

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

# Annual Report

2014



# Retail going online continues

## First North Finland listing

For Verkkokauppa.com, 2014 was a year of interesting events that affected the company as a whole as well as its customers, owners and employees. During the spring 2014 Verkkokauppa.com Oyj was listed on First North Finland, a multilateral trading facility operated by NASDAQ. Verkkokauppa.com is traded under ticker VERK. Both share issue and share offering were oversubscribed. The final subscription price was EUR 23. Trading on Verkkokauppa.com shares started on 4 April 2014.

MEUR **276**  
Revenue in 2014

**16%**  
Increase in revenue in 2014

## Strong growth

The drive was also strongly reflected in the financial figures. Verkkokauppa.com's revenue increased by 16% to EUR 276 million. Its gross profit increased by 14% to EUR 43 million. The company's operating profit rose to EUR 7.5 million. The listing clearly strengthened Verkkokauppa.com's financial position and balance

sheet, and its finances were in good shape at the end of the year. The company's good financial standing enabled it to make significant investments in new, highly competent employees. Its number of personnel increased from 449 to 527 in 2014.

## Verkkokauppa.com joins the PINS joint loyalty program

In May 2014, Verkkokauppa.com announced that it would join PINS, the first open loyalty program in Finland. PINS immediately attracted a great deal of media and public attention. The program enables the company to reach new customers. In addition, Verkkokauppa.com is the only company that offers consumer electronics

to customers collecting PINS points. Together with a large number of national and international partners, Verkkokauppa.com is now challenging traditional chain-based loyalty programs.



The IPO advertisements highlighted the current trend of retail going online.



**39.5 million**  
Webstore visits in 2014

**37%**  
Share of mobile traffic  
in 2014

**More and more customers are  
making purchases on  
mobile devices.**



Don't worry. The new  
mobile webstore is open.

**Verkkokauppa.com**  
TODENÄÄRÄSISTÄ AINA HALLEMPÄ

## Innovation Aquarium – new concepts on customers' terms

In late 2013, Verkkokauppa.com introduced the Innovation Aquarium, a crowd-sourcing project for developing new products. Funded by Tekes, the project continued to evolve throughout 2014 and beyond. It is based on open innovation and interaction between consumers, experts and a development team at Verkkokauppa.com.

The Innovation Aquarium seeks to respond to current trends and to maintain a direct dialogue with consumers. Over the past year, the Innovation Aquarium has introduced several products onto the market, including a 3D printer and an e-bike – at competitive prices, of course.

## New mobile website – riding the trend

In 2014, online shopping shifted from traditional desktop computers to touchscreen mobile devices. This international trend is increasingly shifting commerce to mobile devices, also in Finland. It poses new challenges to the mobile webstore, particularly in terms of user

interfaces and the shopping experience. Verkkokauppa.com intends to make full use of the opportunities offered by the continuously growing and strategically important levels of mobile traffic. The aim of the new mobile website is to improve the customer experience

by making finding product information and browsing and buying products simple, straightforward and as easy as possible. The Verkkokauppa.com mobile webstore is fully functional, but still in the test phase. The first experiences have been positive – for example, more

and more customers are making purchases on mobile devices. The mobile webstore is scheduled to open in full to the public in 2015, and its role and development will be monitored with great interest.

## Reorganised B2B sales and a new export team – a stronger focus on the customer

Verkkokauppa.com is also seeking growth through B2B sales. In 2014, the major customer department was divided into B2B sales and export sales. After the reorganisation, the new teams are better able to focus on their expertise, and their customers are served by even more highly specialised employees. Verkkokauppa.com's extensive product range, competitive contract

prices and flexible and convenient delivery options are expected to appeal to companies, organisations and institutions of all sizes. The export team serves corporate and private customers making tax-free purchases.

# CEO's review

Retail is going online. In 2014, Verkkokauppa.com increased its sales at an excellent rate as a result of affordable prices, digitalization and by taking full advantage of retail going online.

In 2014 Verkkokauppa.com focused on profitable sales growth and the development of its processes, business models and its in-house IT system. The company also continued to develop its own brands and products and prepared for the launch of new main product categories. In addition, consumer financial services were under development and purchasing cooperation opportunities were explored. During the year, the company also launched its mobile website and joined PINS, a new international loyalty system.

Verkkokauppa.com kept increasing its customer inflow and attracted more online and in-store visitors than in 2013. As a result, Verkkokauppa.com is the most frequently visited domestic online store in Finland. According to the SimilarWeb monitoring tool, the company also increased its lead to its competitors, particularly in the number of online visits.

At the turn of the year 2015, Verkkokauppa.com's selection consisted of more than 50,000 items in 25 main product categories. Latest three main product categories were introduced on January 2, 2015. In addition, the company reorganised the GPS and Sport main product category and renamed it Sport and Nutrition.

Verkkokauppa.com also believes that customers no longer need more high cost bricks-and-mortar stores.

Instead, they need low prices, wide selection under multiple categories and other services, such as delivery and installation services, as well as an extensive range of consumer financial services.

The company sees that especially the use of financial services and new categories will help it to increase its gross margin in the future.

In 2015 Verkkokauppa.com will continue to develop Private, its own IT system. Major projects related to Private include consumer financial services, developing an online C2C marketplace and improving the predictability of product availability and the related communications to customers. The first versions of these three projects will be introduced in the first quarter of 2015.

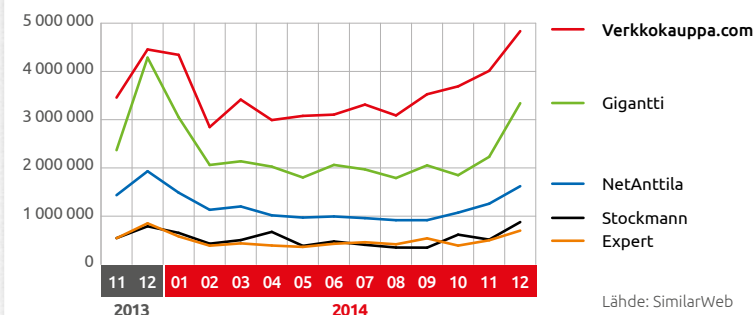
In the future Verkkokauppa.com expects to continue winning market share, particularly from bricks-and-mortar stores, speciality shops and department stores, by making effective use of its scalable and cost-efficient business model coupled with Private, agile and tailor-made software.

**Samuli Seppälä**  
CEO, Founder

Verkkokauppa.com Oyj  
samuli@verkkokauppa.com

## Most visited domestic online store in Finland

Webstore visits in 1 November 2013–31 December 2014



Lähde: SimilarWeb



# Retail is going online – where the customers are

For the retail business, 2014 was a year of transformation. Online commerce continued to grow strongly, while the traditional world of commerce with its traditional players was – and still is – under pressure. Trends in the Finnish economy are reflected all the way to Verkkokauppa.com, a national player.

## Price-consciousness increases – Verkkokauppa.com's promise works

The outlook for the Finnish economy does not promise major growth in the coming years. Amidst the recession, this has made consumers even more price-conscious, they increasingly compare prices, particularly in web-stores. Verkkokauppa.com's customer promise is to

be probably always cheaper – for this reason, price-conscious consumers are more likely to become its customers. With this promise and attitude, Verkkokauppa.com challenges and seeks to beat its competitors – even amidst the current recession.

## Online commerce – cost-effective from the outset

From the very beginning, Verkkokauppa.com was designed to operate in online commerce and with time it has accumulated plenty of experience in successful online trade. While traditional players have brought their bricks-and-mortar stores online, Verkkokauppa.com has extended its online store by establishing three bricks-and-mortar stores that serve customers and offer experiences. The physical stores and the webstore have been integrated from the outset, which is evident for example in real-time product availability data by store and consistent online and in-store pricing.

This strategic choice to focus primarily on online commerce also offers a significant competitive edge over bricks-and-mortar store chains. Because Verkkokauppa.com is not operating dozens of stores around Finland, it is able to maintain its fixed costs at a low level. Instead of maintaining a large number of stores, it focuses on

their high quality and a comprehensive network of collection points. With a network of 2,500 collection points and 460 automated parcel terminals, the company reaches customers across the country, from Kasnäs to Nuorgam. Order volumes have increased over the years and continue to do so, which poses challenges for logistics to keep up with the pace of growth. In 2014, logistics broke many records, including the number of packages sent to customers.

The company has focused on creating a successful webstore, which has made its business operations profitable, enabled it to increase its market share and to expand into new product categories. Verkkokauppa.com believes that strong logistics, a low cost structure and affordable consumer prices, combined with a strong brand and the company's own IT system, are the keys to success in the transforming retail business.

Probably always cheaper.

Consistent online and in-store pricing.

Optimized for online commerce from the start.



# Strength in expertise and the right attitude

Through its increased brand marketing and the media attention attracted by its public listing, Verkkokauppa.com has continued its rise to become the most popular market place in Finland. However, image alone is not enough. Convenient services and processes are needed as well, as are expertise and the right attitude.

The webstore is not resting on its laurels, instead it is under continuous development. The company is always seeking new ways to provide customers with better product information and product search results, whilst also suggesting interesting and sensible accessories for products. With wide selection the customer is provided with everything necessary from one location and product comparisons are made possible. Transparency in the company's operations extends to online commerce. Customers are provided with all of the information available for a product. Particular attention has been paid to comprehensive product descriptions and images, which

also serve as tools for customer service. At the end of 2014, Verkkokauppa.com provided 130,000 uncensored product reviews (on a scale of 1–5 stars) and real-time, product-specific maintenance and return percentages, which all help customers make purchase decisions.

The company thinks that a purchase decision can also be a decision not to buy. Unnecessary returns can be avoided when customers make considered choices to purchase necessary products. This translates into better customer satisfaction. In addition, unnecessary work and costs are avoided in customer service.

## Do-it-yourself – keeping processes under control

Verkkokauppa.com is characterised by a strong culture of proactivity that starts from the management. Ideas and common goals are put into practice in departments and teams, with words turning into actions. It is not unusual to meet a product manager carrying out in-store tasks such as shelving, sales promotion or customer service.

From the outset, Verkkokauppa.com has been building on Private, its own IT system, which offers security and scalability. Together with an in-house IT department, Private has allowed for speed and flexibility in operations. Unexpected situations and problems can be addressed quickly, and the best development ideas can be implemented without delay as top priorities. The company's in-house system developers are in tune with sales and marketing departments and understand users' needs. The IT department uses an electronic noticeboard to keep everyone up to date with project schedules and upcoming and completed changes. The IT teams give monthly presentations on their projects to all interested employees.

Verkkokauppa.com has its own marketing department, with operations comparable to those of a medium-sized advertising agency. It produces materials for stores, the webstore and the purchasing department. The marketing department is also responsible for the layout of EXTRA – a weekly tabloid styled catalogue for households, the content of e-newsletters, in-store and online marketing as well as images and illustrations for all media. Above all, a comprehensive marketing department allows for rapid processes and a fast flow of information, as well as cost-efficiency. Through marketing, the company seeks to gain visibility and attract attention with bold messages and approaches. This serves to attract customers to its stores and the webstore. The marketing team is supported by the company's ImageLab photo service, which also offers a variety of printing and product customisation services for customers.



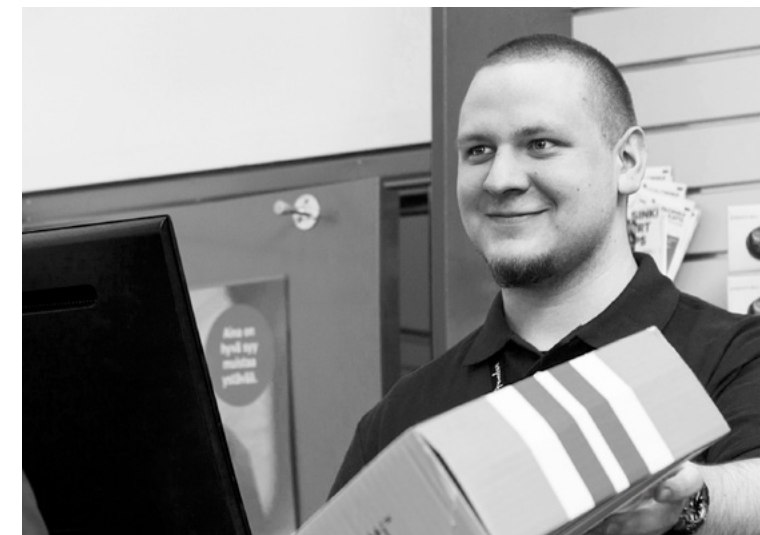
More than  
**130,000**  
.....  
Product reviews by 2014

**50,000**  
.....  
Products in selection in 2014



**Customer product reviews visible for everyone.**

**A real MiG and 50,000 other good reasons to stop by Verkkokauppa.com.**



## Appealing stores full of life

For Verkkokauppa.com, a bricks-and-mortar store is not simply a hall full of product shelves. From the very beginning, the company has wanted to offer its customers added value through experiences. This is most evident at the Jätkäsaari megastore. Covering several floors, the Jätkäsaari store has a top-quality lunch café and hot dog kiosk, the Helsinki Computer and Game Console Museum and an impressive observation deck with a Finnish Air Force MiG-21BiS fighter plane that is particularly popular with tourists.

There is always something going on in Jätkäsaari. In 2014, nostalgic cars were on display in the lobby and were eventually raffled off to customers. In October, the Finland-Sweden NHL15 video game tournament in Jätkäsaari resulted in a win for Finland. To promote summer sales in the barbecue product group in particular, exclusive Jeff beer was launched earlier. All year round, customers were offered highly popular training

events at weekends covering a diverse range of topics, with participants of all ages. In the spring and autumn, customers were invited to attend the free KAMERA and DIGI fairs. In addition to discounts, customers were offered presentations by several of the industry professionals at these events.

The ground floor of the Jätkäsaari store houses a kiosk that is open 24 hours a day throughout the year.

When the store is closed, the 24h kiosk serves as a collection point, and it is the only location in Finland to offer 24h postal services. This is particularly useful to customers who simply cannot wait for new products and

must have them immediately on the day – or night – they are released. The 24h kiosk's popular night sales events attract enthusiastic crowds of fans who want to buy hit games as soon as they can, as the clock strikes midnight.

### Central warehouse – an extension of store shelves

The company's central warehouse is located in the same building as the Jätkäsaari megastore and is fully integrated into the store. The central warehouse and the megastore communicate seamlessly with each other, and any product can be delivered to a customer from the central warehouse to the collection point within 15 minutes – even during peak hours. For this reason, the product selection is not limited to what is on the shelves. Instead, customers can buy any product in the

central warehouse – any day of the year and even in the middle of the night through the 24h kiosk.

In 2014, an automated parcel transportation system enabled customers in Jätkäsaari to enjoy a faster and more efficient in-store experience. The system was installed in late 2013 and launched in full during 2014.

# A growing team of experts

For many young people, Verkkokauppa.com is their first experience of working life. For this reason, comprehensive induction and an interesting working environment are particularly important. The significance of customer service is emphasised in the training and induction of store employees. Combined with customer satisfaction, affordable prices will encourage customers to return.

Verkkokauppa.com offers a broad range of practical training opportunities for students and young people. Of the trainees, 60–70% have been employed in sales or logistics. The company also offers challenged young people an opportunity to familiarise themselves with working life and to gain work experience. Young trainees and employees have also been hired through TE offices (public employment and business services offices) and the City of Helsinki as part of the Sanssi and Respa

career coaching programs. In 2014, the company hired 65 TE-supported trainees. Of these, eight have already been permanently employed and 53 will continue their programs in 2015.

Employee turnover is highest among young people. Some trainees and young employees remain with the company, while some move on to further education or jobs with other companies in line with their education.

## The benefits and opportunities of a big company, the agility of a small community

Verkkokauppa.com seeks to be perceived as an attractive employer. This goal is supported by the company's visibility and its image as a bold, experimental and successful company.

Opportunities for job rotation serve to increase commitment among employees. The company fosters an atmosphere that encourages internal mobility. For this reason, many of its long-time employees have experience in other positions and as well as other depart-

ments. Innovative experts with former experience and education are recruited for more demanding positions, also amongst existing employees.

The company made considerable investments in new, highly competent employees in 2014. Its number of personnel increased from 449 to 527. New employees were hired for all departments and at all skill levels to bring extra resources to both routine operations and project development.

## Training and well-being of employees regarded as important

Employee knowledge and skill sets are maintained by offering product training several times per month and by organising training events twice a year.

Well-being at work is enhanced by a variety of benefits. Break rooms have an appointed supervisor to ensure that the areas remain clean, tidy and comfortable. Occupational health-care services exceed statutory

requirements. In addition, continuous attention is paid to ergonomics. Major recreational events are organised two or three times a year. The company encourages personnel to exercise in many ways, such as supporting gym membership and through employee sponsorships in exchange for visibility at a running event, for example.





# We provide customers with 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.

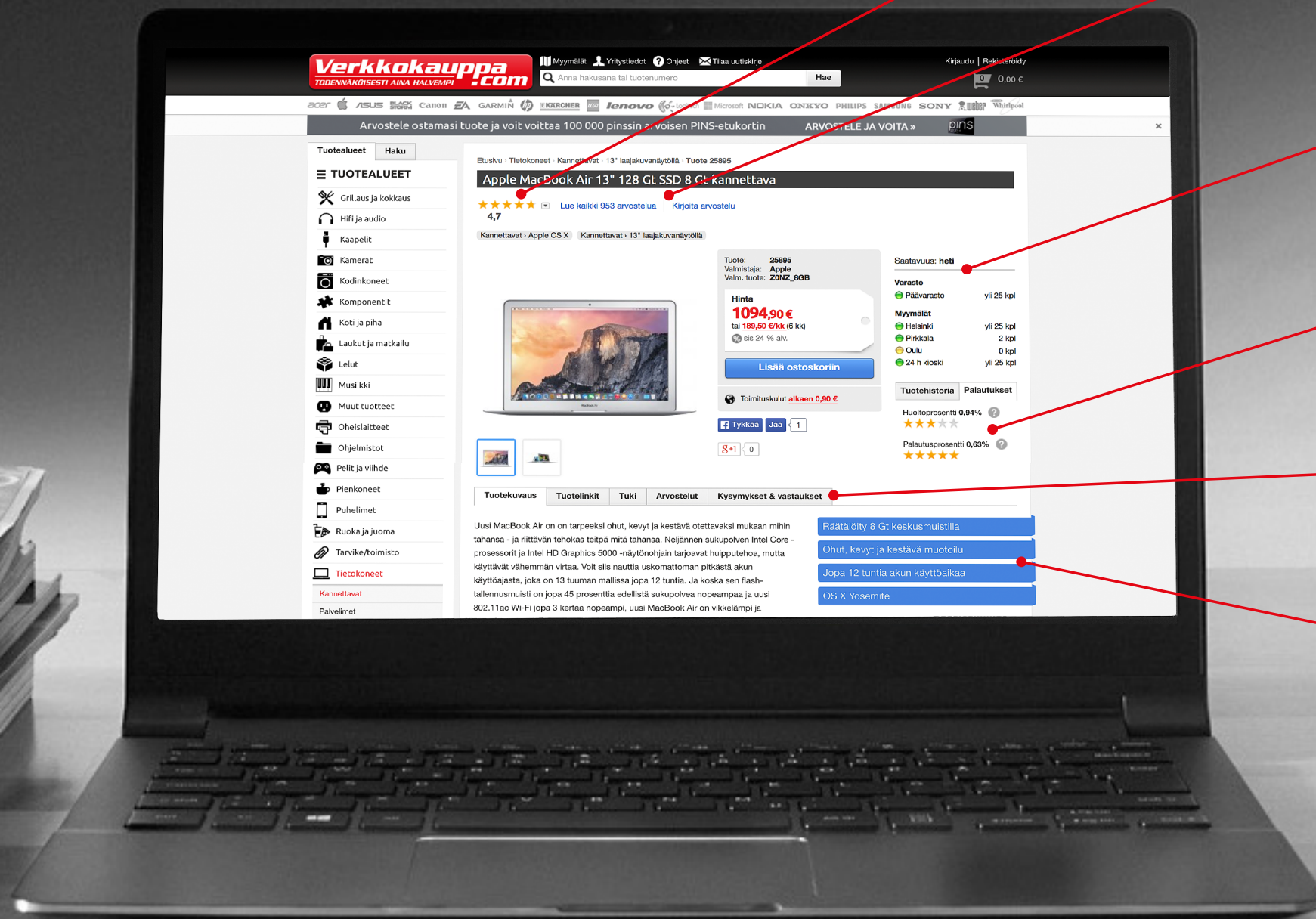
Uncensored customer product reviews.

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

## 2014

## Contents

Report of the Board of Directors .....	20
Profit and loss account .....	23
Balance sheet.....	24
Cash flow .....	26
Notes to the financial statements.....	27
Signatures for the Board of Directors' report and financial statements .....	38
Auditor's report .....	39
Corporate governance statement.....	40
Board of Directors.....	46
Management team.....	48

# Report of the Board of Directors

## Year 2014 in brief

Verkkokauppa.com's revenue increased by 15.9% to EUR 275.8 (238.0) million. Operating profit (EBIT) was EUR 7.5 (6.6) million and net profit EUR 4.5 (4.2) million. The profit for 2014 was weakened by non-recurring expenses in the amount of EUR 1.9 (0.8) million related to preparations for listing. Verkkokauppa.com Oyj was listed on First North Finland, a multilateral trading facility operated by NASDAQ on 4 April 2014.

## Revenue and profitability development

Revenue grew by 15.9% in January–December 2014 when compared to the same period in the previous year. Revenue increased by EUR 37.8 million to EUR 275.8 (238.0) million. Relative profitability decreased because the company grew its market share in low margin product categories such as mobile phones and game consoles. Operating profit in euros developed positively due to revenue increases in mobile phones, computers, televisions, gaming (consoles in particular) and major (MDA) and small domestic appliances (SDA).

The demand for consumer electronics remained satisfactory despite the current market situation. According to research by GfK, the market decreased by 2.8% in January–December 2014.

Personnel costs grew by 14.4%, totalling EUR 18.8 (16.4) million. The company reinforced its growth opportunities by recruiting new employees, especially in the purchasing, consumer finance and IT departments. Also the number of logistics personnel grew along with the volume growth. Other expenses increased by 14.6%, totalling EUR 15.5 (13.5) million.

The operating profit was EUR 7.5 (6.6) million in January–December 2014, and the net profit for the period was EUR 4.5 (4.2) million. Earnings per share were EUR 0.64 (0.80). Earnings per share in the comparison year have been adjusted to make them comparable to the share issue in May 2013 (i.e. share split). Earnings per share decreased due to the increase in the number of shares that resulted from share issues in spring 2014. Earnings per share excluding non-recurring items were EUR 0.85 (0.91).

The non-recurring items were related to preparations for listing. Financing expenses included non-recurring items in the amount of EUR 1.9 (0.8) million related to preparations for listing.

In 2014, the company developed its operations according to plan. This work is visible in the improvement of profitability excluding non-recurring items. The company's operating profit was EUR 7.5 (6.6) 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. After its listing, Verkkokauppa.com Oyj was able to focus on improving its growth opportunities in both existing and new main product categories.

Revenue growth varied by quarter, and Christmas sales succeeded particularly well.

## Key events during the financial year

The Supreme Court granted Verkkokauppa.com permission to appeal the Court of Appeal's ruling regarding the copyright compensation dispute between Verkkokauppa.com and Teostory on 24 January 2014.

Trading in the shares of Verkkokauppa.com Oyj commenced on the NASDAQ First North Finland marketplace on 4 April 2014. The final subscription and sales price was set at EUR 23.00 per share in both the institutional and the retail offering. Verkkokauppa.com received proceeds of approximately EUR 18.9 million from issuing 820,000 new shares. The company's listing expenses in 2014 totalled approximately EUR 1.9 million. The share issue improved the equity ratio and liquidity of the company and it enables the company to continue with its growth projects according to the strategy.

The company joined an international loyalty programme in May. PINS is a joint loyalty program of 300 partners and 400 online stores, in which the customer can collect points when shopping.

## 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 17 December 2014 that the Finnish GDP will grow by 0.0% during 2014. According to market research company GfK, the consumer electronics market has shrunk by 2.8% during 2014 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 operations.

Rite Internet Ventures Holding AB exercised the option

granted to it to subscribe for 1,435,365 new shares in the company in March 2014. The proceeds amounted to EUR 5.6 million, of which the company used EUR 3.0 million to repay capital loans to Rite Internet Ventures Holding AB. In addition, the company repaid a EUR 1.3 million-capital loan to Samuli Seppälä.

The company repaid its capital loans during 2014: EUR 15,000 in January and EUR 4.3 million in March. Net cash flow from operations was EUR -5.7 million (11.4). Net capital expenditures were 0.7 million euros (0.3).

Net financial expenses were EUR 1.9 (1.2) million. The growth in net financial expenses results from the company's listing expenses.

The company's solvency improved considerably due to the spring share issues. Liquid assets totalled EUR 35.3 (22.7) million. Interest-bearing liabilities totalled EUR 2.0 (2.9) million and interest-bearing net debts totalled EUR -33.3 (-19.8) million. Equity ratio was 48.7% (22.5%).

On 31 December 2014, the company had credit limits in the total amount of EUR 7.25 million, which remained unused.

## Key figures

	2014	2013	2012
Revenue, MEUR	275.8	238.0	224.5
Operating profit, % of revenue	2.7%	2.8%	0.0%
Return on investment, %	29.2%	48.3%	0.4%
Return on equity, %	20.2%	73.9%	-17.0%
Equity ratio, %	48.7%	14.6%	8.3%
Equity ratio, % (including subordinate debt)	48.7%	22.5%	17.9%

## Personnel

Average number of personnel during the year	470	411	405
Total amount of salaries and wages, MEUR	15.1	13.2	12.9

## Investments

The company mainly invested in store equipment and furniture during the period. In addition, the company activated EUR 0.5 million of the IT department's salary expenses and external technology consultant fees relating to new ERP features development. Net capital expenditures were EUR 0.7 (0.3) million in January–December 2014.

## Information presented in the notes to the financial statements

More 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 Annual General Meeting authorized the Board to resolve on the share issues. According to the authorization, the Board may issue no more than 1,500,000 new shares in one or more instalments and the Board may resolve upon price-related matters and payment periods. The Board has authorization to decide upon all other share issue-related matters according to the Finnish Limited Liability Companies Act. The authorization is valid for one year, until 13 March 2015. The authorization does not revoke previous other authorizations. The Board exercised its authorization to issue 820,000 new shares in connection with the First North listing.

The total number of shares after the abovementioned share issues is 7,510,855.

Trading in the shares of Verkkokauppa.com Oyj commenced on the NASDAQ First North Finland marketplace on 4 April 2014. The final subscription and sales price was set at EUR 23.00 per share in both the institutional and the retail offering. Verkkokauppa.com received proceeds of approximately EUR 18.9 million from issuing 820,000 new shares.

The number of shares in the company was 5,255,490 on 31 December 2013. The number of shares has changed as follows: Rite Internet Ventures Holding AB subscribed for 1,435,365 new shares on 21 March 2014, after which there were 6,690,855 shares. In the share issue, 820,000 new shares were subscribed. The number of shares was 7,510,855 on 31 December 2014.

Over the reporting period 3,821,330 shares were exchanged, which was 54.1% of all shares in the company. The highest share price was EUR 31.70 and the lowest EUR 20.10. The average price in share trading was EUR 23.45. The total of share trading was EUR 89.6 million. The closing price was EUR 30.60, and the market value of all shares was EUR 229.8 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 13 March 2014. Christoffer Häggblom acted as the Chairman of the Board. At the Annual General Meeting held on 13 March 2014 the Board was re-elected and Mikael Hagman and Antti Tiitola were elected as new members of the Board. Christoffer Häggblom was elected as the Chairman of the Board. Samuli Seppälä is the company's Chief Executive Officer.

## Annual General Meeting

The Annual General Meeting was held in Helsinki on 13 March 2014. The financial statements for the year 2013 were approved and the Board Members and the CEO were discharged from liability in 2013. It was decided to pay a dividend of EUR 0.04 per share, totalling EUR 210,219.60.

The Annual General Meeting authorized the Board to resolve on the share issues. According to the authorization, the Board may issue no more than 1,500,000 new shares in one or more installments and the Board may resolve upon price-related matters and payment periods. The Board has authorization to decide upon all other share issue-related matters according to the Finnish Limited Liability Companies Act. The authorization is valid for one year, until 13 March 2015. The authorization does not revoke previous other authorizations. The Board exercised its authorization to issue 820,000 new shares in connection with the First North listing.

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 has been given in annual report for financial year 2014 and on the company's web pages [www.verkkokauppa.com/fi/investors/hallinnointi](http://www.verkkokauppa.com/fi/investors/hallinnointi).

## Assessment of the most significant risks and uncertainties

Verkkokauppa.com Oyj's most significant risks and uncertainties reflect the market, such as general economic trends, demand for consumer electronics, the business environment, and competition. The company's business operations are also associated 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 either positively or negatively.

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

The company received the Court of Appeal's ruling regarding the copyright compensation dispute between Verkkokauppa.com and Teosto ry on 5 March 2013. According to the ruling, Verkkokauppa.com Oyj and Arctecho Oü were ruled to pay compensation jointly and severally. With penalty interest, the possible liability to compensate totalled EUR 4.4

million on 31 December 2014.

The company may be forced to pay the compensation, with penalty interest, during 2015. If realized, this would weaken the company's profit and solvency. The company applied to the Supreme Court for an interruption of enforcement on the Court of Appeal's ruling, which was granted on 27 March 2013. The Supreme Court granted Verkkokauppa.com permission to appeal the Court of Appeal's ruling regarding the copyright compensation dispute between Verkkokauppa.com and Teosto ry on 24 January 2014. Additional information on the legal case is presented in the notes to the financial statements.

## Material events after the financial period

There are no subsequent events after the reporting period.

## Board of Directors' proposal on the distribution of profits

The company's non-restricted equity totals EUR 36,521,961.12.

The Board of Directors proposes to the Annual General Meeting that the company's net profit of EUR 4,488,133.90 be transferred to the retained earnings/losses account, and that a dividend of EUR 0.85 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

The company's business operations are estimated to develop positively within a medium-term time frame. The management believes that the company will further grow its market share in its operating markets. Proceeds received from the share issue have improved the company's equity ratio and enables it to continue growth projects according to the company's strategy. Nevertheless, the business prospects include uncertainties, especially due to macroeconomic development. The Finnish Ministry of Finance estimated on 17 December 2014 that Finnish GDP will grow 0.9% during 2015. According to the market research company GfK, the consumer electronics market has shrunk by 2.8% during 2014 in Finland.

The company expects net sales and operating profit to grow during 2015 compared to previous year.

# Profit and loss account

1 January–31 December 2014

€	Note	2014	2013
<b>Revenue</b>	1	<b>275,784,388.23</b>	<b>238,012,568.85</b>
<b>Other operating income</b>		<b>118,911.91</b>	<b>105,666.02</b>
Raw materials and services			
Raw materials and consumables			
Purchases during the period		-235,319,544.55	-197,849,615.10
Change of inventory	1	7,686,769.19	1,449,113.84
External services		-5,555,769.07	-4,251,586.68
<b>Raw material and services total</b>		<b>-233,188,544.43</b>	<b>-200,652,087.94</b>
Staff expenses	6		
Wages and salaries		-15,054,318.55	-13,238,094.88
Social security expenses			
Pension expenses		-2,838,834.85	-2,366,828.12
Other social security expenses		-868,965.91	-792,226.45
<b>Staff expenses total</b>		<b>-18,762,119.31</b>	<b>-16,397,149.45</b>
Depreciation and amortisation in value	2		
Depreciation according to plan		-958,947.58	-885,508.34
<b>Depreciations and amortisation in value total</b>		<b>-958,947.58</b>	<b>-885,508.34</b>
<b>Other operating expenses</b>	3	<b>-15,525,263.15</b>	<b>-13,543,068.19</b>
<b>OPERATING PROFIT (LOSS)</b>		<b>7,468,425.67</b>	<b>6,640,420.95</b>
Financial income and expenses	4		
Other interest and financial income from others		183,372.36	24,319.32
Interest and other financial expenses to others		-2,118,138.39	-1,186,694.85
<b>Financial income and expenses total</b>		<b>-1,934,766.03</b>	<b>-1,162,375.53</b>
<b>Profit (loss) before extraordinary items</b>		<b>5,533,659.64</b>	<b>5,478,045.42</b>
<b>Profit (loss) before appropriations and taxes</b>		<b>5,533,659.64</b>	<b>5,478,045.42</b>
Appropriations			
Change in depreciation reserve		186,523.07	126,919.47
<b>Appropriations total</b>		<b>186,523.07</b>	<b>126,919.47</b>
Taxes	12		
Income taxes		-1,232,048.81	-1,401,037.73
<b>PROFIT (LOSS) FOR THE FINANCIAL YEAR</b>		<b>4,488,133.90</b>	<b>4,203,927.16</b>

# Balance sheet

31 December 2014

## Assets

€	Note	2014	2013
<b>NON-CURRENT ASSETS</b>	10		
Intangible assets			
Other intangible assets		60,692.28	41,065.61
Intangible rights		429,858.69	628,448.61
Prepaid expenses		458,628.20	0.00
<b>Intangible assets total</b>		<b>949,179.17</b>	<b>669,514.22</b>
Tangible assets			
Land and water		1,977.87	1,977.87
Machinery and equipment		1,169,185.38	1,617,450.28
Other tangible assets		942,287.21	819,308.79
Prepayments for fixed assets		0.00	276,130.45
<b>Tangible assets total</b>		<b>2,113,450.46</b>	<b>2,714,867.39</b>
Investment			
Other shares and similar rights of ownership		50,025.54	168.18
<b>Investments total</b>		<b>50,025.54</b>	<b>168.18</b>
<b>NON-CURRENT ASSETS TOTAL</b>		<b>3,112,655.17</b>	<b>3,384,549.79</b>
<b>CURRENT ASSETS</b>			
Stocks total	1	30,857,750.81	23,170,981.62
Long-term receivables			
Other receivables		112,997.00	14,620.80
<b>Long-term receivables total</b>		<b>112,997.00</b>	<b>14,620.80</b>
Short-term receivables	11		
Account receivables		4,704,738.26	4,813,424.44
Other receivables		667,633.92	298,581.63
Prepayments and accrued income		2,658,509.49	2,689,379.18
<b>Short-term receivables total</b>		<b>8,030,881.67</b>	<b>7,801,385.25</b>
Cash in hand and at bank		35,312,312.85	22,677,238.44
<b>CURRENT ASSETS TOTAL</b>		<b>74,313,942.33</b>	<b>53,664,226.11</b>
<b>ASSETS TOTAL</b>		<b>77,426,597.50</b>	<b>57,048,775.90</b>

## Equity and liabilities

€	Note	2014	2013
<b>EQUITY</b>	13-14		
Subscribed capital		100,000.00	100,000.00
Invested unrestricted equity fund		25,492,777.58	1,020,500.43
Retained earnings (loss)		6,541,049.64	2,547,342.08
Profit (loss) for the financial year		4,488,133.90	4,203,927.16
<b>EQUITY TOTAL</b>		<b>36,621,961.12</b>	<b>7,871,769.67</b>
APPROPRIATIONS			
Depreciation reserve		0.00	186,523.07
<b>APPROPRIATIONS TOTAL</b>		<b>0.00</b>	<b>186,523.07</b>
PROVISIONS	15		
Other provisions		715,000.00	395,000.00
<b>PROVISIONS TOTAL</b>		<b>715,000.00</b>	<b>395,000.00</b>
<b>LIABILITIES</b>			
Long-Term			
Capital loans	8	0.00	4,303,971.86
Loans from credit institutions		1,098,892.00	1,978,016.00
<b>Long-term total</b>		<b>1,098,892.00</b>	<b>6,281,987.86</b>
Short-term			
Capital loans		0.00	15,300.00
Loans from credit institutions		879,124.00	879,132.30
Advances received		2,279,815.05	2,255,435.82
Accounts payable		22,717,383.49	27,418,173.07
Other short-term debt		6,507,516.68	5,365,444.90
Accruals and deferred income	18	6,606,905.16	6,380,009.21
<b>Short-term total</b>		<b>38,990,744.38</b>	<b>42,313,495.30</b>
<b>LIABILITIES TOTAL</b>		<b>40,089,636.38</b>	<b>48,595,483.16</b>
<b>EQUITY AND LIABILITIES TOTAL</b>		<b>77,426,597.50</b>	<b>57,048,775.90</b>

# Cash flow

1,000 €	2014	2013
Result before extraordinary items	5,534	5,478
Adjustments:		
Depreciations according to plan	959	886
Change in provision	320	395
Financial income and expenses	1,935	1,162
<b>Cash flow before working capital items</b>	<b>8,747</b>	<b>7,921</b>
Change in working capital:		
Long-Term non-interest bearing receivables increase(-)/decrease(+)	-98	-3
Short-Term non-interest bearing receivables increase(-)/decrease(+)	-229	46
Inventory increase(-)/decrease(+)	-7,687	-1,449
Short-Term non-interest bearing debt increase(+)/decrease(-)	-2,852	6,898
<b>Cash flow before financial items and tax</b>	<b>-2,119</b>	<b>13,414</b>
Interest paid and other operational financial expenses	-2,118	-1,187
Interest received from operations	183	24
Direct tax paid	-1,688	-878
<b>Cash Flow from Operations (A)</b>	<b>-5,742</b>	<b>11,373</b>
Capital expenditure on tangible and intangible assets	-637	-334
Other investments	-50	0
<b>Cash Flow from Investments (B)</b>	<b>-687</b>	<b>-334</b>
Long-term loan repayments	-5,183	-791
Short-term loan repayments	-15	-1,575
Equity subscribed	24,472	270
Dividends paid	-210	-110
<b>Cash Flow from Financing (C)</b>	<b>19,064</b>	<b>-2,206</b>
<b>CHANGE IN CASH IN HAND (A+B+C) INCREASE (+) / DECREASE (-)</b>	<b>12,635</b>	<b>8,833</b>
Cash in hand at the beginning of the period	22,677	13,844
Change in cash according to the Cash Flow statement	12,635	8,833
<b>CASH IN HAND AT THE END OF THE PERIOD</b>	<b>35,312</b>	<b>22,677</b>

# Notes to the financial statements

## 1. Accounting Principles

### Foreign subsidiary – Arctecho Oü, Viro

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 Arctecho Oü has been dormant for four 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 1.1–31.12.2014 Arctecho Oü recorded a loss of EUR 2,413 (EUR 2,242) and equity was EUR 35,840 (EUR 38,253).

### Verkkokauppa.com Oyj

#### Revenue

Revenue is calculated by deducting direct taxes and other sales related adjustments from gross sales. Impaired receivables are accounted as credit losses by applying Good Accounting Principles. Credit losses are reported in other operational expenses.

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

#### Revenue recognition

Revenue is recognized at the time of product delivery.

#### Non-euro transactions

Transactions in currencies other than euro 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, which 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.

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. Financial year 2013 depreciation has not been changed retrospectively.

### 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 likely selling price.

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

€	2014	2013
Intangible Rights	-225,101.25	-177,686.17
Machinery and Equipment	-458,630.84	-486,438.63
Upgrades to rented premises	-275,215.49	-221,383.54
<b>DEPRECIATIONS TOTAL</b>	<b>-958,947.58</b>	<b>-885,508.34</b>

## 3. Other operating expenses

€	2014	2013
Voluntary personnel social costs, total	-731,019.90	-798,253.66
Premises, total	-7,028,920.34	-6,362,205.07
Vehicles	-361,150.07	-300,195.87
Other machinery expenses	-885,451.14	-629,676.20
Travel expenses	-301,703.08	-292,835.68
Sales expenses	-968,617.46	-693,905.39
Marketing expenses	-2,193,506.82	-1,454,956.86
Administrative expenses	-2,161,179.80	-1,909,698.62
Other operating expenses	-893,714.54	-1,093,795.66
<b>OTHER OPERATING EXPENSES TOTAL</b>	<b>-15,525,263.15</b>	<b>-13,535,523.01</b>

## 4. Financial items

€	2014	2013
Interest income	183,372.36	24,319.32
Interest and other financial expenses	-2,118,138.39	-1,186,694.85
<b>FINANCIAL ITEMS TOTAL</b>	<b>-1,934,766.03</b>	<b>-1,162,375.53</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 2014 annual general meeting, it was decided that the chairman of the board is entitled to a KEUR 40 (KEUR 20) annual fee and other board members, excluding those who are part of the company's operating management, are entitled to a KEUR 20 (KEUR 10) annual fee.

### Management salaries and fees 1 January– 31 December 2014 (1 January–31 December 2013)

The managing director's salary and fees in 2014 were KEUR 57 (KEUR 104). The managing director gave up for his monetary salary during 1.3.–31.12.2014, during which his monetary salary was given to the personnel. The managing director has also a car benefit.

## 6. Personnel costs

€	2014	2013
Wages and salaries	-15,281,665.73	-13,280,844.21
Pension expenses	-2,845,617.85	-2,374,471.70
Other social security expenses	-915,090.23	-794,453.68
<b>Staff expenses total without activated personnel costs</b>	<b>-19,042,373.81</b>	<b>-16,449,769.59</b>
Activated personnel costs		
Salaries and fees	227,347.18	42,749.33
Pension costs	41,196.54	7,643.58
Other personnel costs	11,710.78	2,227.23
<b>Total activated personnel costs</b>	<b>280,254.50</b>	<b>52,620.14</b>
<b>PERSONNEL COSTS TOTAL</b>	<b>-18,762,119.31</b>	<b>-16,397,149.45</b>
Average personnel during the accounting period	470	411

## 7. Auditor's fees

€	2014	2013
Audit	-96,495.38	-100,857.88
Tax consulting	-2,764.50	-4,870.59
Other services	-91,389.62	-36,911.84
<b>AUDITOR'S FEES TOTAL</b>	<b>-190,649.50</b>	<b>-142,640.31</b>

## 8. Capital loans

The company has paid off its capital loans in 2014, therefore the nominal value of the loans is MEUR 0.0 (MEUR 4.3). Capital loan interest rates are 4.0% p.a. The capital loans have been granted by related parties.

### Terms of the capital loans were the following:

- The capital loans are not secured.
- The capital loans are subordinated debentures compared to other debt commitments.

- The loan principal and interest may be repaid only to the extent that the amount of the unrestricted equity of Verkkokauppa.com Oyj and the amount of all capital loans is at sufficient level according to the Finnish Companies Act.
- Should the conditions for repayment not be met at maturity, the principal shall be repaid to the extent possible when payment term conditions are met. The capital loans were due to mature on the 15.6.2015 or earlier should certain clauses in the ownership transfer agreement be fulfilled.

## 9. Law suits and claims Compensation to Teosto

### District court

Teosto ry sued Arctecho Oü and Verkkokauppa.com Oy on 31.10.2008 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 Arctecho 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 Arctecho 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 30.6.2009, 29% by Verkkokauppa.com Oy and 20% by two external parties, who were until 30.6.2009 members of Verkkokauppa.com Oy's board. Verkkokauppa.com Oy has owned all of Arctecho Oü's shares from 30.6.2009 onwards.

The decision of the Helsinki district court on 29.10.2010 (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

5.3.2013 (judgment 716) that the district court resolution would be altered as follows: Arctecho Oü and Verkkokauppa.com Oy are jointly responsible to compensate MEUR 3.5 including penalty interest. The total compensation at 31/12/2014 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 Oy is jointly obliged with Arctecho Oü to compensate Teosto ry the fee, that Courts of Appeal has obliged Verkkokauppa.com Oy and Arctecho Oü to pay. The permission for Verkkokauppa.com Oy 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.

## 10. Tangible and Intangible assets

€		2014	2013
Research and Development	1 January	41,065.61	0.00
	increase	46,138.00	52,620.14
	Depr. acc. plan	-26,511.33	-11,554.53
	31 December	<b>60,692.28</b>	<b>41,065.61</b>
Intangible assets	1 January	628,448.61	481,325.37
	increase	0.00	313,254.88
	Depr. acc. plan	-198,589.92	-166,131.64
	31 December	<b>429,858.69</b>	<b>628,448.61</b>
Prepayments and work-in-progress	1 January	0.00	150,733.52
	increase	458,628.20	11,322.00
	transfer to intangible assets	0.00	-162,055.52
	Depr. acc. plan	0.00	0.00
	31 December	<b>458,628.20</b>	<b>0.00</b>
<b>INTANGIBLE ASSETS, 31 DECEMBER TOTAL</b>		<b>949,179.17</b>	<b>669,514.22</b>
Land and water	1 January	1,977.87	2,386.97
	increase	0.00	0.00
	decrease	0.00	-409.10
	31 December	<b>1,977.87</b>	<b>1,977.87</b>
Machinery and equipment	1 January	1,617,450.28	1,897,868.07
	increase	330,734.91	229,897.94
	decrease	-320,368.97	-23,877.10
	Depr. acc. plan	-458,630.84	-486,438.63
	31 December	<b>1,169,185.38</b>	<b>1,617,450.28</b>
Other tangible assets	1 January	819,308.79	1,040,692.33
	increase	398,193.91	0.00
	decrease	0.00	0.00
	Depr. acc. plan	-275,215.49	-221,383.54
	31 December	<b>942,287.21</b>	<b>819,308.79</b>
Prepayments and work-in-progress	1 January	276,130.45	363,360.85
	increase	0,00	100,687.60
	transfer to tangible assets	-276,130.45	-187,918.00
	Depr. acc. plan	0.00	0.00
	31 December	<b>0.00</b>	<b>276,130.45</b>
<b>TANGIBLE ITEMS, 31 DECEMBER TOTAL</b>		<b>2,113,450.46</b>	<b>2,714,867.39</b>



## 11. Accrued receivables

In 2014, the largest accrued receivables included marketing support invoicing of KEUR 1,768 (KEUR 1,314).

## 12. Deferred taxes

Deferred tax assets from the depreciation reserve KEUR 143 (KEUR 79) have not been booked in the financial statements. In 2013, the company had deferred tax liabilities from the depreciation reserve (KEUR 37). In 2014, the company has no deferred tax liabilities.

## 13. Specification of Equity

€	2014	2013
Equity 1 January	100,000.00	100,000.00
Invested unrestricted equity fund at the beginning of the period	1,020,500.43	651,300.43
Invested unrestricted equity fund additions	24,472,277.15	369,200.00
Invested unrestricted equity fund at the end of the period	25,492,777.58	1,020,500.43
Retained Earnings (Loss)	6,751,269.24	2,657,277.28
Dividends, annual general meeting	-210,219.60	-109,935.20
Profit/ Loss of the accounting period	4,488,133.90	4,203,927.16
<b>Total Equity</b>	<b>36,621,961.12</b>	<b>7,871,769.67</b>
Restricted equity at the end of the period	100,000.00	100,000.00
Un-restricted equity at the end of the period	36,521,961.12	7,771,769.67
<b>UN-RESTRICTED AND RESTRICTED EQUITY TOTAL</b>	<b>36,621,961.12</b>	<b>7,871,769.67</b>

## 14. Calculation of distributable funds

€	2014	2013
Invested unrestricted equity fund	25,492,777.58	1,020,500.43
Result from Previous years	6,751,269.24	2,657,277.28
- Dividends	-210,219.60	-109,935.20
Profit/Loss of the accounting period	4,488,133.90	4,203,927.16
<b>DISTRIBUTABLE FUNDS TOTAL</b>	<b>36,521,961.12</b>	<b>7,771,769.67</b>

## 15. Provisions

The company has provided an additional third year guarantee for some of the products, for which have been booked a provision for KEUR 595 (KEUR 275). In addition, the company has booked a KEUR 120 (KEUR 120) provision to continue the dispute, mentioned earlier in the notes to the account, in court.

## 16. 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 31.12.2014.

## 17. Internal liabilities and receivables

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

## 18. Accrued liabilities

In 2014, the largest accounts were holiday-pay salaries and related insurance costs which came to KEUR 2,471 (KEUR 2,226) in total and other accrued salaries of KEUR 1,921 (KEUR 1,576).

## 19. Commitments and contingencies

€	2014	2013
<b>Collaterals given and other liabilities</b>		
Liabilities (Letter of Credit, Rent and Customs guarantees)	2,749,898.86	2,688,742.86
<b>Leasing liabilities</b>		
Lease payments (<1 year)	816,208.43	839,040.34
Lease payments (>1 year)	1,277,836.90	1,860,438.19
<b>Collaterals given and other liabilities</b>		
Long term debt		
Mutual insurance company Fennia	412,083.00	1,785,713.00
Mutual pension-insurance company Elo	686,809.00	1,071,427.00
Installments for the coming year Fennia/Elo	879,124.00	879,124.00

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

### Overdraft limits

Nordea FI6013783000206884	1,500,000.00	1,500,000.00
OP FI9657202320053451	5,750,000.00	3,250,000.00
OP FI3157895420025061	0.00	2,500,000.00

On 31 December 2014, Verkkokauppa.com had MEUR 7.25 bank overdraft facilities, which were not utilized.

<b>Collateral</b>	16,000,912.74	22,000,912.74
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### 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 2015 is approximately MEUR 37.1.

### Other liabilities

The Company joined an international PINS loyalty program during 2014. The Company is committed to buy PINS loyalty program points for a monetary amount that is not significant considering the size of the Company during 2015.

## 20. Management's shareholding

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

	2014	2013
Chief Executive Officer (CEO)	3,747,916	4,313,109
Board of Directors	811,222	810,173
Management team	8,117	8,517
<b>TOTAL</b>	<b>4,567,255</b>	<b>5,131,799</b>

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

## 21. Major shareholders 31 December 2014

Shareholder	Number of shares	% of shares
Seppälä Sipi Samuli	3,747,916	49.9%
Rite Ventures Finland AB	769,596	10.2%
Ilmarinen Mutual Pension Insurance Company	464,788	6.2%
Varma Mutual Pension Insurance Company	294,322	3.9%
OP-Delta Fund	235,278	3.1%
Keva	123,000	1.6%
Skogberg Ville Johannes	105,711	1.4%
Hartwall Capital Oy Ab	82,710	1.1%
Danske Invest Finnish Small Cap Fund	82,000	1.1%
OP Finland Small Firms Fund	76,000	1.0%
10 biggest shareholders total	5,981,321	79.6%
Other shareholders	1,529,534	20.4%
<b>TOTAL</b>	<b>7,510,855</b>	<b>100.0%</b>

## 22. Distribution of shareholders 31 December 2014

Size of shareholding	Number of shareholders	% of shareholders	Number of shares	% of shares
1-100	456	60.8%	21,461	0.3%
101-500	212	28.3%	57,211	0.8%
501-1 000	37	4.9%	25,248	0.3%
1 001-5 000	22	2.9%	51,551	0.7%
5 001-10 000	3	0.4%	22,229	0.3%
10 001-50 000	5	0.7%	163,899	2.2%
50 001-100 000	6	0.8%	431,539	5.7%
100 001-500 000	6	0.8%	1,699,653	22.6%
500 001-	3	0.4%	5,038,064	67.1%
<b>TOTAL</b>	<b>750</b>	<b>100.0%</b>	<b>7,510,855</b>	<b>100.0%</b>
Nominee-registered			1,044,656	13.9%

## 23. Shareholder breakdown by sector 31 December 2014

	Number of shareholders	% of shareholders	Number of shares	% of shares
Companies	36	4.8%	105,551	1.4%
Financial institutions and insurance companies	18	2.4%	674,683	22.3%
Public bodies	3	0.4%	882,110	11.7%
Non-profit organisations	7	0.9%	6,198	0.1%
Households	686	91.5%	4,027,861	53.6%
Non-Finnish nationals			1,814,452	10.8%
<b>TOTAL</b>	<b>750</b>	<b>100.0%</b>	<b>7,510,855</b>	<b>100.0%</b>

## 24. Key ratios

	2014	2013	2012
Revenue, KEUR	275,784	238,013	224,500
Operating profit, KEUR	7,468	6,640	26
Operating margin, % of revenue	2.7%	2.8%	0.0%
Net profit, KEUR	4,488	4,204	-634
Return on equity, %	20.2%	73.9%	-17.0%
Return on capital employed (ROCE), %	29.2%	48.3%	0.4%
Equity ratio, %	48.7%	14.6%	8.3%
Equity ratio, % (including subordinate debt)	48.7%	22.5%	17.9%
Earnings per share (EPS) revised by share split, €	0.64	0.80	-0.12
Earnings per share (EPS) revised by share split (diluted), €	0.62	0.65	-0.12
Equity per share, €	4.88	1.50	0.68
Equity per share (diluted), €	4.88	1.22	0.55
Dividend per share, € *	0.85	0.04	0.02
Dividend to earnings ratio, %	133.8%	5.0%	-17.2%
Effective dividend yield, %	2.8%	-	-
Price per earnings ratio (P/E ratio)	48.18	-	-
Share trade:			
Number of shares at end of period	7,510,855	5,255,490	10,348
Average number of shares at end of period revised by share split	7,066,628	5,250,981	5,139,801
Number of shares at end of period revised by share split	7,510,855	5,255,490	5,184,348
Lowest stock price revised by share split	20.10	-	-
Highest stock price revised by share split	31.70	-	-
Average stock price revised by share split	23.45	-	-
Period end stock price revised by share split	30.60	-	-
Market value of the shares at period end, MEUR	229,8	-	-
The number of traded shares	3,821,330	-	-
Traded shares of all shares, %	54.1%	-	-

Diluted key ratio has been presented in case it differs from undiluted key ratio.

\* 2014: Board of Directors' proposal

## 25. Calculation of key ratios

- 1) Operating profit per cent = Operating profit / Revenue x 100
- 2) Return on equity per cent = Net profit for the period / Average equity x 100
- 3) Return on capital employed (ROCE) per cent, 12 months rolling = (Net profit for the period + interest expences + taxes) / (Average equity + interest bearing liabilities)
- 4) Equity ratio (no capital loans) = (equity + depreciation reserve x (1 – tax rate)) / (Total sum of the balance sheet – advances received) x 100
- 5) Equity ratio (including subordinate loans) = (equity + 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) Dividend to earnings 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 shares during the reporting period / The average number of shares 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	1910–1919	electronic
Cash in hand, location sales	B	electronic
Sales, other than on location	C	electronic
Memo	MUIST	electronic/paper
Estonia Sales summary	viro	electronic
Salary calculations	PL	electronic

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

Helsinki, 25 February 2015

**Christoffer Häggblom**  
Chairman

**Mikael Hagman**  
Board member

**Peter Lindell**  
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 2014. 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.

## Emphasis of a matter

We would like to draw the attention to the decision of the Court of Appeal regarding the claim of Teosto r.y. as mentioned in the notes of the financial statements (p. 30). The Supreme Court has granted the company's leave of appeal. Our opinion is not modified due to this matter.

Helsinki, 25 February 2015  
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 Finland market place of NASDAQ OMX Helsinki Ltd.

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 OMX 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 deviations from the CG Code shall be explained and disclosed.

The Company departs from the recommendations of the CG Code as follows:

- In deviation from the CG Code, all members of the Company’s Board of Directors are male. The Company aims to elect Board members whose experience and profile correspond with the Company’s current and future business needs. In its recruitment processes, the Company has considered both male and female candidates and elected the candidates who best meet the above criteria.
- 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.

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 (the “Board”) 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 shall then convene.

Usually General Meetings handle the matters placed on its agenda by the Board. 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 has been notified of the demand four (4) weeks before the delivery of the notice of the General Meeting at the latest.

### 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 Board members;
- adoption of the financial statements; and
- distribution of profits / allocation of losses.

### Summons to the General Meeting

The shareholders of the Company are summoned to the General Meeting by publishing the summons on the company’s

website. The summons shall be published not earlier than two (2) months before the last registration date mentioned in the summons and not later than nine (9) days prior to the registration date of the meeting. In addition, the Board of Directors may publish a summary notice of the General Meeting in one (1) or more national daily newspapers. The summons shall state the matters to be handled at the General Meeting and other information required in Finnish Companies Act and Corporate Governance Code.

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

The summons to the General Meeting and the following information shall be 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
- 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 three (3) months after the general meeting.

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

The Chief Executive Officer, the chairman of the Board and a sufficient number of the members of the Board shall attend the General Meeting. In addition, the auditor shall be present at the Annual General Meeting. A candidate proposed for the first time to be elected to the Board shall participate in the General Meeting that decides on his or her election unless there are well-founded reasons for the absence.

### 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 are elected by the Annual General Meeting of the shareholders and the term of office of the Board members 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 Board members. 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 Chairman of the Board and may elect a deputy chairman.

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 (Annual General Meeting 13 March 2014)

The number of the members of the Board of Directors was resolved to be seven (7). In addition to the present members of the Board of Directors Christoffer Häggblom, Peter Lindell, Henrik Weckström, Samuli Seppälä and Kai Seikku, Antti Tiitola and Mikael Hagman were elected as a new members of the Board of Directors for a term that expires at the end of the next 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 the majority of the Board members (Christoffer Häggblom, Peter Lindell, Kai Seikku and Antti Tiitola) are independent of the Company. From this majority, Kai Seikku and Antti Tiitola are also independent of the Company's significant shareholders. Two (2) of the Company's Board members are part of the Company's management group.

Information reported on the members of the Board of Directors are found in the section "Board members during 2014"

#### 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 Board's reports;
- 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 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;
- Prepare the decision concerning the election of the auditor;

The Board of Directors held 16 meetings during 2014. The average ratio of attendance at the meetings was 95 percent. Verkkokauppa.com does not have a supervisory board.

Name	Participation in board meetings	Attendance percentage
Christoffer Häggblom	16	100%
Samuli Seppälä	15	94%
Mikael Hagman*	12	100%
Peter Lindell	16	100%
Kai Seikku	16	100%
Antti Tiitola*	11	92%
Henrik Weckström	13	81%

\* Member of the Board of Directors since 13 March 2014

#### Decision-making

Meetings of the Board of Directors are convened by its chairman. 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's decision and, in the case of a tie, the Chairman 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 Board member is disqualified from participating in the handling of a matter pertaining to a contract or other transaction between the Board member 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 Board member may not participate in the handling of a matter if the Board member 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 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 Board meetings 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 chairman of the Board.

The remuneration of the CEO comprises a fixed basic salary and fringe benefits (such as rights for company car and phone). In 2014, the total annual salary with fringe benefits of the CEO amounted to EUR 57 thousand. The CEO forewent his salary for the period of 1 March 2014 – 31 December 2014, 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 2014. 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 47.

#### 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 section "Management team members during 2014"

#### Remuneration

The Board resolves on the framework for the remuneration and other benefits of the Company's CEO and the chairperson of the Board 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 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) and certain performance based bonus (short term incentives). 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 and committee work as well as the basis for its determination. The Board of Directors decides on the remuneration of the Chief Executive Officer as well as other compensation payable to him or her.

The Company annually makes available a remuneration statement on its website.

#### Annual General Meeting (13 March 2014)

On 13 March 2014, the Company's Annual General Meeting decided that an annual remuneration of 20,000 in the financial period of 2014 shall be paid to the chairman of the Board and EUR 10,000 to each member of the Board, apart from the operational management. However, if the Company's shares are subjected to trading on the regulated market pursuant to the Securities Markets Act (746/2012, as amended) or in multilateral trading, then an annual fee of EUR 40,000 over the financial period of 2014 is to be paid to the chairman of the Board and EUR 20,000 to each member of the Board, apart from the operational management. In addition, reasonable travel expenses of the members of the Board are compensated against receipts.

#### 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 16 January 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 reasonably 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 Finland marketplace of NASDAQ OMX Helsinki ("First North"), 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 annual reports, prospectuses, articles of association, details of the current Board of Directors and senior management and the name of the Certified Adviser as well as other information provided for distribution is kept readily available on the Company's website [www.verkkokauppa.com](http://www.verkkokauppa.com).

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

Information on shareholding data of public insiders is accessible via Euroclear Finland Ltd and available on Verkkokauppa.com's website [www.verkkokauppa.com/fi/investors](http://www.verkkokauppa.com/fi/investors). The Company's insider rules stipulate that all members of the Board of Directors, the Chief Executive Officer, all the members of the management group, certain other key employees on a case-to case basis 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. Visiting address of the public insiders register is Euroclear Finland Ltd, Urho Kekkosen katu 5 C, 00100 Helsinki.

#### 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 Central 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 2014 were approximately EUR 96,000 and fees paid to the auditor for non-audit services in 2014 were approximately EUR 94,000. These fees mainly relate to the Company's listing.

KPMG Oy Ab, a firm of Authorised Public Accountants, was re-elected as auditor of the company 13 March, 2014, 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.

# Board of Directors



## Mikael Hagman

**Owner**  
Mikael Hagman AB & Greasy Lake Holding AB

Born 1968, DIHM Diploma in Business Administration

Board member since 2014\*

**Shares and share-based rights and corporations over which control is exercised**  
3,852 shares

**Positions of trust**  
Chairman of the Board of Directors of Innohome Oy

**Working experience**  
CEO, Media-Saturn Holding Sweden AB, 2008–2013

## Antti Tiitola

**Executive Vice President, Oil Retail**  
Neste Oil Corporation

Born 1967, Commercial college graduate

Board member since 2014\*

**Shares and share-based rights and corporations over which control is exercised**  
16,739 shares

**Positions of trust**  
Member of the Board of Directors of Raisio plc and Broman Group Oy

**Working experience**  
SVP, VR Group, 2012–2014  
CEO, Lidl Suomi Ky, 2000–2011

## Peter Lindell

**Partner,**  
Rite Internet Ventures Holding AB

Born 1954, M.Sc. (Tech.)

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 769,596 shares in total.

**Positions of trust**  
Inter alia, Chairman of the Board of Frank Dandy AB, Rite Internet Ventures Holding AB. Member of the Board of Directors of StoreVision Group AB, and Packetfront Software Solutions AB

**Working experience**  
Partner, Rite Internet Ventures Holding AB

## Christoffer Häggblom

**Managing Partner,**  
Rite Internet Ventures Holding AB

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 769,596 shares in total.

**Positions of trust**  
Chairman of the Board of Nebula Group companies  
Member of the Board of, inter alia, Rite Internet Ventures Holding AB, Norm Research & Consulting AB

**Working experience**  
Founder of Rite Internet Ventures Holding AB

## Samuli Seppälä

**CEO and Purchasing Director,**  
Verkkokauppa.com Oyj

Born 1975, High school graduate

Board member since 1998

**Shares and share-based rights and corporations over which control is exercised**  
3,747,916 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

## Kai Seikku

**President and CEO,**  
Okmetic Oyj

Born 1965, M.Sc. (Econ.)

Board member since 2013

**Shares and share-based rights and corporations over which control is exercised**  
19,231 shares

**Positions of trust**  
Board member of Intera Equity Partners II Oy

**Working experience**  
CEO, HKScan Corporation, 2005–2009  
CEO, Hasan & Partners Oy, 1999–2004

## Henrik Weckström

**CIO,**  
Verkkokauppa.com Oyj

Born 1976, M.Sc. (Tech.)

Board member since 2001

**Shares and share-based rights and corporations over which control is exercised**  
1,804 shares

**Working experience**  
CIO, Verkkokauppa.com Oyj, 1999–

\*Member of the Board of Directors since 13 March 2014



# Management team



## Henrik Weckström

*CIO,*  
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**

1,804 shares

### Working experience

CIO, Verkkokauppa.com Oyj, 1999–

## Matti Harjunen

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

Born 1973, Vocational degrees in Entrepreneurship and Marketing

Member of the management team since 2013

**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

## 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

## 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**

3,747,916 shares

### Positions of trust

Board member, F. Sergejeffin Oluttehdas Osakeyhtiö

### Working experience

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

## 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**

101 shares

### Working experience

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

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

## 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

## 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**

7,515 shares

### Working experience

CFO, Veikon Kone Oy, 2009–2012

## Markus Pätilä

*Sales Director,*  
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**

501 shares

### Working experience

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

**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.**



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