forerunner and position as the most popular webstore in Finland.

The 25% revenue growth in 2015 demonstrates that the company has been making the right decisions during the course of its history, resulting in continuous growth even in the current challenging economic environment. Increased competition and the state of the entire industry were starkly visible in the

announcements by Verkkokauppa.com's competitors of staff reductions and even closings of business. Regardless of the turbulence in the retail industry, Verkkokauppa.com focused on its strengths: low prices, extensive product range, product availability and improving customer experience.



## Retail continues going online

Retail is going online – this natural development of the retail business remained strong also in 2015. As the recession continues, customers are increasingly quality- and price-conscious and place ever-greater demands on their marketplace. Finnish customers' top requirements for webstores are trust, ease of purchase, and good delivery and collection services, in order of importance.\* Customer expectations are forcing webstores to meet the demands and thus,

create even better service for the entire retail industry. Verkkokauppa.com knows what it takes to be an excellent webstore and is, as an industry leader, well aware of customer expectations. The strengths that the company has developed over the years match customers' needs: extensive product range, transparent and identical prices online and in stores without any hidden costs, possibility to buy and collect purchases around the clock (24/7 collection point in Jätkäsaari,

Helsinki), and above all, diverse and comprehensive product information complemented by hundreds of thousands of uncensored customer product reviews. All of these strengths play a significant role as customers look for new trustworthy places to shop.

An important area of development in 2015 was the accuracy of delivery times for ordered products, which was further improved significantly during the year. The company believes that accurate delivery times are a

crucial part of the shopping experience and customer trust.

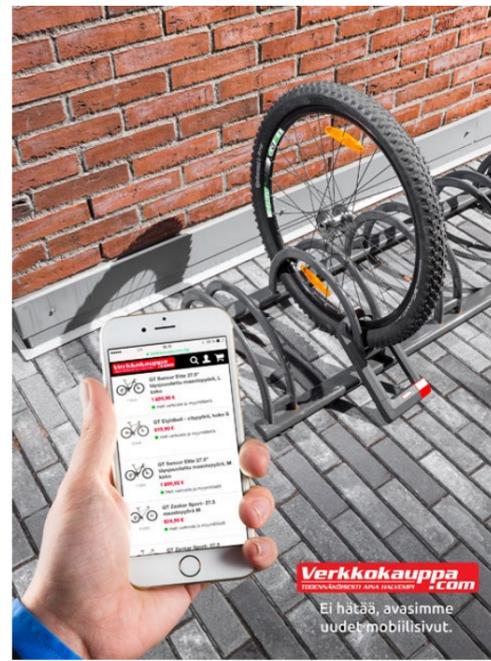
In accordance with the company's strategy, Verkkokauppa.com combines the strengths of a webstore with the affordable prices made possible by a low cost structure. With this powerful formula, the company aims to be an open and the most reliable reference website for Finnish consumers and to challenge the competitors also in the future.

\*Boston Consulting Group eCommerce survey 2015 in Finland



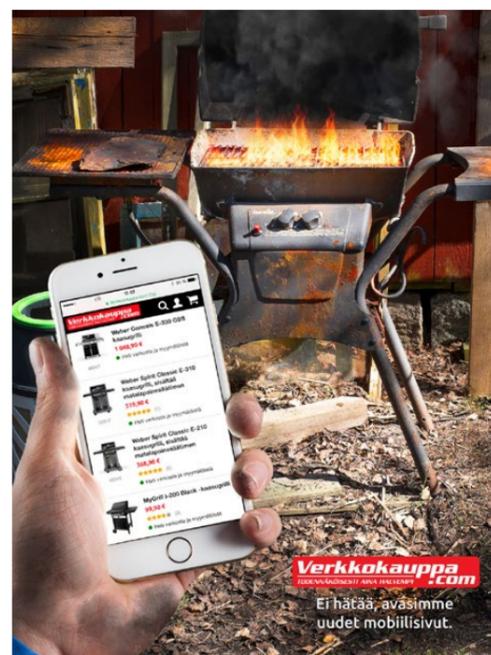
**Verkkokauppa.com**  
TODENNAKOISESTI AINA HALVEMPI

Ei hätää, avasimme uudet mobiilisivut.



**Verkkokauppa.com**  
TODENNAKOISESTI AINA HALVEMPI

Ei hätää, avasimme uudet mobiilisivut.



**Verkkokauppa.com**  
TODENNAKOISESTI AINA HALVEMPI

Ei hätää, avasimme uudet mobiilisivut.



**Consistent online and in-store pricing.**

**Available 24/7 always and everywhere.**



**First-rate buying experience on all devices.**



# Mobile shopping on the rise

In 2015 one particularly important trend in online commerce continued to rise and it is expected to shape the entire retail business: the share of mobile shopping is growing with each passing moment, even if its true potential still looms on the horizon. The share of mobile visitors in Verkkokauppa.com website increased steadily, and these numbers are starting to be significant.

However, despite the growing popularity of mobile devices, the time spent on other platforms has not diminished. Instead, different devices are currently used for shopping side by side, supporting overall

sales. Whereas in the past people would browse the Internet during the weekends, for a few hours on weeknights or quickly during a break at work, smart devices are carried around everywhere – always

ready to go. When you have the entire world in your pocket, the endless shop windows of webstores are also always ready to welcome customers. The online data Verkkokauppa.com has gathered indicates that especially in the Helsinki metropolitan area, customers often research products on their mobile device before making the final purchase decision. The most active group of mobile webstore visitors consisted of people aged 25–34 years, and they were more often men than women.

To respond to the changing consumer behaviour, Verkkokauppa.com continued developing its mobile webstore intensely throughout the year. The company wanted to bring the many strengths of the full version of the webstore also to the small screen

in a user-friendly manner. This was a new challenge for the system developers, and Verkkokauppa.com intentionally set the goals high – as any innovative company should. The shopping experience is continuously being developed to ensure that the usability remains smooth on all platforms. Significant updates in the mobile webstore in 2015 included product recommendations, renewed navigation and enabling the use of different types of marketing content. The company strongly believes that now is the time to invest seriously in the mobile webstore, which travels in customers' pockets or bags, and perhaps in the future on their smart glasses or watches. The mobile webstore is open at [m.verkkokauppa.com](http://m.verkkokauppa.com).

**Hae Apurahaa pelaami- seen**

Acer Aspire V3-574G 15,6" kannettava, Win 8.1

Hinta 899,90 €  
tai Apuraha-erä (12 kk)  
**81,36 €/kk**



**Verkkokauppa.com**  
TODENNÄKÖISESTI AINA HALVEMPI

Apuraha-osamaksu antaa lisää maksuaikaa ja varaa valita.

Esimerkki Apuraha-osamaksusta: ostos 1500 €, maksuaika 12 kk, kuukausierä 139 €/kk, kuukausimaksu 3,95 €/kk, korko 14,9 %, luottotonta 1660,21 €. Todellinen vuosikorko 1500 euron kampanjatoelle 12 kuukauden laina-ajalle on 23,21 %. Luoton myöntää Lindorff Invest Oy (Luukkahaisenkatu 6, 20520 Turku) tai Verkkokauppa.com Oyj (Tyyneenmerenkatu 11, 00220 Helsinki).

**Apurahalla pääset heti pyykille**

Samsung WF906P4SAWQ3E pesukone, valkoinen

Hinta 599,90 €  
tai Apuraha-erä (12 kk)  
**56,36 €/kk**

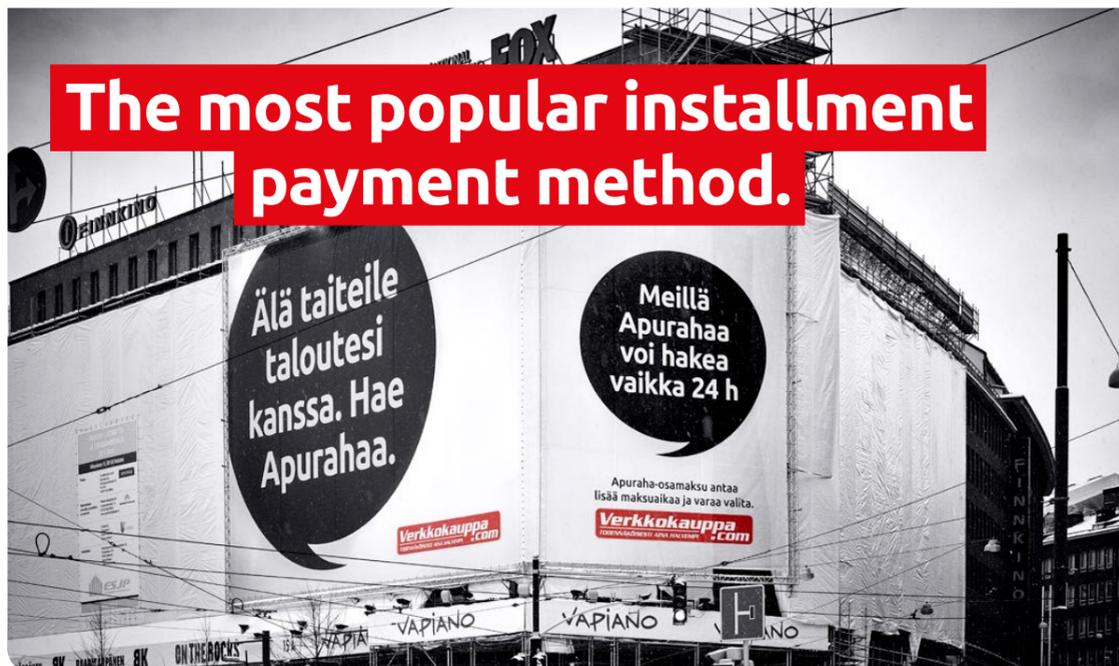


**Verkkokauppa.com**  
TODENNÄKÖISESTI AINA HALVEMPI

Apuraha-osamaksu antaa lisää maksuaikaa ja varaa valita.

Esimerkki Apuraha-osamaksusta: ostos 1500 €, maksuaika 12 kk, kuukausierä 139 €/kk, kuukausimaksu 3,95 €/kk, korko 14,9 %, luottotonta 1660,21 €. Todellinen vuosikorko 1500 euron kampanjatoelle 12 kuukauden laina-ajalle on 23,21 %. Luoton myöntää Lindorff Invest Oy (Luukkahaisenkatu 6, 20520 Turku) tai Verkkokauppa.com Oyj (Tyyneenmerenkatu 11, 00220 Helsinki).

**The most popular installment payment method.**



## Apuraha – consumer financing as part of the business

Verkkokauppa.com launched its own Apuraha consumer financing service in September. As expected, Apuraha almost immediately became the most popular installment payment method at Verkkokauppa.com. Apuraha provides customers with a new flexible payment alternative and the company with better profitability than any other payment method. The company's goal

in the medium term is that approximately one fifth of customers would use the Apuraha installment payment service. The service is offered in cooperation with the credit control and debt-related administrative services provider Lindorff. The cooperation provides the company with financial flexibility, and most of all, the opportunity to manage credit risk.

**Älä taiteile taloutesi kanssa. Hae Apurahaa.**

Apuraha-osamaksulla saat 14 päivää korotonta maksuaikaa, jonka jälkeen voit päättää maksatko laskun yhdessä vai useammassa erässä.

**Verkkokauppa.com**  
TODENNÄKÖISESTI AINA HALVEMPI

**Immediate credit decisions.**

Bunkkeri

Customers can apply for Apuraha at Verkkokauppa.com stores, on the mobile store and the webstore. The credit decision can be obtained immediately at any time – which also positively supports the webstore's 24/7 philosophy. When using Apuraha, customers can choose between installment and invoice. Customers can pay the invoice at once, or later change the payment period and the monthly installment as desired. Customers can apply for Apuraha to finance

small and large purchases of up to 3,000 euros. For customers, the flexible form of payment means that an even larger portion of Verkkokauppa.com's broad product range is more easily available for them. The company's experience has shown that customers are rarely disappointed in their decision to buy a product of higher quality and price category than initially intended.

# CEO's review

Retail continues going online. Verkkokauppa.com increased its sales, profit and market shares at an excellent rate as a result of low prices, trusted concept and by taking full advantage of retail going online in Finland. The company succeeded in all this even though retail market continued to be challenging in Finland in 2015.

In 2015 the company's aim was to have more focused business development with stronger emphasis on its most important projects. The plan will continue in 2016 as well. The company expects to improve its EBITDA margin in the medium term by increasing the share of higher margin categories and private labels in the sales mix and the increasing the share of the Apuraha consumer financing services. I also see interesting new opportunities in new, yet-to-be launched categories and as well further developing current categories.

Verkkokauppa.com kept increasing its customer inflow and again attracted more online and in-store visits than previous year. The company believes that a state of the art e-commerce platform requires a combination of in-house development and specific outsourced elements. The company's vision is not just to be a leading e-commerce site, but also the reference site for the best product information and customer reviews in Finland. The upcoming C2C-concept will also share this vision, by attracting buyers and sellers of used products.

The company seeks to grow but at the same time it still needs to keep its costs and prices low to maintain its customer promise of probably always cheaper

prices. Although Verkkokauppa.com has very efficient and low cost operations, it needs to look for new ways to increase also its buying power in order to keep this promise. Co-operation and investment in Swedish Vitvaruexperten.com was the first tangible step in this strategy. The company also sees that the use of Apuraha financial services and new product categories will further help to increase its gross margin and profitability in the future.

While growth and profitability are important, Verkkokauppa.com also needs to continuously increase customer trust and satisfaction as well as employee wellbeing to ensure its position as the most popular e-commerce site in Finland. The company has launched initiatives to improve these and will also continue to do so in the future.

**Samuli Seppälä**

*CEO and Founder*

Verkkokauppa.com Oyj

samuli@verkkokauppa.com





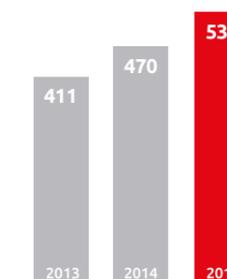
# Old hands and new employees

During 2015, numerous new employees were seen at the Verkkokauppa.com stores, and the total number of employees was on the rise. Overall, the number of Verkkokauppa.com's employees increased by five percent to 550 employees. The number of employees grew in all job positions. During 2015, a total of 130 new employees started working at the company and 96 employees left, either to start their studies or transfer to a new job outside the company. In total, the number of employees grew by 34 persons.

The rising number of new employees also requires comprehensive orientation supported by a meaningful work environment. For many young employees, Verkkokauppa.com is the first contact with working life, which is why the orientation focuses especially on customer service and customer interaction.

Employee satisfaction has been monitored closely since 2012 using annual surveys. The overall trend during this period has been positive and upward – though not without hard work. In the 2015 survey, employees considered easily approachable supervisors and a good team spirit as the best aspects of Verkkokauppa.com. Employees also saw the company as a stable and reliable employer, and did not lose their sleep, for example, over the transformation of the retail industry or themes related to salary payment or sufficiency of work. On the contrary, with retail going online, there is a growing

need for employees, as indicated by the company's increasing number of employees. Of course, there is always room for improvement, and one purpose of the employee satisfaction survey is to help identify these areas. The survey showed, for example, that internal communication was considered challenging in the rapidly growing company. The issue was tackled immediately, and projects to improve internal communication have already been launched.



Number of personnel on average



**"A growing number of loyal customers is a testament to the reliability of our operations."**

**Heikki Mäenpää, B2B Sales Manager**

In the summer of 2007, Heikki was hired as a part-time summer employee at Verkkokauppa.com, where he worked behind the collection desk at the Helsinki store. From there, he soon moved on to selling mobile devices. Through his university studies and internships Heikki gained broader skills, and in autumn 2011 he found himself as a permanent employee in the department responsible for the company's IT infrastructure. With the reorganisation of B2B sales, Heikki was ready to face new challenges, and in June 2014 he started developing the growing B2B sales, which he considered to have great potential. Now, as B2B Sales Manager, Heikki takes part in solving challenges related to the business operations of corporate customers, especially from the ICT perspective.

"My days are often challenging and hectic, but definitely rewarding. It's great to be in a role where I get

to see different customer needs and ICT and business environments in practice, and to develop solutions for them," says Heikki.

Heikki is also part of the team developing Verkkokauppa.com's B2B sales and planning how the best practices and models of the B2C side of the company could also support corporate customers.

"We are able to offer also our corporate customers a huge range of products with low prices and a 24/7 collection service. In addition, we are continuously commercialising and developing our B2B services. A growing number of loyal customers is a testament to the reliability of our operations. The best part of the job is the good work community, the can-do spirit, and being part of a successful company that is different from the mainstream and has continuously developed a more professional approach to doing things," Heikki sums up.



**"Because of the constant change, the days are interesting and usually very different from one another."**

**Markus Pätilä, Sales Director**

Markus started his career at Verkkokauppa.com nearly 15 years ago when he began working at the store in Kilo, Espoo in 2001. After working as a salesman for several years, he first became a Shift Manager and finally in 2008 a Store Manager in Ruoholahti. The company was growing rapidly also back then, and in 2011 Markus was invited to join the Management Team. Now as Sales Director, Markus is responsible for the development of the Verkkokauppa.com stores and consumer sales. His work includes coordinating various matters together with the other departments of the company, and following and anticipating general retail trends.

"The job requires flexibility and good people skills. You also need to see the big picture and endure the pressure created by the changes in the industry as well as the constant change and development in the stores. You need to be able to make decisions and react to

things quickly, even if certain cycles and seasons do create some structure," says Markus.

For Markus, the most significant change has been the company's public listing, after which the way of doing things has become more purposeful. Despite the organisation's rapid growth, he believes that the company's advantage has been and will continue to be agility and the ability to make decisions quickly. Even though the listing has given the Sales Director a big role, Markus still knows what why he loves his job.

"Because of the constant change, the days are interesting and usually very different from one another. In my job, I get to work with different people, including customers. Even though the job has a lot of freedom, you need to keep your goals clear. The results are also tangible, and once they have been achieved, it is rewarding to enjoy them with others in a great atmosphere," Markus summarises.

### **Peeing boy arrives to Jätkäsaari**

In February, the residents of Jätkäsaari as well as Verkkokauppa.com's customers and employees were met with a surprising sight when the mischievous 8.5-metre-tall peeing boy sculpture Bad Bad Boy designed by Tommi Toija was erected in the market area located in front of the Jätkäsaari megastore. Originally, the artwork was commissioned for the OpenArt event organised in Örebro, Sweden, in the summer of 2013. There, the sculpture was in a park near the Örebro Castle, peeing into the river. The sculpture spent autumn 2014 at the Market Square in Helsinki, where it became one of the most photographed and talked-about attractions in Helsinki. Bad Bad Boy is part of Verkkokauppa.com's strategy of attracting attention and making headlines in unexpected contexts. The bladder of Bad Bad Boy has not shown any signs of emptying, so the statue will remain standing in Jätkäsaari for now, to both delight and disgust of passers-by.



### **Drone mail – when not even the sky is the limit**

Verkkokauppa.com, Sharper Shape Oy and Posti Group carried out a trial in September by delivering parcels to the Suomenlinna Island by air. The plan was to launch drone helicopters on their journey of several kilometres over several days from the rooftop of the Jätkäsaari megastore. The drones would carry real products actually ordered by the residents of the island. Because of strong winds, none of the drones

were able to deliver parcels during the test days. However, one successful test flight was performed. The experiment was a peek into the future, and perhaps the development of technology and the growth in demand will make drones commonplace in cities as well as in hard to access areas. What remains certain, is that Verkkokauppa.com will be on the cutting edge of development when that happens.

# **Value through experiences – events and bustle**

In 2015, a great many things took place at the Verkkokauppa.com stores and especially at the Helsinki megastore. The basic concept and operating model of the stores has proved to serve customers efficiently, but still the stores are being constantly developed. All three stores in Jätkäsaari, Pirkkala and Oulu continue to perform well, and no compromises have been made on the good availability of products in the stores.

The webstore and the mobile webstore in particular are designed to support customers' in-store shopping, and customers can browse product information and reviews easily on the mobile webstore while pondering their purchasing decision between the aisles. At the same time, the customer can easily check the product's availability.

At the end of the year, news about the deregulation of retail store opening hours in Finland and the opportunities this presents were warmly welcomed by the company. More flexible opening hours serve the customers in particular, and in 2016 the company will be looking into how much demand there is for longer opening hours.



### Robin, DroneFight & Kiukkukoppi – DIGI fair 2015

Pop singer Robin jumped the gun on the DIGI fair organised in October with an album release concert in front of the megastore in Jätkäsaari. During the concert, a sing-along was also recorded for Robin's upcoming album. About 600–700 fans queued after the show to see their idol, who signed autographs and posed for photographs in the store lobby.

The goal of the DIGI fair 2015 was to increase customer engagement. This gave birth to the concepts of DroneFight and Kiukkukoppi ("Anger Booth"). In the former, people who had signed up beforehand

as pilots competed against each other using drone helicopters. Following intense elimination rounds and a final, a contestant from Helsinki claimed air supremacy. Kiukkukoppi was built as a symbol of the love-hate relationship between man and machine. This time, anger and wrath were clearly the most visible feelings when participants smashed damaged devices with a baseball bat into recyclable scrap in front of a cheering audience. The damaged devices ended up in WEEE recycling. Verkkokauppa.com also accepts devices for recycling without such preliminary treatment.



### Fitness Saturday

During 2015, Verkkokauppa.com invested significantly in fitness and sports products, and for example, bicycles were launched in March. The demand for and supply of wearable technology, such as smart watches and various activity bands, has also grown. In April, Verkkokauppa.com's Fitness Saturday event attracted customers interested in exercise to the store in Jätkäsaari to hear training tips and participate in a playful pull-up competition. Event speakers included well-known fitness persons, and customers were offered discounts on topic-related products. One sign of the popularity of the ongoing fitness boom is that fitness and body building gurus Jutta Gustafsberg and Jari "Bull" Mentula attracted a record audience to the store on Saturday.

### RapBattle – Camera & Music Fair 2015

Organised in June, Verkkokauppa.com's Camera and Music Fair featured several experts and offered true lyrical brilliance, when a group of top Finnish rap artists competed against each other in a freestyle rap battle. The quality of the two-day event hosted by the number one rap duo in Finland, Solonen & Kosola, turned out to be extremely high, with rappers slandering each other in a child-friendly manner. At the end, the winner of the two-day rhyming competition was Särre, a rapper known for his 2015 summer hit "Hesan naiset."





**Vitvaruexperten.com – investing in cooperation**

The company made a strategic investment of approximately EUR 0.2 million in the Swedish online commerce start-up Vitvaruexperten.com Nordic AB in July 2015. As a result of this investment, Verkkokauppa.com became a minority owner of the company together with the founders and other investors. The investment is part of Verkkokauppa.com's purchasing cooperation strategy, which will continue to be developed in the coming years. The goal of the strategy is to increase the company's leverage and efficiency in purchasing. Vitvaruexperten.com focuses on selling home appliances online to Swedish consumers. Its operations started in late 2015.

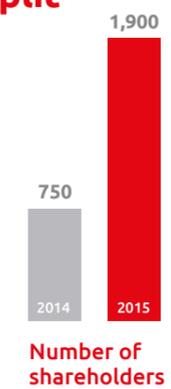
## C2C – sales between consumers

In May 2015, Verkkokauppa.com published product information on more than 150,000 products no longer sold, as part of the development of the C2C marketplace. The information allows customers to explore products that are not sold anymore. In the next stage, the service will provide information on the new product replacing the old one. The company believes that when customers sell their old product, they are likely to replace the product with a new, upgraded one. Verkkokauppa.com wants to engage

with customers throughout the lifecycle of a product – and then offer them a new product to replace the old one. More features will be added gradually to the C2C service, with the goal of enabling the sale of used products on the Verkkokauppa.com website via a free, fast and easy user interface. The company is confident that the features of the upcoming service will allow it to challenge other players and to offer its customers a highly potential sales channel for their old goods.

## Improved liquidity in share after split

In August 2015, Verkkokauppa.com implemented a share issue without payment (share split) for its shareholders. The purpose of the share split was to improve the liquidity in the company's share. Shareholders were issued five new shares per each existing share. The total number of shares increased from 7.5 million to 45 million. The share capital remained unchanged after the split. The total number of shareholders more than doubled in 2015. At the end of 2014, Verkkokauppa.com had 750 shareholders and by the end of 2015, the number had increased to 1,900.



Share split

# The best product information there is

We want our webstore to be transparent. We provide all available product information – on each product. We are constantly searching for new ways to improve our webstore to be more customer-friendly.

**Average product rating represented by stars.**

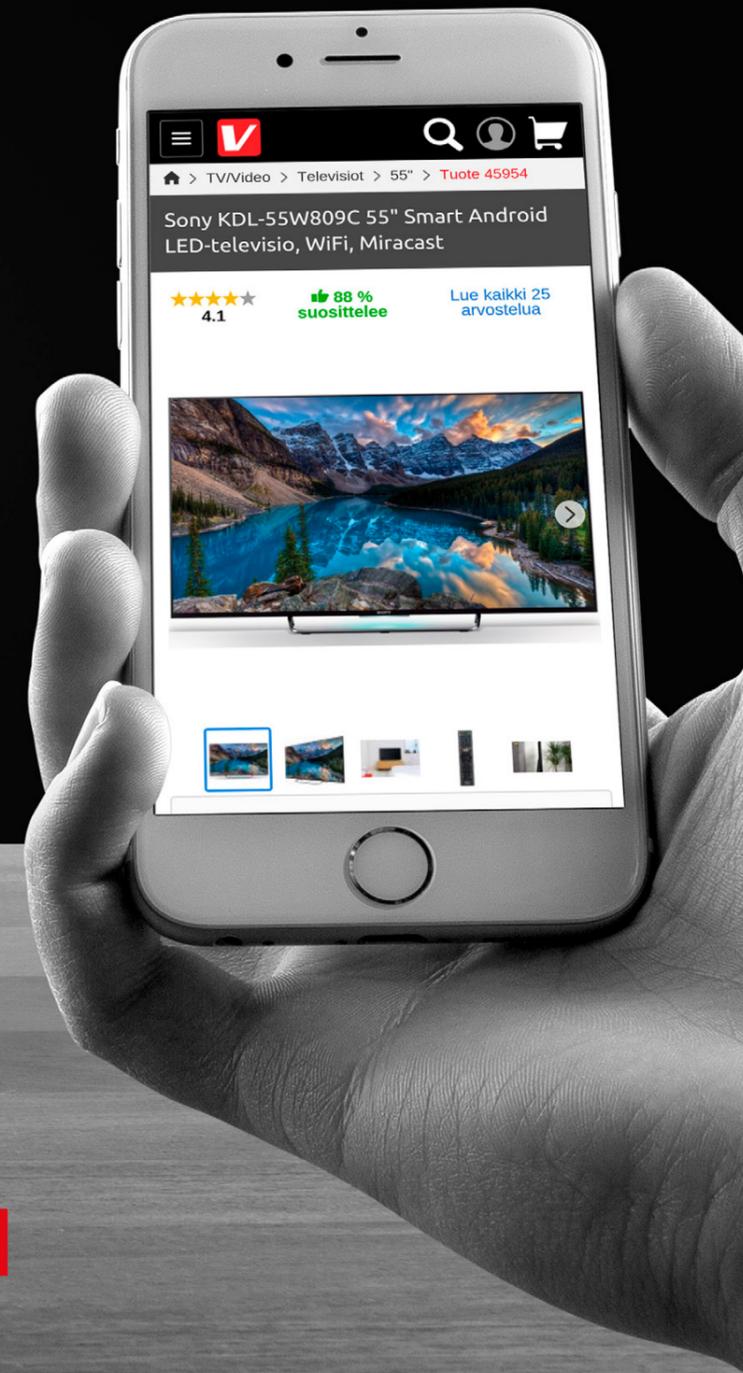
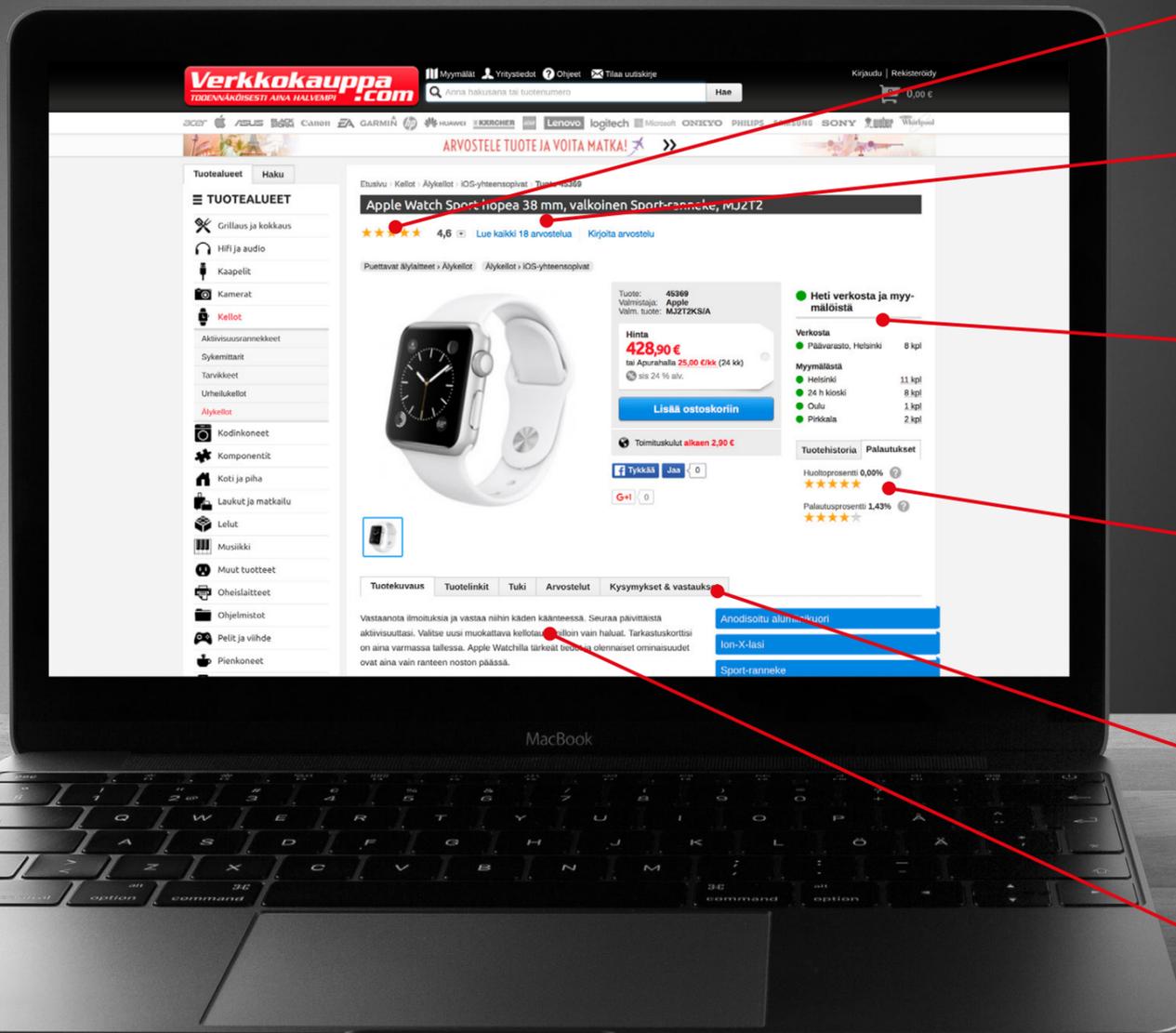
**Uncensored customer product reviews.**

**Real-time data on product availability in stores and online.**

**Factual product-specific service and return percentages.**

**Customer questions and expert answers.**

**Comprehensive product description and key features.**



# Financial statements

## 2015

## Contents

Report of the Board of Directors.....	26
Profit and loss account.....	29
Balance sheet.....	30
Cash flow statement.....	32
Notes to the financial statements.....	33
Signatures for the Board of Directors' report and financial statements.....	44
Auditor's report.....	45
Corporate governance statement.....	46
Remuneration Statement 2015.....	52
Board of Directors.....	54
Management team.....	56

# Report of the Board of Directors

## Year 2015 in brief

Verkkokauppa.com's revenue increased by 24.6% to EUR 343.7 (275.8) million. Operating profit (EBIT) was EUR 7.7 (7.5) million and net profit EUR 5.4 (4.5) million. The profit before taxes for 2015 was weakened by non-recurring expenses related to levies against Teosto by the amount of EUR 4.3, the corresponding amount of EUR 1.9 million related to preparations for listing. Verkkokauppa.com was listed on the NASDAQ OMX First North Finland marketplace on 4 April 2014.

## Revenue and profitability development

Revenue grew by 24.6% in January–December 2015 when compared to the same period in the previous year. Revenue increased by EUR 67.9 million to EUR 343.7 (275.8) million. Relative profitability decreased because the company grew its market share in low margin product categories such as mobile phones. Operating profit in euros developed positively due to revenue increases in mobile phones, televisions, hifi/audios and major (MDA) and small domestic appliances (SDA). The company grew its sale in most of the product groups.

The demand for consumer electronics remained satisfactory despite the current market situation. According to research by GfK, the market increased by 0.9% in January–December 2015.

Personnel costs grew by 19.4%, totalling EUR 22.4 (18.8) million. The number of logistics personnel and store personnel grew along with the volume growth. Otherwise the number of personnel grew slower than the revenue. Other expenses increased by 32.9% to EUR 20.6 (15.5) million during the reporting period. Other expenses excluding non-recurring items increased by 10.9%, totalling EUR 17.2 (15.5) million.

The company's operating profit was EUR 7.7 (7.5) million in January–December 2015, and the net profit for the period was EUR 5.4 (4.5) million. Earnings per share were EUR 0.12 (0.11). Earnings per share in the comparison year have been adjusted to make them comparable to the share issue in August 2015 (i.e. share split). Earnings per share excluding non-recurring items were EUR 0.20 (0.14).

Financing expenses included EUR 0.9 million of non-recurring penalty interest relating to the Teosto legal dispute. The comparison period included non-recurring items of EUR 1.9 million euros related to preparations for listing.

In 2015, the company developed its operations according to plan. This work is visible in the significant improvement of profitability excluding non-recurring items. The company's operating profit excluding non-recurring items was EUR 11.1 (7.5) million. The company's increased brand awareness

resulting from its listing is visible in the number of visitors at both the brick-and-mortar stores as well as at the online store. In 2015, the focus at Verkkokauppa.com Oyj was to improve its organic growth opportunities in customer financing service in both existing and new main product categories.

Revenue growth varied by quarter, and the sale in the second quarter succeeded particularly well.

## Key events during the financial year

At the beginning of January 2015, three new main product categories were published – baby and family, tools and luggage and travel. In April 2015, a new main product category watches was presented. This category include mainly smart watches, sports watches and activity wristbands.

The Supreme Court gave its ruling regarding the copyright dispute on 9 March 2015. The Supreme Court held the ruling by the Court of Appeal. The company booked EUR 4.3 million expenses in March 2015 in accordance with the ruling.

Verkkokauppa.com launched its own Apuraha consumer financing service on 22 September 2015. Apuraha consumer financing service provides customer with the opportunity to buy products on the instalment plan. Verkkokauppa.com provides the service in co-operation with the credit control and debt-related administrative services provider Lindorff.

Verkkokauppa.com has decided to evaluate the possibility of leasing additional low-cost retail and logistics premises to support the future growth.

In October, Verkkokauppa.com signed a EUR 15 million revolving credit facility agreement for general corporate financing purposes. In addition the company paid back its interest-bearing debt.

Vekkoakauppa.com updated on 17 December 2015 its financial guidance. According to the revised guidance, revenue and operating profit excluding non-recurring items are expected to grow significantly in 2015 when compared to previous year. According to the previous guidance, revenue and operating profit excluding non-recurring items are expected to grow in 2015 when compared to previous year.

## Market development

The competitive environment remained challenging due to the general economic situation and the weakening purchasing power of consumers. The weak growth of the Finnish economy has improved the company's relative competitive position. The Finnish Ministry of Finance estimated on 18 December 2015 that the Finnish GDP grew by 0.2% during 2015. According

to market research company GfK, the consumer electronics market has increased by 0.9% during 2015 in Finland.

## Ownership and financial restructuring

Verkkokauppa Oyj continues to hold a 100% owned subsidiary in Estonia which has no balance sheet value. The business in Estonia has been on hold for more than five years, and the companies have no mutual debts or receivables. As a result, it is no longer necessary to prepare consolidated financial statements in order to present a true and fair view of the company's business.

A share issue without payment (share split) was decided upon in the Extraordinary General Meeting held on 19 August 2015. The number of shares was increased by issuing new shares without payment to the shareholders in proportion to their holdings so that five (5) new shares were issued per each currently existing share. The new shares were admitted to trading on 24 August 2015. The company's total number of the shares is 45,065,130 after the share issue without payment.

Operating cash flow was 5.1 million euros (-5.7). The cash flow from investments was -1.3 million euros (-0.7).

Net financial expenses were EUR 0.9 (1.9) million. The decrease in net financial expenses results from the company's listing expenses in the comparison year.

The company is financially sound. Liquid assets totalled EUR 30.8 (35.3) million. Interest-bearing liabilities totalled EUR 0.0 (2.0) million and interest-bearing net debts totalled EUR -30.8 (-33.3) million. Equity ratio was 45.2% (48.7%).

On 31 December 2015, the company had Revolving Credit Facilities in the total amount of EUR 15.0 million, which remained unused.

## Key figures

	2015	2014	2013
Revenue, EUR million	343.7	275.8	238.0
Operating profit % of revenue	2.2%	2.7%	2.8%
ROCE %, 12 months rolling	20.9%	29.2%	48.3%
Return on equity, %	14.8%	20.2%	73.9%
Equity ratio, %	45.2%	48.7%	14.6%
Equity ratio, % (including subordinate loans)	45.2%	48.7%	22.5%

## Personnel

Average number of personnel during the accounting period	538	470	411
Total amount of salaries and bonuses, EUR million	17.9	15.1	13.2

## Investments

The company mainly invested in store equipment and furniture during the period. In addition, the company activated EUR 0.6 million of the IT department's salary expenses and external technology consultant fees relating to new ERP features development. Net capital expenditures were EUR 1.3 (0.7) million in January–December 2015.

## Information presented in the notes to the financial statements

Information on the company's personnel, related parties, shareholders and key figures are provided in the notes to the financial statements.

## Shares and share trading

The number of shares in the company was 7,510,855 on 31 December 2014. The number of shares was increased by issuing new shares without payment (share split). The shares were split so that five (5) new shares were issued per each currently existing share. The number of shares in the company was 45,065,130 on 31 December 2015.

Over the reporting period 7,600,519 shares were exchanged, which was 16.9% of all shares in the company. The highest share price was EUR 7.23 and the lowest EUR 4.91. The average price in share trading was EUR 6.04. The total of share trading was EUR 45.9 million. The closing price was EUR 7.20, and the market value of all shares was EUR 324.5 million at the end of the period.

The company has one share series with equal rights to vote and dividend.

The company does not own any of its own shares, and the Board has no authorizations in force related to shares.

## Board of Directors

The Board members were Christoffer Häggblom, Peter Lindell, Kai Seikku, Henrik Weckström and Samuli Seppälä until the Annual General Meeting held on 18 March 2015. Christoffer Häggblom acted as the Chairman of the Board. At the Annual General Meeting held on 18 March 2015 the Board members Christoffer Häggblom, Mikael Hagman, Kai Seikku, Antti Tiitola, Henrik Weckström and Samuli Seppälä were re-elected as members of the Board. Christoffer Häggblom was elected as the Chairman of the Board. Samuli Seppälä is the company's Chief Executive Officer. Minna Kurunsaari was elected as a new member of the Board of Directors in an Extraordinary General Meeting held on 19 August 2015.

## Annual General Meeting

The Annual General Meeting was held in Helsinki on 18 March 2015. The financial statements for the year 2014 were approved and the Board Members and the CEO were discharged from liability. It was decided to pay a dividend of EUR 0.14 per share, totalling EUR 6,384,226.75. The dividend EUR 0.14 per share is adjusted by the effect from the share issue during the reporting period 2015.

The Board election is explained above in the section Board of Directors.

The Authorized Public Accountant firm KPMG Oy Ab was re-elected as the auditor, with Authorized Public Accountant Mauri Eskelinen acting as the Principal Auditor.

## Corporate Governance Statement

Corporate Governance Statement is published in the company's Annual Report 2015 and on the company's internet site [www.verkkokauppa.com/fi/investors/hallinnointi](http://www.verkkokauppa.com/fi/investors/hallinnointi).

## Significant risks and uncertainties

Verkkokauppa.com Oyj's risks and uncertainties reflect the market and general economic trends, demand for consumer electronics, the business environment, and competition. The company's business operations are also influenced by risks and uncertainties relating to for example business strategy, seasonality of the company's business, investments, procurement, warehousing and logistics, key personnel, suppliers, information technology, and other operative risks.

The aforementioned risks and uncertainties may affect the company's operations, financial position and performance both positively and negatively.

If the price competition in the industry continues to increase, it may hamper efforts to improve profitability.

In year 2015, the company has not significantly financed customers with the consumer financing service

## Material events after the financial period

There are no subsequent events after the reporting period.

## Board of Directors' proposal for profit distribution

The company's non-restricted equity totals EUR 35,491,478.05 million.

The Board of Directors proposes to the Annual General Meeting that the company's net profit of EUR 5,353,743.68 be transferred to the retained earnings/losses account, and that a dividend of EUR 0.15 per share be paid.

## Financial targets

The company strives to grow faster than its operating market and targets an annual revenue growth of over 10 per cent in the medium term. The company's objective is to improve its EBITDA margin in the medium-term compared to the level in 2013. The company strives to secure a sufficient equity ratio to finance the growth of its business and aims to maintain an equity ratio of over 25 per cent taking into consideration the nature and seasonality of the Company's business.

## Outlook for the future

Verkkokauppa.com Oyj's business operations are estimated to develop positively within a medium term time frame. The management believes that the company will succeed in further growing its market share in its chosen segments. The strong balance sheet enables the company to continue expanding its operations in accordance with its strategy. Nevertheless, the business outlook includes uncertainties, especially due to macroeconomic development. The Finnish Ministry of Finance estimated on 18 December 2015 that the Finnish GDP will grow by 1.2% during 2016.

Revenue and operating profit are expected to exceed in 2016 when compared to the previous year.

# Profit and loss account

1 January–31 December 2015

€	Note	2015	2014
<b>Revenue</b>	1	<b>343,682,014.74</b>	<b>275,784,388.23</b>
<b>Other operating income</b>		<b>96,074.05</b>	<b>118,911.91</b>
Raw materials and services			
Raw materials and consumables			
Purchases during the period		-293,320,511.74	-235,319,544.55
Change of inventory	1	7,884,321.71	7,686,769.19
External services		-6,463,172.91	-5,555,769.07
<b>Raw material and services total</b>		<b>-291,899,362.94</b>	<b>-233,188,544.43</b>
Staff expenses	6		
Wages and salaries		-17,934,247.71	-15,054,318.55
Social security expenses			
Pension expenses		-3,463,833.36	-2,838,834.85
Other social security expenses		-1,004,209.37	-868,965.91
<b>Staff expenses total</b>		<b>-22,402,290.44</b>	<b>-18,762,119.31</b>
Depreciation and amortisation in value	2		
Depreciation according to plan		-1,170,685.76	-958,947.58
<b>Depreciations and amortisation in value total</b>		<b>-1,170,685.76</b>	<b>-958,947.58</b>
<b>Other operating expenses</b>	3	<b>-20,630,093.88</b>	<b>-15,525,263.15</b>
<b>OPERATING PROFIT (LOSS)</b>		<b>7,675,655.77</b>	<b>7,468,425.67</b>
Financial income and expenses	4		
Other interest and financial income from others		168,244.41	183,372.36
Interest and other financial expenses to others		-1,049,997.61	-2,118,138.39
<b>Financial income and expenses total</b>		<b>-881,753.20</b>	<b>-1,934,766.03</b>
<b>Profit (loss) before extraordinary items</b>		<b>6,793,902.57</b>	<b>5,533,659.64</b>
<b>Profit (loss) before appropriations and taxes</b>		<b>6,793,902.57</b>	<b>5,533,659.64</b>
Appropriations			
Change in depreciation reserve		-81,877.58	186,523.07
<b>Appropriations total</b>		<b>-81,877.58</b>	<b>186,523.07</b>
Taxes	11		
Income taxes		-1,358,281.31	-1,232,048.81
<b>PROFIT (LOSS) FOR THE FINANCIAL YEAR</b>		<b>5,353,743.68</b>	<b>4,488,133.90</b>

# Balance sheet

31 December 2015

## Assets

€	Note	2015	2014
<b>NON-CURRENT ASSETS</b>	9		
Intangible assets			
Other intangible assets		621,855.62	60,692.28
Intangible rights		289,594.83	429,858.69
Prepaid expenses		267,064.37	458,628.20
<b>Intangible assets total</b>		<b>1,178,514.82</b>	<b>949,179.17</b>
Tangible assets			
Land and water		1,977.87	1,977.87
Machinery and equipment		1,140,543.14	1,169,185.38
Other tangible assets		445,235.43	942,287.21
Prepayments for fixed assets		200,263.66	0.00
<b>Tangible assets total</b>		<b>1,788,020.10</b>	<b>2,113,450.46</b>
Investment			
Other shares and similar rights of ownership		251,223.98	50,025.54
<b>Investments total</b>		<b>251,223.98</b>	<b>50,025.54</b>
<b>NON-CURRENT ASSETS TOTAL</b>		<b>3,217,758.90</b>	<b>3,112,655.17</b>
<b>CURRENT ASSETS</b>			
Stocks total	1	38,742,072.52	30,857,750.81
Long-term receivables			
Other receivables		111,396.00	112,997.00
<b>Long-term receivables total</b>		<b>111,396.00</b>	<b>112,997.00</b>
Short-term receivables	10		
Account receivables		5,036,644.91	4,704,738.26
Other receivables		600,779.05	667,633.92
Prepayments and accrued income		2,846,962.03	2,658,509.49
<b>Short-term receivables total</b>		<b>8,484,385.99</b>	<b>8,030,881.67</b>
Cash in hand and at bank		30,769,785.90	35,312,312.85
<b>CURRENT ASSETS TOTAL</b>		<b>78,107,640.41</b>	<b>74,313,942.33</b>
<b>ASSETS TOTAL</b>		<b>81,325,399.31</b>	<b>77,426,597.50</b>

## Equity and liabilities

€	Note	2015	2014
<b>EQUITY</b>	12-13		
Subscribed capital		100,000.00	100,000.00
Invested unrestricted equity fund		25,492,777.58	25,492,777.58
Retained earnings (loss)		4,644,956.79	6,541,049.64
Profit (loss) for the financial year		5,353,743.68	4,488,133.90
<b>EQUITY TOTAL</b>		<b>35,591,478.05</b>	<b>36,621,961.12</b>
APPROPRIATIONS			
Depreciation reserve		81,877.58	0.00
<b>APPROPRIATIONS TOTAL</b>		<b>81,877.58</b>	<b>0.00</b>
PROVISIONS	14		
Other provisions		810,000.00	715,000.00
<b>PROVISIONS TOTAL</b>		<b>810,000.00</b>	<b>715,000.00</b>
<b>LIABILITIES</b>			
Long-Term			
Loans from credit institutions		0.00	1,098,892.00
<b>Long-term total</b>		<b>0.00</b>	<b>1,098,892.00</b>
Short-term			
Loans from credit institutions		0.00	879,124.00
Advances received		2,500,614.26	2,279,815.05
Accounts payable		27,735,510.64	22,717,383.49
Other short-term debt		4,449,885.65	6,507,516.68
Accruals and deferred income	17	10,156,033.13	6,606,905.16
<b>Short-term total</b>		<b>44,842,043.68</b>	<b>38,990,744.38</b>
<b>LIABILITIES TOTAL</b>		<b>44,842,043.68</b>	<b>40,089,636.38</b>
<b>EQUITY AND LIABILITIES TOTAL</b>		<b>81,325,399.31</b>	<b>77,426,597.50</b>

# Cash flow

1,000 €	2015	2014
Result before extraordinary items	6,794	5,534
Adjustments:		
Depreciations according to plan	1,171	959
Change in provision	95	320
Financial income and expenses	882	1,935
<b>Cash flow before working capital items</b>	<b>8,941</b>	<b>8,747</b>
Change in working capital:		
Long-Term non-interest bearing receivables increase(-)/decrease(+)	2	-98
Short-Term non-interest bearing receivables increase(-)/decrease(+)	-490	-229
Inventory increase(-)/decrease(+)	-7,884	-7,687
Short-Term non-interest bearing debt increase(+)/decrease(-)	6,492	-2,852
<b>Cash flow before financial items and tax</b>	<b>7,061</b>	<b>-2,119</b>
Interest paid and other operational financial expenses	-1,050	-2,118
Interest received from operations	168	183
Direct tax paid	-1,084	-1,688
<b>Cash Flow from Operations (A)</b>	<b>5,096</b>	<b>-5,742</b>
Capital expenditure on tangible and intangible assets	-1,075	-637
Other investments	-201	-50
<b>Cash Flow from Investments (B)</b>	<b>-1,276</b>	<b>-687</b>
Long-term loan repayments	-1,099	-5,183
Short-term loan repayments	-879	-15
Equity subscribed	0	24,472
Dividends paid	-6,384	-210
<b>Cash Flow from Financing (C)</b>	<b>-8,362</b>	<b>19,064</b>
<b>CHANGE IN CASH IN HAND (A+B+C) INCREASE (+) / DECREASE (-)</b>	<b>-4,543</b>	<b>12,635</b>
Cash in hand at the beginning of the period	35,312	22,677
Change in cash according to the Cash Flow statement	-4,543	12,635
<b>CASH IN HAND AT THE END OF THE PERIOD</b>	<b>30,770</b>	<b>35,312</b>

# Notes to the financial statements

## 1. Accounting Principles

### Foreign subsidiary – Arctecho Oü, Estonia

Verkkokauppa.com Oyj owns 100% of the shares in the Estonian subsidiary Arctecho Oü. The original acquisition cost in 2009 was EUR 502 841,38. In the 2010 accounts the value of the shares was written down by EUR 251 420,69 (50%) and recorded as a financial expense. In the 2011 accounts a further 251 420,69 EUR (50%) was written down as a financial expense. The current value of these shares is 0,00 EUR. As the subsidiary has been dormant for five years and as there are no liabilities/receivables between the two companies, consolidated Group accounts are not presented.

In the unaudited annual accounts for the year 1 January–31 December 2015 Arctecho Oü recorded a loss of EUR -1 907 (EUR 2 413) and equity was EUR 33 933 (EUR 35 840).

### Verkkokauppa.com Oyj

#### 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 operating 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.

#### Revenue recognition

Revenue is recognized at the time of product delivery.

#### Non-euro transactions

Transactions in currencies other than EUR 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.

### Fixed assets and other Long-Term expenses

Fixed assets and other long-term expenses are stated at historical cost less accumulated depreciations according to plan. The depreciations are calculated starting from the point of acquisition. IT-applications which have been 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.

During year 2014 the company has changed its depreciation method for machinery and equipment. Earlier the company used 25% reducing balance depreciation method for machinery and equipment. Depreciation method for machinery and equipment has been changed from 25% reducing balance depreciation method to 3–10 year straight-line depreciation method. The chosen straight-line depreciation method reflects the economic useful life better than earlier. The change of depreciation method increased 2014 depreciations for machinery and equipment KEUR 48.

### Depreciations according to plan

Intangible rights	5 years straight-line depreciation
Research and Development	3–5 years straight-line depreciation
Machinery and Equipment	3–10 years straight-line depreciation
Upgrades to premises	5–10 years straight-line depreciation

### Point of payment receivables

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

### Deferred taxes

Deferred taxes are not booked in the financial statements.

### Inventory valuation

Inventories are stated at the lower of original acquisition costs or selling price.

## 2. Depreciations on fixed assets and other long-term expenses

€	2015	2014
Intangible Rights	-377,917.05	-225,101.25
Machinery and Equipment	-575,573.36	-458,630.84
Upgrades to rented premises	-217,195.35	-275,215.49
<b>DEPRECIATIONS TOTAL</b>	<b>-1,170,685.76</b>	<b>-958,947.58</b>

## 3. Other operating expenses

€	2015	2014
Voluntary personnel social costs, total	-880,622.73	-731,019.90
Premises, total	-7,304,961.06	-7,028,920.34
Vehicles	-415,674.99	-361,150.07
Other machinery expenses	-955,067.62	-885,451.14
Travel expenses	-349,218.38	-301,703.08
Sales expenses	-1,168,912.41	-968,617.46
Marketing expenses	-3,117,310.37	-2,193,506.82
Administrative expenses	-2,122,987.00	-2,161,179.80
Compensation to Teosto	-3,411,809.00	0.00
Other operating expenses	-903,530.32	-893,714.54
<b>OTHER OPERATING EXPENSES TOTAL</b>	<b>-20,630,093.88</b>	<b>-15,525,263.15</b>

## 4. Financial items

€	2015	2014
Interest income	168,244.41	183,372.36
Interest and other financial expenses	-1,049,997.61	-2,118,138.39
<b>FINANCIAL ITEMS TOTAL</b>	<b>-881,753.20</b>	<b>-1,934,766.03</b>

## 5. Remuneration of the Chairman, other members of the Board of Directors and the Managing Director

Remuneration of board members is decided at the annual general meeting. At the 2015 annual general meeting, it was decided that the chairman of the board is entitled to a KEUR 40 annual fee and other board members, excluding those who are part of the company's operating management, are entitled to a KEUR 20 annual fee.

### Management salaries and fees 1 January–31 December 2015 (1 January–31 December 2014)

The managing director's salary and fees in 2015 were KEUR 13 (KEUR 53). The managing director gave up for his monetary salary during 1 March–31 December 2014 and 1 January–31 December 2015, during which his monetary salary was given to the personnel. The managing director has also a car benefit.

### Salaries and bonuses including fringe benefits to the Management

€	2015	2014
CEO	12,558.96	53,052.00
Members of Board of Directors	200,167.00	130,000.00
Management Team	888,329.70	866,820.00
<b>TOTAL SALARIES AND BONUSES INCLUDING FRINGE BENEFITS TO THE MANAGEMENT</b>	<b>1,101,055.66</b>	<b>1,049,872.00</b>

## 6. Personnel costs

€	2015	2014
Wages and salaries	-18,235,910.91	-15,281,665.73
Pension expenses	-3,519,642.25	-2,845,617.85
Other social security expenses	-1,020,438.06	-915,090.23
<b>Staff expenses total without activated personnel costs</b>	<b>-22,775,991.22</b>	<b>-19,042,373.81</b>
Activated personnel costs		
Salaries and fees	301,663.20	227,347.18
Pension costs	55,808.89	41,196.54
Other personnel costs	16,228.69	11,710.78
<b>Total activated personnel costs</b>	<b>373,700.78</b>	<b>280,254.50</b>
<b>PERSONNEL COSTS TOTAL</b>	<b>-22,402,290.44</b>	<b>-18,762,119.31</b>
Average personnel during the accounting period	538	470

## 7. Auditor's fees

€	2015	2014
Audit	-86,284.91	-96,495.38
Tax consulting	-9,061.24	-2,764.50
Other services	-4,436.05	-91,389.62
<b>AUDITOR'S FEES TOTAL</b>	<b>-99,782.20</b>	<b>-190,649.50</b>

## 8. Law suits and claims

### Compensation to Teosto

The company has in the Supreme Court lost the dispute to Teosto ry. The compensation payment including penalty interest is 4.4 million euros. The payment is booked against P/L accounts during the reporting period 1 January–31 December 2015. The compensation of 3.5 million euros is presented in other operating expenses and the penalty interest 0.9 million euros in financial expenses. Levies for private copying were cancelled from all products in Finland as of 1 January 2015.

### Events during previous reporting period

#### District court

Teosto ry sued Arctecho OÜ and Verkkokauppa.com Oy on 31 October 2008 in the district court on the following issues

- 1) Arctecho OÜ is liable to pay compensation to Teosto on machines imported to Finland
- 2) To oblige Archtecho OÜ to pay compensation including penalty interests on the imported machines during the years 2006–2008
- 3) To confirm that Verkkokauppa.com Oy is jointly responsible together with Archtecho OÜ to pay the above mentioned compensation
- 4) Teosto's legal fees

Arctecho OÜ is an Estonian incorporated company. 51% of its shares were owned by Samuli Seppälä until 30 June 2009, 29% by Verkkokauppa.com Oy and 20% by two external parties, who were until 30 June 2009 members of Verkkokauppa.com Oy's board. Verkkokauppa.com Oy has owned all of Arctecho OÜ's shares from 30 June 2009 on.

The decision of the Helsinki district court on 29 October 2010 (judgment 41436) was the following:

- Arctecho OÜ is responsible to pay Teosto 40% of omitted compensation fees as an indemnity including penalty interest
- Claim's charge 1) is not evaluated.
- Claim's charge 3) is dismissed.
- Teosto is obliged to refund Verkkokauppa.com Oy's legal fees of 27 896,06 euros.
- The resolution was unanimous.

#### Courts of Appeal

Both Arctecho OÜ and Teosto ry appealed the district court's resolution with the court of appeal. It was concluded on 5 March 2013 (judgement 716) that the district court resolution would be altered as follows:

- Arctecho OÜ and Verkkokauppa.com Oy are jointly responsible to compensate 3 500 000 euros including penalty interest.
- The total compensation at 31 December 2013 would be ca MEUR 4.4.
- The Judges were required to vote on the resolution.

The company has been granted on 24th of January, a right to appeal the court of appeal's judgement in the Supreme Court regarding whether Verkkokauppa.com Oyj is jointly obliged with Arctecho Oü to compensate Teosto ry the fee, that Courts of Appeal has obliged Verkkokauppa.com Oyj and Arctecho OÜ to pay. The permission for Verkkokauppa.com Oyj to appeal on other issues, such as the total compensation fee and remitting of joint obligations, have been pushed forward to be decided upon the appeal hearing. Arctecho Oü's permission to appeal has also been pushed forward to be decided in conjunction with the appeal hearing.

According to management's evaluation, the financial statements have been prepared according to the district court's resolution. Based on expert opinion, the company is of the opinion that it is more likely that the case will be resolved in the Supreme Court in favour of the company than that the court of appeal's resolution will remain unchanged. Thus it is a conditional debt, which has not been posted as a provision within the annual accounts. Additionally, management's view is based on the fact that the case is still open, the resolutions of the district court and court of appeal differ and the company has received the right to appeal to the Supreme Court on the latest resolution. The company has booked a provision to cover the legal dispute costs.

The open legal issue has been discussed with the external financial liability holders.

## 9. Tangible and Intangible assets

€		2015	2014
Research and Development	1 January	60,692.28	41,065.61
	increase	759,646.61	46,138.00
	Depr. acc. plan	-198,483.27	-26,511.33
	31 December	<b>621,855.62</b>	<b>60,692.28</b>
Intangible assets	1 January.	429,858.69	628,448.61
	increase	46,564.72	0.00
	decrease	-7,394.80	0.00
	Depr. acc. plan	-179,433.78	-198,589.92
	31 December	<b>289,594.83</b>	<b>429,858.69</b>
Prepayments and work-in-progress	1 January	458,628.20	0.00
	increase	872,695.88	458,628.20
	decrease	-1,064,259.71	0.00
	Depr. acc. plan	0.00	0.00
	31 December	<b>267,064.37</b>	<b>458,628.20</b>
<b>INTANGIBLE ASSETS, 31 DECEMBER TOTAL</b>		<b>1,178,514.82</b>	<b>949,179.17</b>
Land and water	1 January	1,977.87	1,977.87
	increase	0.00	0.00
	decrease	0.00	0.00
	31 December	<b>1,977.87</b>	<b>1,977.87</b>
Machinery and equipment	1 January	1,169,185.38	1,617,450.28
	increase	558,778.12	330,734.91
	decrease	-11,847.00	-320,368.97
	Depr. acc. plan	-575,573.36	-458,630.84
	31 December	<b>1,140,543.14</b>	<b>1,169,185.38</b>
Other tangible assets	1 January	942,287.21	819,308.79
	increase	27,875.69	398,193.91
	decrease	-307,732.12	0.00
	Depr. acc. plan	-217,195.35	-275,215.49
	31 December	<b>445,235.43</b>	<b>942,287.21</b>
Prepayments and work-in-progress	1 January	0.00	276,130.45
	increase	324,060.09	0.00
	decrease	-123,796.43	-276,130.45
	Depr. acc. plan	0.00	0.00
	31 December	<b>200,263.66</b>	<b>0.00</b>
<b>TANGIBLE ITEMS, 31 DECEMBER TOTAL</b>		<b>1,788,020.10</b>	<b>2,113,450.46</b>

Activated research and development expenses relates to development of new features in the companys ERP system.

## 10. Accrued receivables

In 2015, the largest accrued receivables included marketing support invoicing of KEUR 1 889 (KEUR 1 768).

## 11. Deferred taxes

Deferred tax assets from the depreciation reserve KEUR 162 (KEUR 143) have not been booked in the financial statements. In 2015 and 2014, the company has no essential deferred tax liabilities.

## 12. Specification of Equity

€	2015	2014
Equity 1 January	100,000.00	100,000.00
Invested unrestricted equity fund at the beginning of the period	25,492,777.58	1,020,500.43
Invested unrestricted equity fund additions	0.00	24,472,277.15
Invested unrestricted equity fund at the end of the period	25,492,777.58	25,492,777.58
Retained Earnings (Loss)	11,029,183.54	6,751,269.24
Dividends, annual general meeting	-6,384,226.75	-210,219.60
Profit/Loss of the accounting period	5,353,743.68	4,488,133.90
<b>Total Equity</b>	<b>35,591,478.05</b>	<b>36,621,961.12</b>
Restricted equity at the end of the period	100,000.00	100,000.00
Un-restricted equity at the end of the period	35,491,478.05	36,521,961.12
<b>UN-RESTRICTED AND RESTRICTED EQUITY TOTAL</b>	<b>35,591,478.05</b>	<b>36,621,961.12</b>

## 13. Calculation of distributable funds

€	2015	2014
Invested unrestricted equity fund	25,492,777.58	25,492,777.58
Result from Previous years	11,029,183.54	6,751,269.24
- Dividends	-6,384,226.75	-210,219.60
Profit/Loss of the accounting period	5,353,743.68	4,488,133.90
<b>DISTRIBUTABLE FUNDS TOTAL</b>	<b>35,491,478.05</b>	<b>36,521,961.12</b>

## 14. Provisions

The company has provided an additional third year guarantee for some of products, which were sold out. The estimated third year guarantee expenses of KEUR 810 (KEUR 595) are presented as other provisions. The company booked, in the annual closing of books 31 December 2014, a KEUR 120 provision to continue the dispute, described in note Law suits and claims Compensation to Teosto, in court. This provision is booked against profit and loss statement during the reporting period 2015.

## 15. Covenants

Company has made a covenant agreement with certain financing counter parties. This defines the minimum equity ratio, interest bearing EBITDA -ratio and certain limits on dividends for Verkkokauppa.com Oyj. All of the covenant requirements fulfilled as at 31 December 2015.

## 16. Internal liabilities and receivables

There are no internal liabilities or receivables of any kind between Verkkokauppa.com Oyj and Arctecho Oü.

## 17. Accrued liabilities

In 2015, the largest accounts were holiday-pay salaries and related insurance costs which came to KEUR 2 907 (KEUR 2 471) in total and other accrued salaries of KEUR 2 160 (KEUR 1 921).

## 18. Commitments and contingencies

€	2015	2014
<b>Collaterals given and other liabilities</b>		
Liabilities (Letter of Credit, Rent and Customs guarantees)	2,657,344.35	2,749,898.86
<b>Leasing liabilities</b>		
Lease payments (<1 year)	547,998.13	816,208.43
Lease payments (>1 year)	723,832.06	1,277,836.90
<b>Collaterals given and other liabilities</b>		
Long term debt		
Mutual insurance company Fennia	0.00	412,083.00
Mutual pension-insurance company Elo	0.00	686,809.00
Installments for the coming year Fennia/Elo	0.00	879,124.00

The Company does not have any long term debt that matures over five years.

### Overdraft limits

Nordea FI6013783000206884	0.00	1,500,000.00
OP FI9657202320053451	0.00	5,750,000.00
OP FI3157895420025061	0.00	0.00

The company's credit limits were not utilized.

<b>Collateral</b>	27,000,912.74	16,000,912.74
-------------------	---------------	---------------

### Leasing liabilities

Leases on premises are valid in Pirkkala until 31 December 2018 and in Oulu until 20 November 2018. Annual leasing liabilities on these are ca MEUR 0,9 annually.

The leasing contract for the Jätkäsaari premises in Helsinki is valid until 31 January 2027. Jätkäsaari's additional warehouse premises' rent contract determination is 3 months. Verkkokauppa.com Oyj has made sublet part of their premises. The annual leasing liability is ca MEUR 4,6 and the total of liabilities due after 1 January 2016 is approximately MEUR 33.6.

### Other liabilities

The Company joined an international PINS loyalty program during 2014. The Company is committed to buy PINS loyalty program points during 2016 for a monetary amount that is not significant considering the size of the Company.

## 19. Related-party transactions

Related parties in Verkkokauppa.com Oyj are deemed to comprise the members of the Board of Directors and CEO, the other members of the Management Team of the Verkkokauppa.com Oyj, the immediate family of the aforementioned persons and companies controlled by the aforementioned persons. Common business terms are used in all transactions with related parties. Verkkokauppa.com Oyj has no significant business transactions with related parties.

## 20. Management's shareholding

Board of Directors', Chief Executive Officer's and management team's, number of shares owned by

	2015	2014
Chief Executive Officer (CEO)	22,487,796	22,487,496
Board of Directors	2,546,074	4,867,332
Management team	52,230	48,702
<b>TOTAL</b>	<b>25,086,100</b>	<b>27,403,530</b>

Chief Executive Officer belongs to the Board of Directors and Management.

During the reporting period 2015, a free share issue was executed. The changes in the numbers of shares have been taken into account for the comparison years.

## 21. Major shareholders 31 December 2015

Shareholder	Number of shares	% of shares
Seppälä Sipi Samuli	22,487,796	49.9%
Rite Ventures Finland Ab	2,367,576	5.3%
Ilmarinen Mutual Pension Insurance Company	2,308,728	5.1%
Varma Mutual Pension Insurance Company	2,065,932	4.6%
OP-Delta Fund	2,038,000	4.5%
Keva	1,314,078	2.9%
Skogberg Ville Johannes	1,030,000	2.3%
Hartwall Capital Oy Ab	778,974	1.7%
Danske Invest Finnish Small Cap Fund	710,000	1.6%
OP-Finland Small Firms Fund	634,266	1.4%
10 biggest shareholders total	35,735,350	79.3%
Other shareholders	9,329,780	20.7%
<b>TOTAL</b>	<b>45,065,130</b>	<b>100.0%</b>

## 22. Distribution of shareholders 31 December 2015

Size of shareholding	Number of shareholders	% of shareholders	Number of shares	% of shares
1–100	581	30.6%	35,760	0.1%
101–500	662	34.8%	156,761	0.3%
501–1,000	292	15.4%	210,045	0.5%
1,001–5,000	265	13.9%	615,699	1.4%
5,001–10,000	38	2.0%	264,699	0.6%
10,001–50,000	35	1.8%	764,275	1.7%
50,001–100,000	5	0.3%	370,555	0.8%
100,001–500,000	9	0.5%	1,543,691	3.4%
500,001–	13	0.7%	41,103,645	91.2%
<b>TOTAL</b>	<b>1,900</b>	<b>100.0%</b>	<b>45,065,130</b>	<b>100.0%</b>
Nominee-registered			4 871 060	10,8 %

## 23. Shareholder breakdown by sector 31 December 2015

	Number of shareholders	% of shareholders	Number of shares	% of shares
Companies	95	5.0%	874,269	2.2%
Financial institutions and insurance companies	18	0.9%	5,303,005	13.2%
Public bodies	3	0.2%	6,412,660	16.0%
Non-profit organisations	12	0.6%	320,094	0.8%
Households	1,764	92.8%	24,778,412	61.6%
Non-Finnish nationals	8	0.4%	2,505,630	6.2%
<b>TOTAL</b>	<b>1,900</b>	<b>100.0 %</b>	<b>40,194,070</b>	<b>100.0 %</b>

## 24. Key ratios

	2015	2014	2013
Revenue, € thousands	343,682	275,784	238,013
Operating profit, € thousands	7,676	7,468	6,640
Operating margin, % of revenue	2.2%	2.7%	2.8%
Net profit, € thousands	5,354	4,488	4,204
Return on equity, %	14.8%	20.2%	73.9%
Return on capital employed (ROCE), %	20.9%	29.2%	48.3%
Equity ratio, %	45.2%	48.7%	14.6%
Equity ratio, % (including subordinate debt)	45.2%	48.7%	22.5%
Earnings per share (EPS) revised by share split, €	0.12	0.11	0.13
Earnings per share (EPS) revised by share split (diluted), €	0.12	0.10	0.11
Equity per share, €	0.79	0.81	0.25
Equity per share (diluted), €	0.79	0.81	0.20
Dividend per share, €*	0.15	0.14	0.04
Payout ratio, %	126.3%	133.8%	5.0%
Effective dividend yield, %	4.1%	2.8%	-
Price per earnings ratio (P/E ratio)	61	48	-
Share trade:			
Number of shares at end of period	45,065,130	7,510,855	5,255,490
Average number of shares at end of period revised by share split	45,065,130	42,399,765	31,505,886
Number of shares at end of period revised by share split	45,065,130	45,065,130	31,532,940
Lowest stock price revised by share split	4.91	3.35	-
Highest stock price revised by share split	7.23	5.28	-
Average stock price revised by share split	6.04	3.91	-
Period end stock price revised by share split	7.20	5.10	-
Market value of the shares at period end	324.5	229.8	-
The number of traded shares	7,600,519	3,821,330	-
Traded shares of all shares, %	16.9%	54.1%	-

Diluted key ratio has been presented in case it differs from undiluted key ratio. During the reporting period 2015, a free share issue was executed. The changes in the numbers of shares have been taken into account in share-related key figures for the comparison years.

\*2015: Board of Directors' proposal

## 25. Calculation of key ratios

- 1) Operating profit, per cent = Operating profit / Net turnover x 100
- 2) Return on equity per cent = Net profit for the period / Equity x 100
- 3) Equity ratio (no capital loans) = (capital and reserves + depreciation reserve x (1 – tax rate)) / (Total sum of the balance sheet – advances received) x 100
- 4) Equity ratio = (capital and reserves + depreciation reserve x (1 – tax rate)) / (Total sum of the balance sheet – advances received) x 100
- 5) Equity ratio (including subordinate loans) = (capital and reserves + capital loans + depreciation reserve x (1 – tax rate)) / (Total sum of the balance sheet – advances received) x 100
- 6) Earnings per share = Net profit for the period / Average number of shares adjusted by share issues
- 7) Equity per share = Equity / Number of shares at reporting day
- 8) Dividend per share = Dividend / Number of shares at reporting day revised by share split
- 9) Payout ratio per cent = Dividend per share revised by share split / Earnings by share revised by share split x 100
- 10) Effective dividend yield per cent = Dividend per share / Share price at reporting day x 100
- 11) Price per earnings ratio (P/E ratio) = Share price at reporting day / Earnings per share
- 12) Share trade development per cent = The number of changed share during the reporting period / The average number of share during the reporting period x 100

Diluted key ratios include the number of shares according to the subscription right.

## 26. Company Book of accounts:

Daybook		electronic
General Ledger		electronic
Balance Book		binded
Balance specifications		electronic
Specification of Fixed Assets		electronic

### Accounting documents and method of storing

Account Statements	1910–1931	electronic
Cash in hand, location sales	B	electronic
Sales, other than on location	C	electronic
Memo	MUIST	electronic/paper
Purchase invoices	ORL	electronic
From inventory taken to own use	OMAS	electronic
Salary calculations	PL	electronic
Reconciliation of VAT accounts on monthly basis	VAT	electronic

# Signatures for the Board of Directors' report and financial statements

Helsinki 17 February 2016

**Christoffer Häggblom**  
Chairman

**Mikael Hagman**  
Board member

**Minna Kurunsaari**  
Board member

**Kai Seikku**  
Board member

**Antti Tiitola**  
Board member

**Henrik Weckström**  
Board member

**Samuli Seppälä**  
Managing director, board member

# Auditor's report

To the Annual General Meeting of Verkkokauppa.com Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Verkkokauppa.com Oyj for the financial year 1 January–31 December 2015. The financial statements comprise the balance sheet, the income statement, the cash flow statement and notes to the financial statements.

## Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of financial statements and report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

## Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in

the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

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

## Opinion

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of the financial performance and financial position of the company in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, 17 February 2016  
KPMG Oy Ab

**Mauri Eskelinen**  
Authorized Public Accountant

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

# Corporate governance statement

Verkkokauppa.com Oyj (hereinafter, the “Company” or “Verkkokauppa.com”) is a public Finnish limited liability company. The shares of the Company are traded on the First North Helsinki market place of Nasdaq Helsinki Ltd. (“First North”).

The Company’s governance is subject to the Finnish Companies Act, the Securities Market Act, the Accounting Act, the rules of First North Finland as well as the Company’s Articles of Association.

As the Company’s shares are not listed on the main list of Nasdaq Helsinki Ltd. the Company is not subject to the Finnish Corporate Governance Code (the “CG Code”). However, to the extent practicable, the Company seeks to comply with the CG Code as applicable. Compliance with the CG Code is based on a comply-or-explain principle, whereby departures from the CG Code shall be explained and disclosed. The CG Code is available at the website of the Securities Market Association [www.cgfinland.fi/en](http://www.cgfinland.fi/en).

The Board of Directors of the Company has for the corporate governance statement for the financial period ended 31 December 2015 resolved to apply the reporting principles set out in the new CG Code to the extent practicable. The Company establishes principles concerning the diversity of the Board of Directors in accordance with recommendation 9 of the new CG Code during the financial period ending 31 December 2016.

The Company’s Corporate Governance Statement is available on the Company’s website [www.verkkokauppa.com/fi/investors/hallinnointi](http://www.verkkokauppa.com/fi/investors/hallinnointi).

## Group structure

The parent company of the group is Verkkokauppa.com Oyj. The domicile of the Company is Helsinki, Finland. The parent company is the main operating company of the Verkkokauppa.com group of companies. The Company has a subsidiary, Archtecho OÜ located in Estonia. The subsidiary is dormant and has been dormant for the past five (5) years.

The Company’s governance is organised through the General Meeting, the Board of Directors and the Chief Executive officer. Further, the Company has a management group led by the Chief Executive Officer.

## General Meeting

The highest decision-making power in Verkkokauppa.com is exercised by the Company’s shareholders at General Meetings, in which the shareholders may exercise their right to speak, ask questions and vote. The Annual General Meeting is held by the end of June each year and it handles the matters that fall under its authority according to the Articles of Association as well as any matters proposed to a General Meeting.

Extraordinary General Meetings are convened by the Board of Directors if needed to handle specific matters proposed to a General Meeting. Shareholders holding a minimum of 10% of all shares and the Company’s auditor may request the handling of a specified matter at a General Meeting, which the Board of Directors shall then convene.

Usually General Meetings handle the matters placed on its agenda by the Board of Directors. According to the Finnish Companies Act, shareholders may also request the Company’s Board of Directors to place a matter on the agenda of the next General Meeting. The Company states well in advance on its website the date by which a shareholder must declare his or her demands for matters to be dealt with at the Annual General Meeting. The demand is deemed to have arrived in sufficient time, if the Board of Directors has been notified of the demand four (4) weeks before the delivery of the notice of the General Meeting at the latest. The Board of Directors prepares the proposals to the General Meeting relating to the composition of the Board of Directors and the remuneration of the Board of Directors.

### Major matters subject to the decision-making power of a General Meeting include:

- amendments to the Articles of Association;
- increases or decreases in share capital;
- issuance of shares;
- decisions on the number, election and remuneration of members of the Board of Directors;
- adoption of the financial statements; and
- distribution of profits / allocation of losses.

### Notice to the General Meeting

The shareholders of the Company are summoned to the General Meeting by publishing the notice on the Company’s website. The notice shall be published not earlier than three (3) months before and not later than nine (9) days prior to the General Meeting record date. In addition, the Board

of Directors may publish a summary notice of the General Meeting in one (1) or more national daily newspapers. The notice shall state the matters to be handled at the General Meeting and other information required in Finnish Companies Act and CG Code.

The notice and the proposals of the Board of Directors to the General Meeting are also published by means of a company announcement.

The notice to the General Meeting and the following information are made available on the Company’s website at least three (3) weeks before the General Meeting:

- The proposals and, if the General Meeting is to deal with the financial statements, the financial statements, the annual report and the auditor’s report. At a minimum, this information shall further be kept available at the venue of the General Meeting;
- The documents to be submitted to the General Meeting; and
- Draft resolutions to the General Meeting.

If a decision pertains to a share issue, the issue of option rights or other special rights entitling to shares, the increase of the share capital from reserves, the payment of dividend, the distribution of reserves of unrestricted equity, the decrease of the share capital, the acquisition or redemption of own shares, or the Company going into liquidation, and the financial statements are not to be dealt with at the meeting, the following information shall be made available on the Company’s website at least one (1) week before the General Meeting:

- The latest financial statements, annual report and auditor’s report;
- The possible decisions on the distribution of assets, made after the end of the preceding financial period;
- Any interim reports prepared as of a date after the end of the preceding financial period; and
- A statement by the Board of Directors on the events occurring after the latest financial statements or interim report and having an essential effect on the state of the Company

### Attendance

Shareholders registered in the Company’s shareholders register kept by Euroclear Finland Ltd on the record date of the General Meeting have the right to attend the General Meeting and exercise their voting rights. Shareholders may exercise their rights at the General Meeting either in person or through an authorized proxy representative.

The minutes of the General Meeting including the voting results and any appendices that are part of a decision made by the General Meeting shall be posted on the Company website within two (2) weeks after the General Meeting. The decisions of the General Meeting are also published by means of a company announcement immediately after the General

Meeting. The documents related to the General Meeting shall be available on the Company’s website at least for five (5) years after the General Meeting.

### Attendance of the members of the Board of Directors and the Chief Executive Officer

The Chief Executive Officer, the chairperson and the members of the Board of Directors shall attend the General Meeting. In addition, the auditor shall be present at the Annual General Meeting. A candidate proposed to be elected to the Board of Directors shall participate in the General Meeting that decides on his or her election.

### Decision-making

The Company has one (1) series of shares, which entitle its holders to one (1) vote per share owned at the General Meeting. Most resolutions by the General Meeting require a simple majority of the votes cast at the meeting. In an election, the person receiving the highest number of votes shall be deemed elected. The General Meeting may, however, prior to an election, decide that to be elected, a person shall receive more than half of the votes cast. However, there are several matters, such as directed share issues, which according to the Finnish Companies Act require a 2/3 majority of the votes cast and of the shares represented at the meeting.

The Articles of Association of Verkkokauppa.com include no redemption clauses or voting limitations.

## Board of Directors

### Composition and term

Under the Articles of Association, the Board of Directors consists of at least four (4) and at most eight (8) members. The members of the Board of Directors are elected by the Annual General Meeting of the shareholders and the term of office of the members of the Board of Directors expires at the end of the Annual General Meeting following their election.

The Articles of Association set no limitations regarding the number of terms that Directors may serve, nor do they restrict in any other way the decision-making power of the General Meeting in electing members of the Board of Directors. However, the General Meeting may take into account all recommendations stipulated by the CG Code regarding the composition of the Board of Directors, especially with regards to meeting the independence and other requirements applicable to publicly or multilaterally listed companies in Finland. The Board of Directors elects one of its members as the chairperson of the Board of Directors and may elect a deputy chairperson.

The Board of Directors have drawn up a written charter for its work. The essential contents of it are included in the following.

### Current composition of the Board of Directors

The Board of Directors consists of the following seven (7) members: Christoffer Häggblom, Mikael Hagman, Minna Kurunsaari, Kai Seikku, Samuli Seppälä, Antti Tiitola and Henrik Weckström.

At the Extraordinary General Meeting on 19 August 2015, Minna Kurunsaari was elected as a member of the Board of Directors, in addition to the members Christoffer Häggblom, Mikael Hagman, Kai Seikku, Samuli Seppälä, Antti Tiitola and Henrik Weckström elected at the Annual General Meeting on 18 March 2015 for a term that expires at the end of the next Annual General Meeting. Member of the Board of Directors Peter Lindell had prior to the Company's Annual General Meeting held on 18 March 2015 informed the Board of Directors that he would no longer be available for the Board of Directors of Verkkokauppa.com Oyj after the 2015 Annual General Meeting.

At the organization meeting of the new Board of Directors, which first convened after the Annual General Meeting, Christoffer Häggblom was elected as the Chairman of the Board of Directors.

Based on the evaluation of independence, the Board of Directors concluded that Christoffer Häggblom, Minna Kurunsaari, Kai Seikku and Antti Tiitola are independent of the Company, and that Mikael Hagman, Minna Kurunsaari, Kai Seikku and Antti Tiitola are independent of the Company's significant shareholders. Samuli Seppälä and Henrik Weckström are part of the Company's management group.

Information reported on the members of the Board of Directors are found in the section "Members of the Board of Directors during 2015"

### Duties of the Board of Directors

The duties of the Company's Board of Directors are set forth in the Companies Act and other applicable legislation. The Board of Directors is responsible for the management of the Company. Its responsibilities include, inter alia, to:

- deliberate and decide on the Company's strategy;
- confirm the business plan and budget as well as financing transactions (as far as not falling into the responsibility of the shareholders);
- deliberate on and approve interim reports and/or interim management statements, the annual accounts and the reports by the Board of Directors;
- confirm internal control and risk management systems and reporting procedures;
- decide on possible bonus and incentive schemes for the management and possible general or special pension schemes, profit sharing schemes or bonus schemes for employees of the Company;
- decide on any contracts which, given the scope and nature of activities of the Company, are of unusual nature, or significant importance such as long-term lease contracts;

- decide on related party transactions; and
- appoint or dismiss the CEO. Other employees belonging to the management team of the Company are appointed by the CEO and approved by the Board of Directors.

As the Company does not have a separate audit committee, the Board of Directors in its entirety is also responsible for the duties of the audit committee. These include the following:

- Monitor and supervise the reporting process of the Company's financial statements (such as annual financial statements, interim reports and annual, half-yearly and quarterly earnings releases);
- Monitor and supervise the Company's financial reporting;
- Monitor and regularly evaluate the efficiency of the Company's internal control and risk management systems and its internal audit function, and any descriptions of these systems and functions in the Company's disclosures;
- Monitor the statutory audit of the financial statements and consolidated financial statements;
- Evaluate the performance and independence of the external auditor;
- Approve the external auditor's annual audit fees under the guidance given by the shareholders at the Annual General Meeting; and
- Prepare the decision concerning the election of the auditor;

The Board of Directors held 12 meetings during 2015. The average ratio of attendance at the meetings was 98 percent. Verkkokauppa.com does not have a supervisory board.

Name	Participation in board meetings	Attendance percentage
Christoffer Häggblom	12	100%
Mikael Hagman	12	100%
Minna Kurunsaari <sup>1)</sup>	4	100%
Peter Lindell <sup>2)</sup>	2	100%
Kai Seikku	10	83%
Samuli Seppälä	12	100%
Antti Tiitola	12	100%
Henrik Weckström	12	100%

<sup>1)</sup>Member of the Board of Directors since August 19, 2015

<sup>2)</sup>Member of the Board of Directors until March 18, 2015

### Decision-making

Meetings of the Board of Directors are convened by its chairperson. The Board of Directors constitutes a quorum when more than half of the members appointed by the General Meeting are present at the meeting. When votes are cast, the majority opinion will be the Board of Directors'

decision and, in the case of a tie, the chairperson will have the casting vote.

The Board of Directors is always obliged to act in the Company's interests and in such a way that its acts or measures are not likely to produce unjustified benefit to any shareholder or other third party at the cost of the Company or another shareholder.

A member of the Board of Directors is disqualified from participating in the handling of a matter pertaining to a contract or other transaction between the member of the Board of Directors and the Company or of such matter where the member is to derive an essential benefit and that benefit may be contrary to the interests of the Company. In principle, a member of the Board of Directors may not participate in the handling of a matter if the member of the Board of Directors is involved in the matter under assessment in another capacity.

### Meeting practice

The Board of Directors shall convene as frequently as necessary to discharge its responsibilities. The Chief Executive Officer ensures that the Board of Directors is provided with sufficient information to assess the operations and financial situation of the group.

The secretary of the Board of Directors is Jussi Tallgren.

The Board of Directors conducts annual performance self-evaluations.

### Board Committees

The Company's Board of Directors has not set up committees and, therefore, in its entirety conducts the tasks appointed to different committees in the CG Code. According to the Company's Board of Directors, functioning without board committees best corresponds to the Company's current business needs and best enables the Company's Board of Directors to act in compliance with the relevant laws and fulfil the other requirements set out in the CG Code.

### Chief Executive Officer

The Chief Executive Officer is responsible for the day-to-day management of the Group in accordance with the instructions and guidance given by the Board of Directors and ensuring that the accounting practices of the Group comply with the law and that the financial management of the group has been arranged in a reliable manner.

The Chief Executive Officer primarily presents the matters handled in meetings of the Board of Directors and is responsible for preparing draft resolutions. The Board of Directors elects the Chief Executive Officer and decides on the remuneration of the Chief Executive Officer and on other terms of the Chief Executive Officer contract. The Chief Executive Officer may not be elected chairperson of the Board of Directors.

The remuneration of the CEO comprises a fixed basic salary and fringe benefits (such as rights for company car and phone). In 2015, the total annual salary with fringe benefits of the CEO amounted to EUR 13 thousand. The CEO forewent his salary for the period of 1 January–31 December 2015, and the sum corresponding to the CEO's salary from said period was distributed to the personnel in equal amounts.

The CEO has not received any shares or share-based rights as remuneration during 2015. The statutory pension age is applied to the CEO. The CEO does not have an additional pension agreement with the Company. The period of notice for the CEO is twelve (12) months. If the Company dismisses the CEO, the CEO will receive compensation equally the salary of twelve (12) months in certain cases.

The terms of duty of the Chief Executive Officer have been agreed on in writing. The Chief Executive Officer is elected for a term continuing until further notice.

The current Chief Executive Officer is Samuli Seppälä. The biographical details of Samuli Seppälä can be found from page 55.

### Management Team

The Company has a management team consisting of Samuli Seppälä, Jussi Tallgren, Henrik Weckström, Esa Hjerpe, Timo Halonen, Markus Pätilä, Miika Heinonen and Matti Harjunen.

The management team members handle the issues that concern managing of the group in their respective areas and on the basis of the guidance provided by the Board of Directors. The management team assists the Chief Executive Officer in running the Company. The management team members prepare matters that are to be put before the Board of Directors for decision-making, e.g. the Company's strategies, budgets and policies as well as significant acquisitions and divestments. In addition, the management team handles matters pertaining to reporting, internal and external communication, personnel development, hiring of employees and their terms of employment as well as investor relations. The management team has no formal status under company law.

Information reported on the members of the management team are found in the Annual Report 2015 section "Management team".

### Remuneration

The Board of Directors resolves on the remuneration and other benefits of the Company's CEO and the chairperson of the Board of Directors approves the remuneration and other benefits of the management team operating under the CEO. When elaborating on the remuneration, bonus and incentive schemes, the Board of Directors also takes into account aligning of the interests between shareholders and

directors. The remuneration of the CEO comprises a fixed basic salary and fringe benefits (such as rights for company car and phone). The remuneration of the management team (excluding the CEO) comprises hourly wage. The management team is entitled to additional pay in accordance with the collective agreement for commercial sector (FIN: kaupan alan työehtosopimus) for work outside normal working hours. If the employment relationship of a member of the management team is terminated for a reason not attributable to the Company, a non-compete period of six (6) months is observed. The member of the management team is entitled to a monthly compensation for such period, corresponding to the average monthly salary paid for normal working hours.

The Company does not have any equity-based remuneration schemes and other than as set out above, the salaries of the management team are not divided into non-variable and variable components. The remuneration of the management team is not dependent on performance and result criteria.

The Company does not apply long-term remuneration and no specific earning and restriction periods are applied in the remuneration.

The General Meeting decides on the remuneration payable for Board of Directors as well as the basis for its determination.

The Company annually makes available a Remuneration Statement on its website in accordance with the CG Code.

#### Annual General Meeting (18 March 2015)

On 18 March 2015, the Company's Annual General Meeting resolved that the remuneration payable to the members of the Board of Directors is as follows: the annual remuneration of EUR 40,000 for the chairman and EUR 20,000 for each member. No annual remuneration shall be paid to a member of the Board of Directors belonging to the executive management of the Company. In addition, reasonable travelling expenses of the members of the Board of Directors are reimbursed against invoices.

#### Internal control in Verkkokauppa.com

Internal control is under the responsibility of the Board of Directors, and its function is, among other things, to ensure the efficiency and profitability of operations, the reliability of information, and the adherence to rules and regulations. Internal control is a part of day-to-day management and company administration.

Internal audits are an integral part of internal control. The Board of Directors is responsible for organising the internal audit, and the internal audit services are purchased from an external service provider. The internal audit reports its observations to the Board of Directors. The internal audit supports the management in directing operations by inspecting and evaluating the efficiency of business operations, risk management and internal control, and by

producing information and recommendations to enhance efficiency. The internal audit also inspects the processes of business operations and financial reporting. The operations of the internal audit are based on a risk-focused approach and the focus areas of the business operations and its development.

#### Risk management

The Company's Board of Directors approved on January 16, 2014 a risk management operating model for the Company. According to the Company's risk management operating model, the objective of risk management is to raise risk awareness and enhance proactive risk management in the organisation, increase the competitiveness of the organisation by reducing negative risks and increasing positive risks, ensure a sufficient level of risk management for the whole organisation, manage risks as part of business activities and define responsibilities of risk management in the organisation. The Board of Directors decides on the Company's risk management policy and defines the framework for the level of risk management in the Company. The Company's operative management is responsible for actual measures related to risk management in accordance with the Company's risk management policy.

#### Main features of the internal control and risk management systems pertaining to the financial reporting process

The Board of Directors of Verkkokauppa.com is responsible for the implementation of internal control with regard to financial reporting. The Company's Chief Financial Officer and the Finance and Control Department are responsible for the financial reporting. The reporting is based on information from commercial and administrative processes and data produced by the financial management systems. The Company's Finance and Control Department determines the control measures applied to the financial reporting process, which include various guidelines, process descriptions, reconciliations, and analyses used for ensuring the validity of the information used in the reporting and the validity of the reporting itself.

The financial reporting results are monitored and any anomalies in relation to forecasts or in comparison with the previous year's figures are analysed on a regular basis. Such analyses are used to detect any reporting errors and to produce materially accurate information on the Company's finances.

The Company's Finance and Control Department is responsible for the effectiveness of internal control. The Finance and Control Department is responsible for assessments of the reporting processes. The risks pertaining to financial reporting and the related management measures are determined as part of the risk management process.

#### Disclosure

The guiding principle of the communications of the Company is to continuously provide the market with consistent, correct, relevant, and reliable information on the Company to ensure that capital market participants have as transparent and clear a picture of the Company as possible on the basis of which they can assess the value of the Company's securities. In its communication the Company adheres to the principles of the Finnish Companies Act and Securities Market Act of equal and simultaneous access to information and strives to make disclosures without undue delay.

According to the rules of First North, companies, the shares of which are subject to multilateral trading on the First North marketplace of Nasdaq Helsinki, shall have entered into an agreement with a certified advisor. The certified adviser of Verkkokauppa.com is Nordea Pankki Suomi Oyj (the "Certified Adviser").

The Company's official reporting languages are Finnish and English. All published releases, annual reports, details of the current Board of Directors and management team and the name of the Certified Adviser is kept available on the Company's website [www.verkkokauppa.com](http://www.verkkokauppa.com).

The Board of Directors has adopted a disclosure policy in accordance which governs the disclosures of Verkkokauppa.com.

#### Insider Administration

The Company's insider rules observe the insider guidelines issued by Nasdaq Helsinki Ltd. and which are applicable to Companies, the shares of which are traded on First North. Verkkokauppa.com's insider rules are regularly updated and compliance therewith monitored on an ongoing basis. The Company has appointed Jussi Tallgren, CFO, as the insider officer.

The Company's insider rules stipulate that all members of the Board of Directors, the Chief Executive Officer, all the members of the management team, certain other key employees as defined by the Company and the Group auditors are considered to be public insiders. All other key employees of the Company who regularly receive insider information are registered as permanent company-specific insiders within the Company.

Trading in any kind of securities or derivatives related to the Company is limited for all permanent insiders of Verkkokauppa.com. The principal rule governing trading by the permanent insiders is that trading is always prohibited during a 21-day period preceding the release of the annual results and interim reports, and on the date of publication itself (the "Closed Window"). In addition, specific trading restrictions apply to project specific insiders.

The Company's insider administration is included in the SIRE-system of Euroclear Finland Ltd. Information on shareholding data of public insiders is available on

Verkkokauppa.com's website [www.verkkokauppa.com/fi/investors](http://www.verkkokauppa.com/fi/investors) and accessible via Euroclear Finland Ltd, address Urho Kekkosen katu 5 C, 00100 Helsinki, Finland, tel. +358 20 770 6000.

#### Audit

The main function of the statutory auditing is to verify that the financial statements provide true, accurate and sufficient information on the Company's performance and financial position for the financial year. The Company's financial year is calendar year.

The auditor's responsibility is to audit the correctness of the Company's accounting in the respective financial year and to provide an auditors' report to the General Meeting. In addition, Finnish law requires that the auditor also monitors the lawfulness of the Company's administration. The auditor reports to the Board of Directors at least once a year. The fees received by the auditor shall be reported to the shareholders of the Company.

According to the Articles of Association, Verkkokauppa.com shall have one (1) auditor which shall be a firm authorised by the Finnish Chamber of Commerce. The Annual General Meeting elects the auditor and the term of an auditor terminates at the end of the Annual General Meeting following the election. The proposal for the auditor by the Board of Directors shall be included in the notice of the General Meeting. The auditor's fees in 2015 were approximately EUR 86,000 and fees paid to the auditor for non-audit services in 2015 were approximately EUR 13,000.

KPMG Oy Ab, a firm of Authorised Public Accountants, was re-elected as auditor of the Company on 18 March 2015 with Mauri Eskelinen, Authorised Public Accountant, being the principal auditor. Mauri Eskelinen has been the auditor of the Company since 2005.

#### Shareholders' Agreements

The Company is not aware of any shareholders' agreements regarding the shares of the Company.

# Remuneration Statement 2015

This Remuneration Statement by Verkkokauppa.com Oyj (the "Company") has been prepared in accordance with the Finnish Corporate Governance Code.

## Decision-Making Procedure and Main Principles of Remuneration

### Board of Directors

The General Meeting decides annually on the remuneration payable for Board of Directors as well as the basis for its determination. The Board of Directors prepares the proposals to the General Meeting relating to the composition of the Board of Directors and the remuneration of the Board of Directors. The remuneration of the members of the Board of Directors are paid as monetary compensation. No annual remuneration shall, however, be paid to a member of the Board of Directors belonging to the executive management of the Company. The members of the Board of Directors do not have any equity-based remuneration schemes.

### Chief Executive Officer and Management Team

The Board of Directors resolves on the framework for the remuneration and other benefits of the Company's Chief Executive Officer ("CEO") and the chairperson of the Board of Directors approves the remuneration and other benefits of the management team operating under the CEO.

The remuneration of the CEO comprises a fixed basic salary and fringe benefits (such as rights for company car and phone). The terms of duty of the Chief Executive Officer have been agreed on in writing. According to the agreement, the period of notice for the CEO is twelve (12) months. The statutory pension age is applied to the CEO. A 12-month non-compete and non-recruiting obligation are applied to the CEO.

The remuneration of the management team (excluding the CEO) comprises hourly wage. The management team is entitled to additional pay in accordance with the collective agreement for commercial sector (FIN: kaupan alan työehtosopimus) for work outside normal working hours.

If the employment relationship of a member of the

management team is terminated for a reason not attributable to the Company, a non-compete period of six (6) months is observed. The member of the management team is entitled to a monthly compensation for such period, corresponding to the average monthly salary paid for normal working hours. The Company does not have any equity-based remuneration schemes and other than as set out above, the salaries of the management team are not divided into non-variable and variable components. The remuneration of the management team is not dependent on performance and result criteria.

Neither the CEO nor the management team have any additional pension agreements with the Company. The Company pays the CEO's statutory pension insurance premiums. There are no other agreements, based on which the members of the Board of Directors, the CEO or the members of the management team would be entitled to any additional benefits at the end of their employment relationship or service contract.

The Company does not apply long-term remuneration and no specific earning and restriction periods are applied in the remuneration. The Company does not have valid authorisations of the Board of Directors concerning the distribution of the Company's shares, options or other special rights entitling to shares for remuneration purposes.

## Remuneration Report

### Board of Directors

In accordance with the resolution of the Annual General Meeting of 2015, the remuneration payable to the Board of Directors is as follows:

- annual remuneration of EUR 40,000 for the chairman; and
- annual remuneration of EUR 20,000 for each members.

No annual remuneration shall be paid to a member of the Board of Directors belonging to the executive management of the Company. In addition, reasonable travelling expenses of the members of the Board of Directors are reimbursed against invoices.

The remuneration payable to the Board of Directors for board work and other tasks during 2015 were as follows:

Name	Position	Board work	Other benefits from the Company	Total (EUR)
Christoffer Häggblom	Chairman	40,000	0	40,000
Mikael Hagman	Member	20,000	88,500 <sup>1)</sup>	108,500
Minna Kurunsaari <sup>2)</sup>	Member	11,667	0	11,667
Peter Lindell <sup>3)</sup>	Member	0	0	0
Kai Seikku	Member	20,000	0	20,000
Samuli Seppälä <sup>4)</sup>	Member	0	12,559	12,559
Antti Tiitola	Member	20,000	0	20,000
Henrik Weckström <sup>4)</sup>	Member	0	150,596	150,596
<b>In total</b>		<b>111,667</b>	<b>251,655</b>	<b>363,322</b>

<sup>1)</sup> Remuneration as an advisor of the Company.

<sup>2)</sup> Member of the Board of Directors since 19 August 2015.

<sup>3)</sup> Member of the Board of Directors until 18 March 2015. The remuneration paid for the Board work during 2014 paid during 2014.

<sup>4)</sup> The person belongs to the executive management of the Company, why no separate remuneration is payable for the Board work.

### Chief Executive Officer and Management Team

The CEO forewent his salary for the period of 1 January–31 December 2015, and the sum corresponding to the CEO's salary from said period was distributed to the personnel in equal amounts. In 2015, the total annual salary with fringe benefits of the CEO amounted to EUR 12,559. The CEO has not received any other benefits from the Company during 2015.

In 2015, the remuneration, including fringe benefits of the members of the management team (excluding the CEO) was EUR 888,330. The members of the management team (excluding the CEO) have not received any other benefits from the Company during 2015.

# Board of Directors



## Kai Seikku

Born 1965, M.Sc. (Econ.)

Board member since 2013

**Shares and share-based rights and corporations over which control is exercised**  
115,386 shares

Independent of the Company and significant shareholders

### Positions of trust

Vice chairman of the board of University of the arts Helsinki, 2015–

Board member of The Federation of Finnish Technology Industries, 2013–

Board member of Intera Equity Partners II Oy, 2013–

### Working experience

President and CEO, Okmetic Oyj, 2011–

CEO, HKScan Corporation, 2005–2009

CEO, Hasan & Partners Oy, 1999–2004

## Mikael Hagman

Born 1968, DIHM Diploma in Business Administration

Board member since 2014

**Shares and share-based rights and corporations over which control is exercised**  
23,112 shares

Independent of significant shareholders

### Positions of trust

Chairman of the Board of Innohome Oy

Chairman of the Board of Vitvaruexperten.com Nordic AB

### Working experience

Owner, Mikael Hagman AB & Greasy Lake Holding AB 2014–

CEO, Media-Saturn Holding Sweden AB, 2008–2013

## Minna Kurunsaari

Born 1965, Master of Laws trained on the bench

Board member since 2015\*

**Shares and share-based rights and corporations over which control is exercised**  
–

Independent of the Company and significant shareholders

### Positions of trust

–

### Working experience

Consultant 2015–

Senior Vice President for the home and specialty goods trade, and Kesko Oyj's customer information and e-commerce projects 2011–2014

Vice President, Commerce in Kesko Food Ltd, 2008–2011

Various director positions in Kesko Oyj, 1995–2008

\*Member of the Board of Directors since 19 August 2015.

## Christoffer Häggblom

Born 1981, M.Sc. (Econ.)

Board member since 2009

**Shares and share-based rights and corporations over which control is exercised**  
Ownership through Rite Internet Ventures Holding AB. Rite Internet Ventures Holding AB owns indirectly 2,367,576 shares in total.

Independent of the Company

### Positions of trust

Chairman of the Board of Nebula Group companies

Member of the Board of, inter alia, Rite Internet Ventures Holding AB, Acervo AB

### Working experience

Managing Partner, Founder since 2007 Rite Internet Ventures Holding AB

## Samuli Seppälä

Born 1975, High school graduate

Board member since 1998

**Shares and share-based rights and corporations over which control is exercised**  
22,487,496 shares

### Positions of trust

Member of the Board of F. Sergejeffin Oluttehdas Osakeyhtiö

### Working experience

CEO and Purchasing Director, Founder since 1992, Verkkokauppa.com Oyj

## Antti Tiitola

Born 1967, Commercial college graduate

Board member since 2014

**Shares and share-based rights and corporations over which control is exercised**  
40,000 shares

Independent of the Company and significant shareholders

### Positions of trust

Member of the Board of Directors of Raisio plc and Broman Group Oy

### Working experience

Executive Vice President, Oil Retail, Neste 2014–

SVP, VR Group, 2012–2014

CEO, Lidl Suomi Ky, 2000–2011

## Henrik Weckström

Born 1976, M.Sc. (Tech.)

Board member since 2001

**Shares and share-based rights and corporations over which control is exercised**  
10,824 shares

### Positions of trust

–

### Working experience

CTO, Verkkokauppa.com Oyj, 1999–

# Management Team

Financial statements 2015 | Management Team



## Esa Hjerppe

*Web Sales and Marketing Director,*  
Verkkokauppa.com Oyj

Born 1969, Commercial college graduate

Member of the management team since 2012

**Shares and share-based rights and corporations over which control is exercised**  
300 shares

### Working experience

Marketing Manager,  
Musta Pörssi Oy's Konebox,  
2011–2012

Sales Manager,  
Musta Pörssi Oy's Konebox,  
2008–2011

## Miika Heinonen

*Logistics Director,*  
Verkkokauppa.com Oyj

Born 1976, BBA

Member of the management team since 2011

**Shares and share-based rights and corporations over which control is exercised**  
–

### Working experience

Warehouse Manager,  
Verkkokauppa.com Oyj,  
2005–2011

## Matti Harjunen

*Corporate Sales and Export Director,*  
Verkkokauppa.com Oyj

Born 1973, Vocational degrees in Entrepreneurship and Marketing

Member of the management team 2013–2015

**Shares and share-based rights and corporations over which control is exercised**  
–

### Working experience

Purchasing Director,  
Musta Pörssi Oy, 2010–2013

Concept Manager,  
Musta Pörssi Oy's Konebox,  
2007–2010

## Jussi Tallgren

*CFO,*  
Verkkokauppa.com Oyj

Born 1966, M.Sc. (Econ.)

Member of the management team since 2012

**Shares and share-based rights and corporations over which control is exercised**  
38,100 shares

### Working experience

CFO, Veikon Kone Oy,  
2009–2012

## Samuli Seppälä

*CEO and Purchasing Director,*  
Verkkokauppa.com Oyj

Born 1975, High school graduate

Member of the management team since 2008

**Shares and share-based rights and corporations over which control is exercised**  
22,487,496 shares

### Positions of trust

Board member, F. Sergejeffin Oluttehdas Osakeyhtiö

### Working experience

CEO and Purchasing Director,  
Founder since 1992,  
Verkkokauppa.com Oyj

## Timo Halonen

*Services Director,*  
Verkkokauppa.com Oyj

Born 1977, High school graduate

Member of the management team since 2013

**Shares and share-based rights and corporations over which control is exercised**  
–

### Working experience

Customer Service Manager,  
Verkkokauppa.com Oyj,  
2012–2013

Customer Complaints Director,  
Verkkokauppa.com Oyj,  
2008–2012

## Markus Pätilä

*Sales Director, retail stores*  
Verkkokauppa.com Oyj

Born 1975, Vocational qualification in data processing

Member of the management team since 2011

**Shares and share-based rights and corporations over which control is exercised**  
3,006 shares

### Working experience

Helsinki Store Manager,  
Verkkokauppa.com Oyj,  
2008–2010

## Henrik Weckström

*CTO,*  
Verkkokauppa.com Oyj

Born 1976, M.Sc. (Tech.)

Member of the management team since 2008

**Shares and share-based rights and corporations over which control is exercised**  
10,824 shares

### Working experience

CTO, Verkkokauppa.com Oyj,  
1999–

**The statements and estimates  
contained in this Annual Report**

relating to markets and the future are based on the current views of the management. Due to their nature, they contain uncertainties and are subject to changes in the general economic situation or changes in the situation of the industry.

**Verkkokauppa.com Oyj's Certified Adviser  
acts Nordea Bank Finland PLC.**

**Verkkokauppa.com Oyj**

Tyynenmerenkatu 11

FI-00220 Helsinki

Tel. +358 10 309 5555

[www.verkkokauppa.com](http://www.verkkokauppa.com)

