

2017

Annual Report

Verkkokauppa
PROBABLY ALWAYS CHEAPER **.com**

CEO's review

Retail continued going online. Verkkokauppa.com continued to increase its sales, number of visitors and market share at a good pace due to low prices enabled by low costs, self-service and transparent operations. The company also increased its quarterly payable dividend. All this was achieved with the retail market continuing to go online and being highly competed in Finland in 2017. The Finnish consumer electronics market continues to consolidate between the three largest local retailers.

In 2017, the company set its new medium-term targets as follows: revenue growth of 10–20%, an operating margin of 3–5% and an annually growing operating profit. These targets guide the company's approach to the year 2018 from both the revenue growth and profitability point of view.

Profitability will be improved with the wider use of the Apuraha instalment payment method, including the new payment methods Apuraha XXL and Apuraha for Business, as well as by increasing sales in recently launched higher margin product categories such as Home and Lighting, and Pets. Profitability is thereby not improved by increasing

prices. At the same time, however, we will keep our minds focused on the new medium-term targets for revenue growth and profitability.

The company's current stores in Pirkkala and Oulu were expanded during 2017, and improvements were also carried out in the flagship store in Helsinki. Verkkokauppa.com's fourth megastore will be opened in Raisio during the first quarter of 2018. The managing team was also expanded, when **Vesa Järveläinen** was appointed as the new Purchasing Director. These duties were formerly carried out by the CEO.

I want to thank our customers, personnel and owners for 2017. Let's make the year 2018 even better, driven by retail going online, Finland's economic growth and our excellent new CEO **Panu Porkka!**

Samuli Seppälä

CEO

Founder and Owner
Verkkokauppa.com Oyj
samuli@verkkokauppa.com

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**Verkkokauppa.com
continued to increase its
sales, number of visitors
and market share**



11.7 MEUR

Operating profit 2017

16.4%

Increase in revenue 2017

432 MEUR

Revenue 2017

The year from a financial point of view

Competition in Finnish retail continues. In Verkkokauppa.com, this has been reflected as strong price competition in which all the largest competitors have participated. In home electronics, retail continues to consolidate between the three largest retailers, of which Verkkokauppa.com has for a long time been the second largest by revenue.

In the spring, the company reported strong revenue and sales margin growth. The same trend, driven by a more aggressive growth strategy, continued for the first half of the year: in its half-year review, the company reported a strong revenue growth of 24%.

However, the second half of the year was dominated by unexpected news. In September, the company had to issue a negative profit warning,

and the interim report published in October stated a decreased sales margin during the third quarter. The reason behind the decrease was none other than the aggressive price competition. It is worth noting that despite this drop, which the company characterized as temporary, the company was still making profit and was continuously looking for new ways to grow.

In the beginning of the year, the company announced it would be more aggressive in its pricing and would seek market share more forcefully. Both goals were achieved well, and in some product areas, significant market shares were captured during the year. In 2017, the product range was expanded and Pets and Lighting were introduced as new product groups.



In 2017, several new product phenomena surfaced. In the summer, shelves and stocks of retail stores were unexpectedly emptied of graphics cards due to the cryptocurrency boom.

Other significant product trends in 2017 included **fidget spinners**, which became a phenomenon. Their sales exploded globally – but on the other hand, their popularity also plummeted quickly.



In the autumn, the company shook up the pet food market in Finland by launching its own **Pets product category**. Customers were excited about prices significantly lower than they were used to, which was expected. All in all, the launch also affected the pricing of the entire pet product market in Finland, and this got suppliers thinking about their attitude towards retail's rapid transition online.



If the video does not play, click [here](#).

In September, the company announced that Panu Porkka has been appointed as the new CEO. Porkka will begin in his new role in April 2018 at the latest. The founder and long-term CEO of the company, Samuli Seppälä, will thereby withdraw from the company's daily operations and will continue as a member of the Board of Directors. Seppälä is also the company's largest shareholder.

In the beginning of December, the company reported on the adjustment of its financial guidance, which followed from amendments to financial reporting data on 2016 and 2017. The reason for the amendments was errors in estimates relating to the allocation of marketing support and discounts received from suppliers, which were discovered during the auditing process. The company adjusted its financial guidance so that in 2017, the company's revenue was expected to exceed the 2016 level and comparable profit was expected to be EUR 8–10 million.



Interest in home lighting and especially **smart lighting** increased, and lighting has gradually become an important and strong product group for the company. Online retail has proved to be a good sales channel for next-generation lighting products, and therefore the development of the product group will be closely monitored in the coming years, as well.

The largest **televisions of up to 65 inches** sold well in 2017. In addition, **OLED televisions** representing new image technology became popular among the general public.

Competitive edges

50_M

visits at verkkokauppa.com in 2017

Finland's most visited and best-known online store

Verkkokauppa.com is Finland's most visited and best-known online store. The address www.verkkokauppa.com and its subpages were visited more than 50 million times in total in 2017, making it the most visited Finnish online store and one of the most visited sites in Finland altogether. The company ranked 7th in research company YouGov's Brand Advocacy Ranking, published in November 2017, which listed the most recommended brands in Finland. On the list, which included a number of internationally recognised top Finnish brands, Verkkokauppa.com was the only retail company. In 2016, Verkkokauppa.com ranked 10th in the same study.

3–5%

operating margin target

Profitably growing online store

Verkkokauppa.com is still a growth company that strives to increase its capacity and size in everything – except expenses. The company's very low cost structure enables its profitable growth and probably always cheaper prices. Due to low fixed costs, the company is able to grow and generate profit even when price competition is fierce or the purchasing power of households weakens – while keeping the sales prices down. This is evidenced by the past few years, each of which has been shadowed by some type of dark cloud over the Finnish economy. In 2017, the company specified its medium-term financial targets and now aims for 10–20% annual revenue growth, an annually growing operating profit and an operating margin of 3–5%.

50%

increase in the number of shareholders

Paying quarterly dividends

As of early 2017 following a decision by the annual general meeting, Verkkokauppa.com started to pay dividends to its owners in every quarter. The company intends to increase the dividend every year, making it an attractive investment target for long-term private and institutional investors who value a steady flow of dividend income.

Verkkokauppa.com's shares have been listed on the NASDAQ First North stock exchange since April 2014. In 2017, Verkkokauppa.com got many new small-scale investors as its owners, and the number of its owners increased by as much as 50%. At the end of the year, the company had a total of 6,129 shareholders.

10%

of the retail market in Finland is online

Steady financial standing and global megatrend of retail going online support the growth of Verkkokauppa.com

According to the company's estimates, approximately 1% or EUR 400 million of the sales of brick-and-mortar stores go online annually in Finland. Currently about 10% of all retail in Finland is carried out online. Therefore, the company's revenue growth is expected to continue in 2018 and in the medium term, driven by the positive signs in retail, the growth of Finland's GDP, and the company's growth strategy. The company's financial standing is supported by its well-known brand, low debt-equity ratio, steady cash flow and strong equity ratio.

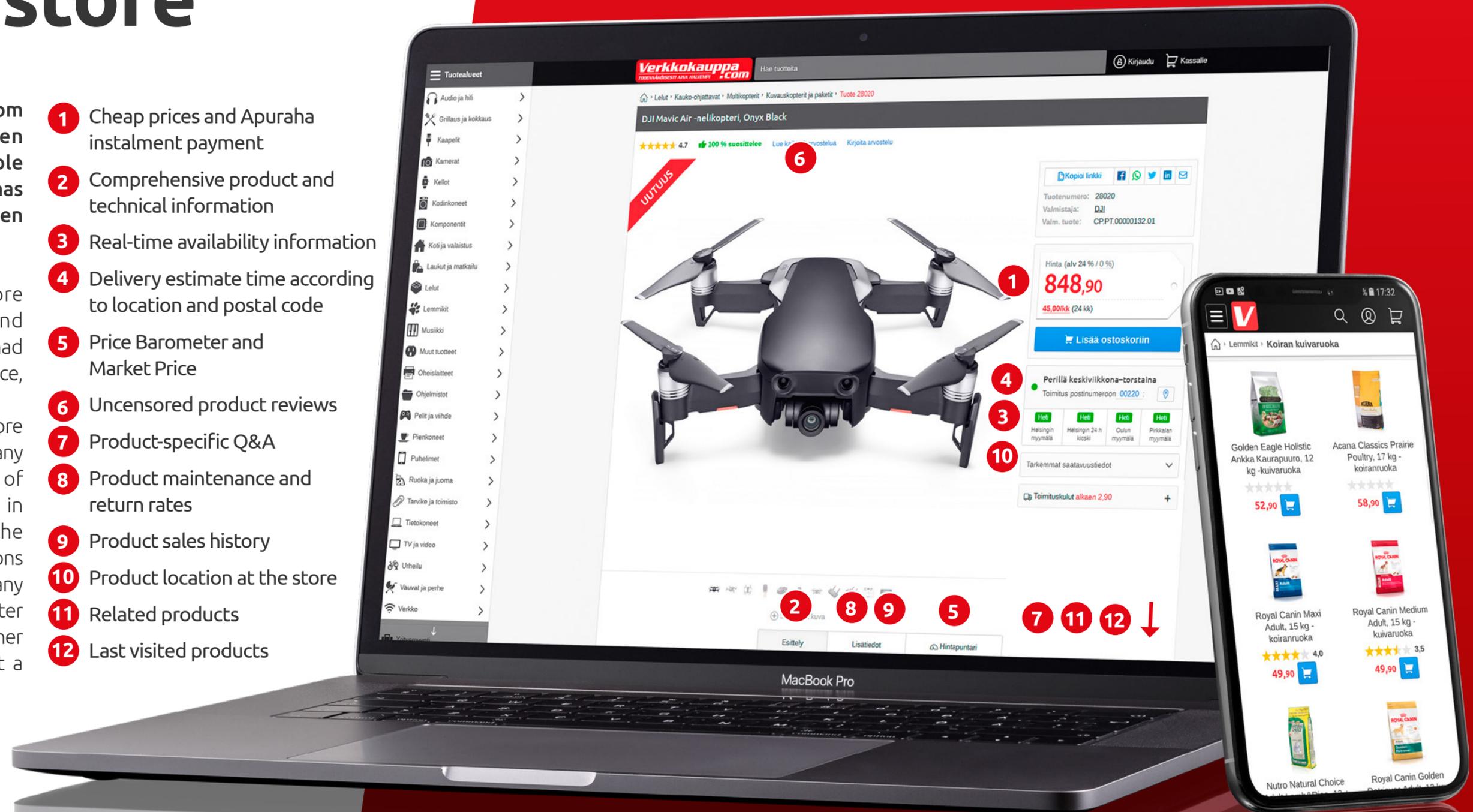
The ever-developing webstore

During the year 2017, the Verkkokauppa.com webstore has been polished into an even more harmonious entity. As the most visible updates, the website's navigation interface has been improved and general usability has been enhanced.

The webstore's user experience is now more personal, shaped by previous browsing and purchasing history. These improvements have had the hoped positive impact on customer experience, conversion rate and thus overall sales.

Developing the user experience of a webstore is a continuous process and this is why the company constantly seeks to be aware of the trends of ecommerce, as retail goes online globally and in Finland. Especially mobile usage grew and the busiest mobile traffic was seen during high seasons such as Singles' Day and Black Friday. The company is always searching for new ways to provide better service to customers using mobile devices, whether they be at home on the couch or already at a Verkkokauppa.com store.

- 1 Cheap prices and Apuraha instalment payment
- 2 Comprehensive product and technical information
- 3 Real-time availability information
- 4 Delivery estimate time according to location and postal code
- 5 Price Barometer and Market Price
- 6 Uncensored product reviews
- 7 Product-specific Q&A
- 8 Product maintenance and return rates
- 9 Product sales history
- 10 Product location at the store
- 11 Related products
- 12 Last visited products



Renovated stores, Pirkkala and Oulu

As its name suggests, Verkkokauppa.com is based on online retail and has been built on the terms of online commerce. However, this does not mean that well-considered stores bringing added value have no place in the company's strategy. In the company's online-based business model, stores play a justified role, as according to one estimate, 90% of all retail is currently still carried out in brick-and-mortar stores in Finland. In addition, they have an essential role as places where customers can examine products and manufacturers as well as pick up ordered products.



Opening celebrations were held in Pirkkala and Oulu on 31 August. During the openings, incredible lines of hundreds of metres were formed in front of both stores.



In Pirkkala, Hydraulic Press Channel organised a wild show in the opening weekend at the end of which, to the amazement and fear of the store audience, a metal barrel was squashed flat by underpressure.

All of Verkkokauppa.com's current stores and those under construction are among the busiest consumer electronics stores in Finland measured by the number of customers. Therefore, product volumes are high and the share of fixed expenses from sales remain low, which enables the company to offer probably always cheaper prices.

Verkkokauppa.com's stores in Pirkkala and Oulu got a new look, as they were renovated during the summer and made both larger and more impressive. The company decided to react to the constantly growing sales and customer volumes of the stores by increasing their sales area in order to serve its customers better with an expanded product range.





All of Verkkokauppa.com's current stores and those under construction are among the busiest consumer electronics stores in Finland.

In Pirkkala, the store moved within the Veska shopping centre to new, larger facilities approximately 50 metres away over one night, and therefore it can be said that it is now a completely new store. The move increased the store area by more than 30%, and at the same time, the number of sales items and immediately available products increased considerably. The numerous shop-in-shops in the Pirkkala store enable customers to get a hands-on experience of the products of several manufacturers and give the store a lively atmosphere. The home appliance section of the Pirkkala store is much more impressive than before, reflecting a significant change from the old concept. The renovation also increased storage space and the number of service counters and checkouts at the store.

In connection with the move of the Pirkkala store, the concept of all Verkkokauppa.com stores was clarified and modernised, while retaining the operating principles, colours and graphics that are characteristic to Verkkokauppa.com. In the new concept, attention has also been paid to shelf depth,

with the aim of improving the availability of products in different product categories.

In Oulu, the store was expanded and its look was updated to correspond to the latest store concept. The expansion of the Oulu store was carried out while the older part of the store was open, and major structural changes were therefore not carried out in the store premises. The most important goal of the expansion was to increase both the product range and the stock of sellable items so that the number of immediately available products would grow significantly.

At the end of the year, the company announced that it would open a new store in Raisio in the first quarter of 2018 and had also made a lot reservation in Myllypuro, Helsinki. The Raisio store will serve the Turku region. The potential East Helsinki store would serve the residents of the area as well as people living in the Eastern Uusimaa area, for whom it would be a logistically easier alternative to the Jätkäsaari store located on the west side of Helsinki.



If the video does not play, click [here](#).

A crane dangling a jovial Fiat Abarth replica car was brought in front of the Pirkkala store. The car was the prize of a raffle held in the Pirkkala store. The Fiat had been raffled before, but had twice been left unredeemed by the winner. Its fate now was to crash into the asphalt nose first if the winner would not redeem it. The story got a happy ending this time, as the new owner, a rally driver from Sastamala, took possession of the car.



Events in 2017

Lenovo CS:GO 1vs1 tournament

In January, Lenovo, E-sports.fi and Verkkokauppa.com together organised Finland's largest CS:GO 1vs1 tournament in the Helsinki store! The winner's amazing performance was rewarded with a brand-new Lenovo Ideapad Y700.



Bike Saturdays

The traditional Bike Saturday was organised in April in every store. In addition to the knowhow of bicycle experts and presenters, customers were treated to a free bicycle check-up and, of course, wild product discounts and the possibility to test-drive the latest electric bicycles.



Family Day

Families with children were invited to spend Family Day in the Helsinki store in May. Experts came to tell about baby carriers, strollers and child car seats. In addition, little ones were entertained by a giant LEGO character and a crafts point, while grown-ups got to enjoy GHD's professional stylists and coffee tastings.



Dude Island Festival

The brand-new event Dude Island Festival drew Helsinki's Jätkäsaari district, after which the festival was wittily named, full of smiling people on a sunny summer weekend. During the weekend, the store was packed with different events and activities for customers, who got a chance to try out virtual ploughing on a real tractor and to test their skills in a platform game using only voice commands! The mood was set by DJs who played catchy music in the store, creating a real festival atmosphere.



If the video does not play, click [here](#).



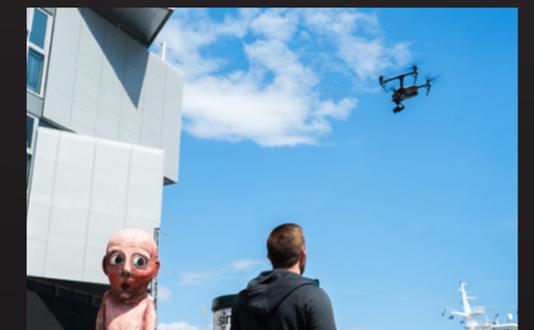
Virtual ploughing with a real tractor at Logitech's shop-in-shop.



In the HP Omen Overwatch tournament, contestants battled for championship in a popular tactical first-person shooter game.



The Outlet Auction drew an enormous crowd of enthusiastic bidders chasing cheap products.



DJI air shows relayed an image of the airspace above Jätkäsaari on a giant screen in the store.



The Tubecon Meet&Greet at the Pirkkala and Oulu stores attracted hundreds of people to meet popular YouTube stars such as Roni Back, MiskaMH and Wildeem.

Tubecon

Verkkokauppa.com again partnered with the Tubecon event organised in August, this time with a Go Professional theme. Curious young guests interested in YouTubing were offered a chance to try the best equipment offered by Microsoft and Asus in the Surface TukTuk car rickshaw. At the same time, the company exclusively launched the Black Eye HD Wide Angle Tubecon Edition wide angle lens, which is compatible with any smartphone.



Kids' Event

At the end of September, the Helsinki store was taken over by the Kids' Event, with the store filled with more than 10,000 toys in huge toy bins and sold for a super-low price of 1–5 euros! For several hours, huge crowds arrived to get their toys, perhaps taking the opportunity to get their Christmas presents early.

Additionally, races were run on a Disney Cars race track, princess transformations were made at the Disney Princess beauty point, and targets were cannoned at a Nerf shooting range!

The tiniest visitors got to try their engineering skills by putting together the most dazzling Brio constructions in the Brio train set world.





Popular YouTuber Vinkare met his fans and other fair guests at a Meet&Greet.

Digimessut

Verkkokauppa.com's all-time biggest Digimessut digital fair drew a record number of people to the Helsinki store on a weekend in October. The fair featured, among other things, a globally unique contest in which teams from Xbox, Verkkokauppa.com, Logitech and Kaspersky competed against each other in the Forza Motorsport 7 game for 24 hours. The contest, which ended at 3 PM on Sunday, was won by team Logitech, which accumulated more than 5,000 virtual kilometres! After having competed overnight in the store, the drivers left with cheery attitudes, hoping for a sequel to the tough 24-hour battle.

Asus' ROG Challenge Tour reached its culmination in an awesome setting during the weekend. Asus built a showy gaming area in the store, and visitors could practice their skills at the game Overwatch with eight powerful gaming computers. The luckiest ones got to challenge well-known YouTubers and professional gamers one-on-one on the main stage!



HP brought into its shop a VR backpack for customers to test. This was the only VR backpack in Finland, and in consumer testing for the first time.



Samsung's VR chair shook guests at the store lobby and introduced a new dimension to VR headgear users.



In addition, fair visitors were entertained with an OUTLET auction, a drinkbot and Entocube's cricket nut tasting!



Internal career paths

Verkkokauppa.com has already for a long time encouraged its personnel's mobility and career development within the company. Many of the company's current experts have previously worked at the customer interface in a store, in remote customer service, or behind the scenes in logistics or maintenance, ensuring that goods move along.

Broad knowledge of the company and the way it operates is recognised as a valuable asset in the company. Experience from different departments helps in taking on a new role, as the employee can see the big picture and the role of his or her team in the operations of the whole organisation. In addition, knowing people from different parts of the company creates a sense of community and lowers the threshold for knowledge transfer between departments.

Opportunities to transfer to a new role within the company are seen as a good way of motivating employees to stay with Verkkokauppa.com for a long time. The development of a broad skill set also provides the company with even more capable personnel. Thus, it is no wonder that there are numerous people who have made a career of more than ten years at Verkkokauppa.com.

When it comes to recruitment, 2017 was an important year, as more open positions were available in the company than in 2016. Skilled people were needed for positions from both within and outside the company. In 2017, internal career path opportunities were mainly transfers from store

or logistics work to various expert roles within the company. These roles were sought by skilled young people with potential and an eagerness to embrace new challenges and responsibilities.

At Verkkokauppa.com, the average age of employees is low, below 30 years, mainly due to the nature of tasks in retail and their division into physical and customer service work, and expert work. The

company wants to offer its employees possibilities to take on different roles and challenges in different stages of their careers, without several years of experience or expert knowledge.

Although personnel transfers within the company have been active, new employees from outside the company have also been hired in large numbers, especially for demanding expert roles. New recruitments have brought not only expertise, but also some needed age diversity, into the company. The company believes that the best teams have strong expertise, and this calls for capabilities from both within and outside the company.

From the personnel strategy point of view, the main theme of 2017 was the training of supervisors. These trainings were offered to supervisors at all levels of the organisation. Special attention was paid to supervisors' mutual learning through personal experiences. Supervisor trainings will be continued during 2018, as well.



633
Number of personnel at end of 2017



Anastasia, Jan and Iina have all worked at Verkkokauppa.com for several years. In 2017, all three moved to new roles within the company.

Anastasia

“Prior to joining the marketing team, I worked for a year in pick-up sales and in Apple sales. I happened to run across an advertisement on our site looking for a social media assistant. The application time was almost over, but I decided to take my chances and apply for the job. I was invited to an interview and, to my surprise, was chosen for the task, although I assumed that education would have weighed more than experience. I think it is great that a role can be filled with a motivated employee who wants to try tasks that interest him or her. I had some experience with social media platforms, influencer relations and image processing through my hobby, which I believe had a positive impact on being chosen for the position.”

Familiarity with the company and its information systems were strong assets when I started in my new role. I had worked in customer service in the store, so it was easy to take customer needs and interests into account in social media and marketing, too. There were new things to learn, as well, but after the orientation I got started on real work right away. I feel like I immediately got to influence matters related to my work, and have received a suitable amount of responsibility.”



Jan

"I worked in the home appliance department in customer service for three years, and during that time, my job description expanded to cover several different product groups as the store's selection became more and more versatile. When I saw an internal ad looking for someone for B2B sales, I decided to seize the opportunity, as I wanted new challenges. I had previously worked in B2B sales in a different industry, so I knew by and large what I was getting into. There were many applicants for the position, but I felt I had good credentials for the job. I went enthusiastically into the interview, which turned out to be more of an open discussion, and a very positive experience.

I was naturally very happy to learn that I had been chosen. My customer service experience and studies in economics formed an excellent foundation and basic knowhow for the new job; my familiarity with the management system in particular was a major asset. I also had a good knowledge of our broad product range.

I felt from the very beginning that the team had a good atmosphere of getting things done and helping each other. This work is best learned by doing, and you can always ask for tips from a colleague next to you. The discussion in weekly meetings is always good, and it is easy to take development ideas all the way to the top management if needed. I got started quickly, and have been offered sufficient amounts of responsibility and exciting tasks. The best thing about my new position is continuous learning – about B2B sales itself as well as about our products."

Iina

"I worked for four years in the store, mainly in pickup and checkout functions, but also in other store tasks. I saw on our internal bulletin board an ad for a purchasing assistant for a product category that interested me. I had some prior experience from office work, but product management and purchasing were completely new to me. I knew some people from the team, and knew that several colleagues had already transferred to various office tasks, so I did not feel like I was leaping into the unknown. The atmosphere in the interview was relaxed, as we went through the concrete work description and how my previous experience with the company would benefit me in the new position. My experience in store work helped me understand the connection between purchasing and sales, and the product range was already familiar to me. Over the years, I had also seen how product selections change and develop. Due to the familiar management system, I was able to assume my new duties quickly, and the threshold for asking help has been low from the beginning, as I already knew some of the people from my current team.

I have been given as much responsibility and work as I have wanted to take on, and there is plenty to do outside my own product category, as well. Nice coworkers and our good spirit encourage me to share my ideas, and I also like the fact that more experienced colleagues actively give feedback on my work. I do miss the nice customers from store duties, but with six months' experience I can say that I am very satisfied with my transfer. In addition, I appreciate the routines and independence of office work."



Vesa Järveläinen

– new Purchasing Director introduces himself

For Vesa Järveläinen, a long career in purchasing at Verkkokauppa.com was awarded in April 2017, when he was appointed Purchasing Director of Verkkokauppa.com. Vesa, who started out at the company with an internship in 2006, was already in high school interested in Verkkokauppa.com, at the time called Arctecho, which sold information technology and consumer electronics. When Vesa started, the company had just moved to its new premises in Ruoholahti, Helsinki, and was already showing the way for the development of online retail in Finland.

“After my military service and in connection with my studies, I got an internship at the company, and never left.” Vesa’s first year was spent in maintenance tasks, until the office needed more people for productisation. “When I saw the announcement, I applied immediately. I had attended a Swedish-language comprehensive school and the Swedish-language high school Karis-Billnäs Gymnasium, and I believe that my language skills had an influence when the selection was made.”

The company’s purchasing department was at the time only a fraction of its current size, and the task of product managers, of which there were only a handful, was mainly productisation. As the company grew, the roles of product managers expanded as well, and CEO Samuli Seppälä needed more people in purchasing. That was when Vesa entered the world of IT purchasing, which meant keeping closer contact with clients, tough negotiations and analyses of consumer trends. The company kept growing, and in 2010 Vesa was promoted to Purchasing Manager.

“For the first time, I took on supervisory duties.

I became responsible for certain product categories and the product managers working with them.”

Verkkokauppa.com was listed on the First North Helsinki stock exchange in spring 2014, and this was one of the reasons why CEO Samuli Seppälä, who had also performed the duties of Purchasing Director, had to share some of his responsibilities. The following year, Vesa was appointed Deputy Purchasing Director, which meant a bigger role and responsibility for the entire purchasing department.

“The appointment was suggested to me and I did not hesitate to accept it.”

CEO Samuli Seppälä gave up the duties of Purchasing Director in 2017, and Vesa was appointed to take on the title.

Vesa Järveläinen’s career path might look to an outsider like it went according to some grand plan, but he does not admit to having thought about his career ahead.

“My only driver has been a genuine interest in this company and a desire to take it forward. It has been unbelievably great to take part in the journey that has transformed a mid-sized company into a bigger, listed one.”

The days of the Purchasing Director are busy and packed with meetings and e-mail messages. Much time is spent on communicating and organising matters within the purchasing department as well as the entire company, and on actual purchasing and purchase approvals. The purchasing department itself is continuously being developed, which means developing new tools and managing personnel.

The broad variety of daily tasks include, among other things, following different KPIs and antici-

pating the future: predicting trends and sales, and monitoring the development of sales, market shares, inventory turnover and gross margin.

“This work continues to surprise with both its versatility and its challenges. With my appointment, I became part of the company’s management team, which means that I am also involved in management team work. I believe that there is no school that prepares you for this kind of a position – instead I think my experience of more than ten years with Verkkokauppa.com has been the best possible business education for me.”

There is much to do and plenty of responsibility, as is fitting for a director. There are two skills that Vesa values above others, when he thinks about the successful handling of his duties.

“One must absolutely be good at organising and prioritising. It is important to listen and maintain a good connection with the staff. This work partly calls for a cold, analytical touch, as numbers tell the facts – but in addition, one must give sufficient room for imagination and executing even bold ideas. We want to differentiate ourselves with a genuinely broad product range, novelties, availability, and of course cheap prices.”

‘Probably always cheaper’ prices has for a long time been the company’s main message to customers, but the Purchasing Director knows the hard work behind that promise.

“I work with the best purchasers and experts in Finland, whose expertise and hard work enables us to compete against large, international competitors. Our cheap prices tell that we have succeeded in our mission.”



Apuraha expands

– Apuraha XXL and Apuraha for Business

Verkkokauppa.com's own instalment payment method Apuraha continued its strong growth and due to the positive development, the company wanted to expand the services in the Apuraha product family.

In June, Apuraha XXL was launched in cooperation with credit company Santander. It enables a five-year payment period and a EUR 7,500 maximum purchase for the creditee. Apuraha XXL thereby offers an opportunity to purchase, for example, several products for the home at the same time, or one extremely powerful computer and its peripherals. The expansion is expected to increase the Apuraha product family's share of revenue.

Additionally, in autumn 2017, the Apuraha invoice for businesses and the Apuraha instalment plan for businesses were launched in cooperation with Collector Bank. In other words, businesses can now apply for Apuraha, either with an invoice or instalments. Verkkokauppa.com is the first company in Finland to offer businesses purchases in instalments around the clock, on every day of the year. Driven by the new services, Apuraha is expected to continue its strong growth in 2018.



Uusi Apuraha XXL antaa 60 kk maksuaikaa kaikille yli 1 500 € ostoksille.

Verkkokauppa.com
TILIPANKKIKUMPPANI AINA HAAVASSA



Caring for the environment

Verkkokauppa.com takes care of its WEEE (waste electrical and electronic equipment) responsibility. In accordance with the WEEE collection principles, the company's stores accept all kinds of electronic waste without charge, regardless of whether the customer purchases a replacement device. This service has been well-received by customers. From the store at Jätkäsaari in Helsinki alone, a truckload of WEEE recyclable material, i.e. electrical and electronic waste mainly brought by consumer customers, is taken to recycling every two weeks.

Recycling at Verkkokauppa.com is by no means limited to WEEE waste; the stores accept all kinds of devices relating to the world of electrical and electronic devices, and they are appropriately recycled. In addition to WEEE recycling, Verkkokauppa.com also accepts and recycles used batteries. In total, Verkkokauppa.com recycled more than 150 tonnes of WEEE waste and more than two tonnes of batteries in 2017. All recycling is carried out in cooperation with partners.

The Verkkokauppa.com flagship store and headquarters in Jätkäsaari, Helsinki is built according to the LEED (Leadership in Energy and Environmental Design) environmental certification standards. This means that the air conditioning system, water consumption, automated lighting and recycling of the energy-efficient building follow top international standards and are designed with attention to sustainability.

In line with LEED thinking, the location of the

building also has major significance in environmentally friendly construction. The megastore, which is located in Jätkäsaari with good public transport connections, encourages customers to use public transportation instead of driving. The company is prepared for the increase in the popularity of electric cars by equipping the parking garage of the Jätkäsaari store with charging stations already in the construction phase.

Verkkokauppa.com strives to continuously improve its energy efficiency by, for example, replacing lighting with LED lamps, and the lighting of the new Pirkkala store was designed using LED lamps only. The company also applies the possibilities provided by systems such as heating, cooling and lighting automation to ensure maximally energy-efficient operations.

Verkkokauppa.com uses electricity produced with renewables in all its stores. District heating is used to heat all stores and cooling in the Helsinki megastore is produced in an environmentally friendly way with district cooling.

All waste produced by Verkkokauppa.com is sorted, and in 2017, 99.4% of all waste was put to reuse. The majority of the produced waste is recyclable packing cardboard and waste that can be incinerated and used as energy. Approximately 71% of all produced waste is reused as material.

The company's stores in Pirkkala and Oulu, as well as the store to be opened in Raisio in spring 2018, follow the same principles – the stores include a WEEE collection point for customers and all waste produced by own operations is sorted.

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In 2017, 99.4% of all waste produced by Verkkokauppa.com was put to reuse.





In the audits, attention is paid to, among other things, the well-being of employees, including health, safety, compensation and working hours.



Verkkokauppa.com has private label brands, manufactured mainly in China, in several product categories.

Responsibility in the supply chain

Verkkokauppa.com has private label brands, manufactured mainly in China, in several product categories.

To ensure that the products are manufactured ethically, the company conducts regular audits at the factories in question, thereby doing its best to ensure that it does not purchase products from companies that violate laws or exploit their employees. In the audits, attention is paid to, among other things, the well-being of employees,

including health, safety, compensation and working hours. One of the main goals of the audits is to ensure that no child labour or forced labour is used in the factories. The audits are conducted by the international corporation SGS, which specialises in auditing, certifications and testing.

In 2017, three audits were conducted. Their results showed no indications of the use of child labour or forced labour, nor did they discover issues that would have required the company to take any action.

Logistics

Nearly all of Verkkokauppa.com's shipments are transported around Finland on trucks and vans, whether deliveries from the main warehouses to stores or deliveries of online orders to customers.

Dozens of shipments arrive to and leave from from the Jätkäsaari warehouse in Helsinki and

the Tuupakka warehouse in Vantaa every day, to destinations across Finland. The company's warehouse in Tuupakka is a service warehouse outsourced to Posti Group.

In domestic transports, Verkkokauppa.com favours environmentally friendly partners such as Posti Group and Matkahuolto.

Donations

With the new Pets product area, the company found the opportunity to do good by helping homeless animals.

Since last autumn, the company has donated pet products that have been damaged in transport or have other minor flaws to the Lohja Animal Welfare Association. The association has been thankful for the food and litter donations, which have greatly facilitated the everyday operations of the association's shelter run by volunteers. Verkkokauppa.com will continue its donations to the association in 2018.

"During 2017, Verkkokauppa.com has donated to the Lohja Animal Welfare Association pet products and food damaged in transport or returned by customers. As the association operates mainly relying on donations, we find donated pet products and food especially valuable. Hundreds of animals have passed through our association in the last couple of years, which means that especially cat food and litter are used in large quantities at the animal shelter and by those caring for animals at home. Regular donations are thereby a very important part of our animal protection work."

Elina Kukkasjärvi,
Lohja Animal Welfare Association

”

During 2017, Verkkokauppa.com has donated to the Lohja Animal Welfare Association pet products and food.

Elina Kukkasjärvi,
Lohja Animal Welfare Association



EU's General Data Protection Regulation

speeds up the development of customers' data protection

A desire rose in Europe to change the situation in which big social media companies had collected and used customer information without authorisation. After a lengthy preparation, a new regulation was made to govern the handling of personal data. The EU's General Data Protection Regulation (GDPR) was approved by the decisions of the European Parliament and Council in spring 2016. Its application will begin on 25 May 2018.

The goal of the data protection regulation is to strengthen the rights and freedom of choice of individuals, to have corporations take data protection into account in their operations, and to enhance supervision. In addition, it strives to improve trust towards online services and thereby promote the development of the Digital Single Market in the EU.

Verkkokauppa.com initiated its GDPR project in spring 2017, but had already been preparing for the changes demanded by the regulation before

that time. The project involves all units of the company handling personal data. The goal was to have the company's operations comply with the regulation by the end of 2017. This was verified in early 2018 by a third-party audit.

Verkkokauppa.com's customers have already previously been provided with good opportunities to decide on the use of their personal data and to obtain information on how their data is being handled, but the uses and principles of personal data handling will be explained at an even more detailed level in the future. Furthermore, customers will have better opportunities to influence the gathering and use of their personal data. In addition to the changes following from the new regulation, Verkkokauppa.com has developed entirely new features to enhance safety and usability, such as improved account management pages and the option to restrict the use of personal data. Verkkokauppa.com is committed to protecting the privacy of its customers and employees.



Verkkokauppa.com is committed to protecting the privacy of its customers and employees.



The report of the Board of Directors and Financial statements 2017

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Report of the Board of Directors

Year 2017 in brief

Verkkokauppa.com's revenue increased by 16.4% to EUR 431.8 (371.0) million. Operating profit (EBIT) was EUR 11.7 (12.6) million and net profit EUR 9.8 (10.1) million. The comparable profit before taxes for 2016 was weakened by expenses related to the holiday pay compensation accrual by the amount of EUR 0.5 million.

Revenue and profitability development

Revenue grew by 16.4% in January–December 2017 when compared to the same period in the previous year. Revenue increased by EUR 60.8 million to EUR 431.8 (371.0) million. Relative profitability increased because the company's market share decreased in low margin product categories such as mobile phones. Revenue was improved by increased sales in televisions, mobile phones, and both major (MDA) and small domestic appliances (SDA). The company grew its sales in most of the product groups.

The demand for consumer electronics remained satisfactory despite the current market situation. According to research by GfK, the market increased by 5.1% in January–December 2017.

Personnel costs grew by 2.5%, totaling EUR 25.0 (24.4) million. The growth was slower than revenue growth due to the service warehouse which was taken into use during the end of 2016. The number of logistics personnel and store personnel declined although the volume grew. Otherwise the number of personnel grew faster

than the revenue. Other expenses increased by 24.0% to EUR 24.3 (19.6) million during the reporting period. Comparable other expenses increased by 24.0%, totaling EUR 24.3 (19.6) million. The growth was faster than revenue growth due to the service warehouse which was taken into use during the end of 2016.

The company's operating profit was EUR 11.7 (12.6) million in January–December 2017, and the net profit for the period was EUR 9.8 (10.1) million. Earnings per share were EUR 0.22 (0.22). Comparable earnings per share were EUR 0.22 (0.24).

In 2017, the company developed its operations according to plan. The company's comparable operating profit was EUR 11.7 (13.2) million. The company's increased brand awareness is visible in the number of visitors at both the brick-and-mortar stores as well as at the online store. In 2017, the focus at Verkkokauppa.com Oyj was to improve its organic growth opportunities in both customer financing service and in existing main product categories.

Revenue growth varied by quarter, and the sales growth in the fourth quarter was less than in other quarters.

Key events during the financial year

On 10.2.2017 the Board of Directors decided to update the company's dividend policy so, that the aim of the company is to pay increasing dividends.

The company annually evaluates its prerequisites for its profit distribution so, that the possible profit distribution does not endanger the company's

strategic growth target or the company's other financial targets.

On 28 April 2017 the board of the company appointed Vesa Järveläinen as the purchasing director and a member of the management team. At the same time CEO Samuli Seppälä stepped down as the purchasing director.

During the summer of 2017 the company opened its renovated stores in Pirkkala and Oulu.

On 27 September 2017 the board of the company appointed Panu Porkka as the new CEO. The new CEO will begin on the 1 April 2018 at the latest. At the same time CEO Samuli Seppälä will step down as the CEO.

Verkkokauppa.com Oyj together with other shareholders has sold its shares of Vituvaru-experten.com Nordic AB to Bygghemma Sverige AB on 12 October 2017. The profit from the original investment is approximately EUR 0.3 million. Part of the sales price will be reinvested into Vitvaruexperten.com Nordic AB. Reinvestment is approximately EUR 0.3 million. The reinvestment enables an earn out during 2018–2020.

On 15 December 2017 the company announced the establishment of the following board committees: Audit Committee, Nomination and Remuneration Committee and Strategy Committee. As the members of the Audit Committee were selected board members Kai Seikku (Chairman), Christoffer Häggblom and Minna Kurunsaari. As the members of the Nomination and Remuneration Committee were selected board members Christoffer Häggblom (Chairman), Robert Burén and Kai Seikku. As the members of the

Strategy Committee were selected board members Samuli Seppälä (Chairman), Christoffer Häggblom, Robert Burén and Mikael Hagman.

In 2017 the company focused to grow existing product categories and as new product categories Home and Lightning and Pets were launched.

Market development

The competitive environment remained challenging due to the general economic situation and the improving purchasing power of consumers. The Finnish Ministry of Finance estimated on 19 December 2017 that the Finnish GDP grew by 3.1% during 2017. According to market research company GfK, the consumer electronics market has increased by 5.1% in Finland during 2017.

Financing and cash flow

Operating cash flow was EUR 20.1 million (18.6). The cash flow from investments was EUR -1.5 million (-0.9).

Net financial income was EUR 0.4 (0.0) million.

The company is solid. Liquid assets totaled EUR 51.9 (41.7) million. Interest-bearing liabilities totaled EUR 0.0 (0.0) million and interest-bearing net debts totaled EUR -51.9 (-41.7) million. Equity ratio was 33.8% (40.0%).

On 31 December 2017, the company had Revolving Credit Facilities in the total amount of EUR 15.0 million, which remained unused.

Key figures

	2017	2016*	2015*
Revenue, EUR million	431.8	371.0	344.3
Operating profit % of revenue	2.7%	3.4%	2.4%
ROCE %, 12 months rolling	30.3%	33.6%	22.5%
Return on equity, %	25.1%	26.8%	16.1%
Equity ratio, %	33.8%	40.0%	45.5%
Equity ratio, % (including subordinate loans)	33.8%	40.0%	45.5%
Personnel			
Average number of personnel during the accounting period	588	558	538
Total amount of salaries and bonuses, EUR million	20.2	19.6	17.9

*Note 2

Key ratios and calculation of key ratios are given on page 36.

Investments

The company mainly invested in store equipment and furniture during the period. In addition, the company activated EUR 0.4 million of the IT department's salary expenses and external technology consultant fees relating to development of new ERP features. Net capital expenditures were EUR 1.5 (0.9) million in January–December 2017.

Information presented in the notes to the financial statements

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

Shares and share trading

The number of shares in the company was 45,065,130 on 31 December 2017.

Over the reporting period 7,553,034 shares

were exchanged, which was 16.8% of all shares in the company. The highest share price was EUR 10.01 and the lowest EUR 6.63. The average price in share trading was EUR 7.78. The total of share trading was EUR 59.0 million. The closing price was EUR 7.08, and the market value of all shares was EUR 319.0 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.

Board authorizations

The Annual General Meeting, held 15 March 2017, authorized the Board of Directors to decide on the repurchase of a maximum of 4,506,513 shares of the company. The authorization will be valid until the next Annual General Meeting, however no longer than 18 months from the resolution of the General Meeting.

The Board was authorized to decide upon a share issue or the issue of shares owned by the company. This authorization is for maximum of 4,506,513 shares. The Board was authorized to

decide upon all the conditions of the share issue. The authorization will be valid until the next Annual General Meeting, however no longer than 18 months from the resolution of the General Meeting.

In addition to the above, the Board has no other authorizations valid related to shares.

Board of Directors

The Board members were Christoffer Häggblom, Mikael Hagman, Minna Kurunsaari, Kai Seikku, Henrik Weckström and Samuli Seppälä until the Annual General Meeting held on 15 March 2017. Christoffer Häggblom acted as the Chairman of the Board. At the Annual General Meeting held on 15 March 2017 the Board members Christoffer Häggblom, Mikael Hagman, Minna Kurunsaari, Kai Seikku, Henrik Weckström and Samuli Seppälä were re-elected as Members of the Board. Christoffer Häggblom was elected as the Chairman of the Board. Samuli Seppälä is the company's Chief Executive Officer.

Annual General Meeting

The Annual General Meeting was held in Helsinki on 15 March 2017. The financial statements for the year 2016 were approved and the Board Members and the CEO were discharged from liability. It was decided to pay a dividend of EUR 0.166 per share, totaling EUR 7,480,811.58.

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

The Authorized Public Accountant Price-waterhouseCoopers Oy was elected as the auditor, with Authorized Public Accountant Ylva Eriksson acting as the Principal Auditor.

Extraordinary General Meeting

An Extraordinary General Meeting was held in Helsinki on 28.4.2017. The Extraordinary General Meeting elected new Board members, Robert Burén and Panu Porkka. The Extraordinary General Meeting resolved to pay an extra dividend of 0.02 euros per share, totaling 901,302.60 euros.

Corporate Governance Statement

Corporate Governance Statement is published in the company's Annual Report 2017 and on the company's internet site www.verkkokauppa.com/en/investors/governance

Significant risks and uncertainties

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

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

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

In the year 2017, the company has not significantly financed customers with the consumer financing service.

Material events after the financial period

Verkkokauppa.com Oyj's new CEO Panu Porkka will assume his duties as CEO on March 22, 2018. He was appointed Verkkokauppa.com's CEO on September 27, 2017.

There are no subsequent events after the reporting period.

Responsibility

Verkkokauppa.com recycles approximately 99.4% of all waste it produces and receives and recycles over 150 tons of customer WEEE waste annually through its partners. In addition, all electricity used by Verkkokauppa.com is produced with renewable energy sources. The Company also strives to improve its energy efficiency by investing, for example, in LED lighting.

In Verkkokauppa.com's supply chain, the Company's partner SGS conducts regular audits to Company's private label manufacturers to ensure that the products are manufactured ethically and responsibly. In 2017, three audits were performed and no issues that would have required the company to take action were discovered.

In domestic transports, Verkkokauppa.com favors environmentally friendly partners such as Posti Group and Matkahuolto.

Board of Directors' proposal for profit distribution

The company's non-restricted equity totals EUR 39,995,082.04.

The Board of Directors proposes to the Annual General Meeting that the company's net profit of EUR 9,781,831.16 shall be transferred to the retained earnings/losses account and a dividend of EUR 0.182 per share shall be paid for the year 2017.

Financial targets

In the medium term the Company targets an annual revenue growth of 10–20%. In the medium term the company aims for an annually growing operating profit and an operating margin of 3–5%. The Company's dividend policy is to pay an increasing quarterly dividend.

Business outlook

Verkkokauppa.com Oyj's business operations are estimated to develop positively within a medium-term time frame. The management believes that the company will succeed in further growing its market share in chosen segments. The strong balance sheet enables the company to continue expanding its operations in accordance with its strategy. The Finnish Ministry of Finance estimated on 19 December 2017 that the Finnish GDP will grow by 3.1% during 2017 and 2.4% during 2018.

Financial guidance

Strong GDP growth in Finland and opening of the new Raisio megastore are likely to contribute positively to Verkkokauppa.com's revenue. On the other hand, the company had unusually high wholesale volumes in H1/2017. The wholesale volumes in H1/2018 are expected to decrease significantly compared to H1/2017. The Raisio store opening costs will mainly accrue in H1/2018. Thus, both sales growth and profitability will be clearly higher in the latter half of year 2018.

In 2018, the company's revenue is expected to be between 460–500 million euros (2017: 432 million euros) and comparable EBITDA to be between 11–14 million euros (13 million euros).

Helsinki 14 February 2018

The Board of Directors

Income Statement

1.1–31.12.2017

€	Note	2017	2016*
Net turnover	1	431,804,141.98	371,044,564.56
Other operating income		80,715.11	94,734.88
Raw materials and services			
Raw materials and consumables			
Purchases during the period		-366,055,867.01	-310,816,245.82
Change of inventory	1	3,644,632.81	5,302,029.57
External services		-7,073,871.53	-7,681,533.43
Raw material and services total		-369,485,105.73	-313,195,749.68
Personnel expenses	7		
Wages and salaries		-20,237,421.10	-19,608,029.15
Social security expenses			
Pension expenses		-3,809,379.91	-3,605,451.65
Other social security expenses		-995,650.85	-1,206,466.43
Personnel expenses total		-25,042,451.86	-24,419,947.23
Depreciation and amortisation	3		
Depreciation according to plan		-1,351,836.77	-1,295,792.91
Depreciations and amortisation total		-1,351,836.77	-1,295,792.91
Other operating expenses	4,8	-24,304,707.58	-19,597,806.47
OPERATING PROFIT		11,700,755.15	12,630,003.15
Financial income and expenses	5		
Income from investments in non-current assets		311,882.79	0,00
Other interest and financial income from others		122,588.14	43,944.07
Interest and other financial expenses to others		-51,239.61	-42,745.43
Financial income and expenses total		383,231.32	1,198.64
Profit before appropriations and taxes		12,083,986.47	12,631,201.79
Appropriations			
Change in depreciation difference		28,016.74	6,539.97
Appropriations total		28,016.74	6,539.97
Taxes	1, 13		
Income taxes		-2,330,172.05	-2,526,040.30
PROFIT FOR THE FINANCIAL YEAR		9,781,831.16	10,111,701.46

*Note 2

Balance sheet

31.12.2017

ASSETS

€	Note	2017	2016*
NON-CURRENT ASSETS			
Intangible assets	10		
Other intangible assets		754,460.07	1,052,079.35
Intangible rights		99,650.22	135,727.42
Prepaid expenses		116,209.50	34,213.71
Intangible assets total		970,319.79	1,222,020.48
Tangible assets	11		
Land and water		1,977.87	1,977.87
Machinery and equipment		1,350,560.89	940,207.71
Other tangible assets		463,760.10	455,264.11
Prepayments for fixed assets		160,101.20	0.00
Tangible assets total		1,976,400.06	1,397,449.69
Investments			
Other shares and holdings		316,341.50	251,223.98
Investments total		316,341.50	251,223.98
NON-CURRENT ASSETS TOTAL		3,263,061.35	2,870,694.15
CURRENT ASSETS			
Inventories	1	47,688,734.90	44,044,102.09
Long-term receivables			
Trade receivables		1,039,091.00	230,773.64
Other receivables		436,846.79	121,244.70
Long-term receivables total		1,475,937.79	352,018.34
Short-term receivables	12		
Trade receivables		11,396,267.76	7,474,915.21
Other receivables		1,241,590.68	517,493.23
Prepayments and accrued receivables		6,933,095.36	4,936,833.75
Short-term receivables total		19,570,953.80	12,929,242.19
Cash and cash equivalents		51,877,953.54	41,692,101.92
CURRENT ASSETS TOTAL		120,613,580.03	99,017,464.54
ASSETS TOTAL		123,876,641.38	101,888,158.69

*Note 2

EQUITY AND LIABILITIES

€	Note	2017	2016*
EQUITY			
Share capital	14–15	100,000.00	100,000.00
Invested unrestricted equity fund		25,492,777.58	25,492,777.58
Retained earnings		5,474,933.37	3,745,346.06
Profit for the financial year		9,781,831.16	10,111,701.46
EQUITY TOTAL		40,849,542.11	39,449,825.10
Appropriations			
Depreciation difference		47,320.87	75,337.61
Appropriations total		47,320.87	75,337.61
Provisions			
Other provisions	16	637,070.34	810,000.00
Provisions total		637,070.34	810,000.00
LIABILITIES			
Short-term			
Received prepayments		3,282,146.43	3,064,771.43
Trade payables		63,149,300.18	42,086,837.11
Other short-term liabilities		3,945,182.40	3,495,820.57
Accrued liabilities	19	11,966,079.05	12,905,566.87
Short-term liabilities total		82,342,708.06	61,552,995.98
LIABILITIES TOTAL		82,342,708.06	61,552,995.98
EQUITY AND LIABILITIES TOTAL		123,876,641.38	101,888,158.69

*Note 2

Cash flow statement

1,000 €	2017	2016*
Operating profit/loss	12,084	12,202
Adjustments:		
Depreciations according to plan	1,352	1,296
Profit and losses of sales of fixed assets and disposals	57	0
Change in provision	-173	0
Financial income and expenses	-383	-1
Cash Flow before working capital items	12,937	13,497
Change in working capital:		
Long-Term non-interest bearing receivables increase(-)/decrease(+)	-1,124	-241
Short-Term non-interest bearing receivables increase(-)/decrease(+)	-6,527	-3,383
Inventory increase(-)/decrease(+)	-3,645	-5,302
Short-Term non-interest bearing debt increase(+)/decrease(-)	21,866	15,770
Cash Flow before financial items and tax	23,507	20,341
Interest paid and other operational financial expenses	-51	-39
Interest received from operations	123	44
Direct tax paid	-3,521	-1,715
Cash Flow from Operations (A)	20,058	18,631
Capital expenditure on tangible and intangible assets	-1,737	-949
Other investments	-297	0
Sales of other investments	543	0
Cash Flow from Investments (B)	-1,490	-949
Dividends paid	-8,382	-6,760
Cash Flow from Financing (C)	-8,382	-6,760
CHANGE IN CASH IN HAND (A+B+C) INCREASE (+) / DECREASE (-)	10,186	10,922
Cash in hand at the beginning of the period	41,692	30,770
Change in cash according to the Cash Flow statement	10,186	10,922
CASH IN HAND AT THE END OF THE PERIOD	51,878	41,692

*Note 2

Notes to the financial statements

Verkkokauppa.com's financial statements are prepared in euros and according to Generally Accepted Accounting Principles in Finland (Finnish GAAP) and according to corporate legislation.

1. Accounting principles for the financial statements

Foreign subsidiary – Arctecho Oü, Viro

Verkkokauppa.com Oyj owns 100% of the shares in the Estonian subsidiary Archtecho Oü. The original acquisition cost in 2009 was EUR 502 841,38. The acquisition cost was written down in 2010 and 2011.

As the subsidiary has been dormant for five years and as there are no liabilities/receivables between the two companies, consolidated Group accounts are not presented.

In the unaudited annual accounts for the year 1.1–31.12.2017 Arctecho Oü recorded a loss of EUR 2 571 (EUR 2 534) and equity was EUR 28 828 (EUR 31 399).

Verkkokauppa.com Oyj

Net sales

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

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

The revenue include income from customer financing service.

Revenue recognition

Revenue is recognized at the time of product delivery.

Items in foreign currencies

Transactions in currencies other than EUR are translated using the transaction date exchange rate. At year-end, the outstanding foreign currency receivables and liabilities are translated to EUR using the closing date average exchange rates.

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

Other operating income

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

Intangible and tangible assets

Intangible and tangible assets are measured at their historical cost, less depreciation according to plan. Planned depreciation is recorded on a straight-line basis over the useful life of an asset. IT-applications produced for the company's own use have been capitalized in other intangible assets and include the direct personnel costs of the development work. These related staff expenses have been reclassified from the profit and loss statement into other intangible assets. The book value of the fixed assets does not contain any appreciations. Maintenance and repair expenses are booked as running costs with the exception of substantial upgrades to rented premises, which are activated in fixed assets. The carrying value of land and water areas as well as the carrying value of other tangible assets are based on historical costs. No write-downs have been done on land and water areas.

The periods for planned depreciations are as follows:

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

Accounts receivables

The expected credit losses are deducted from the value of the trade receivables. The expected credit losses are recognised based on the ageing and the origin of the trade receivable. All over 90 days past-due trade receivables are recognised entirely as credit losses.

Point of payment receivables

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

Income taxes

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

Deferred taxes

Deferred taxes are not booked in the financial statements.

Provisions

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

The company has with its Apuraha -partners profit sharing arrangements which include sharing the credit losses according to agreed proportions. The company has recognized a provision on these contractual obligations. The provision is calculated based on a historical credit loss rate and on the value of the open portfolio at the reporting date.

Inventory valuation

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

2. Adjustments concerning prior periods

The company corrected financial statement figures for year 2016. The reason for the adjustment is an error in the estimates for accruals for marketing support and purchase discounts from suppliers identified in connection with the audit process. The company has underestimated the

refunds in the 2016 year-end accounts.

Operating result 2016 improved by approximately 0.4 million euro.

The impacts of the changes to the 2016 periods figures are presented in the table below.

Income Statement 1.1.–31.12.2016, €	Figure before adjustments	Adjustment	Adjusted figure
Operating profit	12,201,221.01	428,782.14	12,630,003.15
Income taxes	-2,440,283.87	-85,756.43	-2,526,040.30
Net profit	9,768,675.75	343,025.71	10,111,701.46
Balance sheet 31.12.2016, €			
Current receivables	11,867,441.19	1,061,801.00	12,929,242.19
Retained earnings	3,238,930.97	506,415.09	3,745,346.06
Profit for the period	9,768,675.75	343,025.71	10,111,701.46
Current liabilities	61,340,635.78	212,360.20	61,552,995.98

3. Depreciations on fixed assets and other long-term expenses

€	2017	2016
Intangible Rights	-627,990.53	-559,628.63
Machinery and Equipment	-530,954.81	-497,831.61
Upgrades to rented premises	-192,891.43	-238,332.67
DEPRECIATIONS TOTAL	-1,351,836.77	-1,295,792.91

4. Other operating expenses

€	2017	2016
Voluntary personnel social costs	-1,041,795.82	-933,114.05
Premises	-8,197,478.02	-7,771,259.53
Vehicles	-299,965.66	-302,483.57
Other machinery expenses	-726,235.49	-782,426.18
Travel expenses	-366,945.82	-319,197.34
Sales expenses	-1,776,943.53	-1,283,968.44
Marketing expenses	-4,844,298.43	-3,421,298.80
Administrative expenses	-5,218,716.23	-3,624,211.12
Other operating expenses	-1,832,328.58	-1,159,847.44
OTHER OPERATING EXPENSES TOTAL	-24,304,707.58	-19,597,806.47

5. Financial items

€	2017	2016
Income from investments in non-current assets	311,882.79	0.00
Interest income	122,588.14	43,944.07
Interest and other financial expenses	-51,239.61	-42,745.43
FINANCIAL ITEMS TOTAL	383,231.32	1,198.64

6. 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 2017 annual general meeting, it was decided that the chairman of the board is entitled to a KEUR 40 annual fee and other board members, excluding those who are part of the company's operating management, are entitled to a KEUR 20 annual fee.

Management salaries and fees 1.1–31.12.2017 (1.1.–31.12.2016)

The managing director's salary and fees in 2017 were KEUR 2 (KEUR 9). The managing director gave up for his monetary salary during 1.3.-31.12.2015 and 1.1.-31.12.2016, during which his monetary salary was given to the personnel. The managing director had a car benefit until 25.8.2016.

	2017	2016
Salaries and bonuses including fringe benefits to the Management		
CEO	2,276.76	8,915.62
Members of Bord of Directors	136,666.00	181,809.78
Management Team	907,597.42	820,382.15
SALARIES AND BONUSES INCLUDING FRINGE BENEFITS TO THE MANAGEMENT TOTAL	1,046,540.18	1,011,107.55

7. Personnel expenses

€	2017	2016
Wages and salaries	-20,489,373.73	-19,937,058.19
Pension expenses	-3,856,849.60	-3,666,861.65
Other social security expenses	-1,005,505.07	-1,226,711.60
Personnel expenses total excluded activated personnel costs	-25,351,728.40	-24,830,631.44
Activated personnel costs during the financial year		
Salaries and fees	251,952.63	329,029.04
Pension costs	47,469.69	61,410.00
Other personnel costs	9,854.22	20,245.17
Total activated personnel costs during the financial year	309,276.54	410,684.21
PERSONNEL COSTS TOTAL	-25,042,451.86	-24,419,947.23
Average personnel during the accounting period	588	558

8. Auditor's fees

€	2017	2016
Audit	-72,361.23	-86,026.15
Tax consulting	0.0	-1,285.00
Other services	-16,402.50	-7,680.00
AUDITOR'S FEES TOTAL	-88,763.73	-94,991.15

The auditor's fees are booked as other operating expenses.

9. Law suits and claims

Verkkokauppa.com has no significant open litigation issues.

10. Intangible assets

	Research and Intangible assets	Intangible assets	Prepayments and work-in- progress	Intangible assets total
2017				
Historical cost 1.1.	1,611,400.22	1,167,125.17	34,213.71	2,812,739.10
Increases	257,962.00	36,332.05	377,988.01	672,282.06
Decreases	0.00	0.00	0.00	0.00
Reclassifications	0.00	0.00	-295,992.22	-295,992.22
Historical cost 31.12	1,869,362.22	1,203,457.22	116,209.50	3,189,028.94
Accumulated depreciation 1.1.	-559,320.87	-1,031,397.75	0.00	-1,590,718.62
Accumulated depreciation related to decreases	0.00	0.00	0.00	0.00
Depreciation for the financial year	-555,581.28	-72,409.25	0.00	-627,990.53
Accumulated depreciation 31.12.	-1,114,902.15	-1,103,807.00	0.00	-2,218,709.15
CARRYING AMOUNT 1.1.	1,052,079.35	135,727.42	34,213.71	1,222,020.48
CARRYING AMOUNT 31.12.	754,460.07	99,650.22	116,209.50	970,319.79

2016

Historical cost 1.1.	858,404.75	1,167,125.17	267,064.37	2,292,594.29
Increases	0.00	0.00	603,134.29	603,134.29
Decreases	-82,989.48	0.00	0.00	-82,989.48
Reclassifications	835,984.95	0.00	-835,984.95	0.00
Historical cost 31.12	1,611,400.22	1,167,125.17	34,213.71	2,812,739.10
Accumulated depreciation 1.1.	-236,549.13	-877,530.34	0.00	-1,114,079.47
Accumulated depreciation related to decreases	82,989.48	0.00	0.00	82,989.48
Depreciation for the financial year	-405,761.22	-153,867.41	0.00	-559,628.63
Accumulated depreciation 31.12.	-559,320.87	-1,031,397.75	0.00	-1,590,718.62
CARRYING AMOUNT 1.1.	621,855.62	289,594.83	267,064.37	1,178,514.82
CARRYING AMOUNT 31.12.	1,052,079.35	135,727.42	34,213.71	1,222,020.48

The capitalized research and intangible asset costs relates to the development of new features of the company's ERP system.

11. Tangible assets

	Land and water areas	Machinery and equipment	Other tangible assets	Prepayments and work-in- progress	Tangible assets total
2017					
Historical cost 1.1.	1 977,87	4 098 929,75	2 240 334,00	0,00	6 341 241,62
Increases	0,00	978 064,82	212 110,41	1 262 669,83	2 452 845,06
Decreases	0,00	-34 447,92	-13 031,90	0,00	-47 479,82
Reclassifications	0,00	0,00	0,00	-1 102 568,63	-1 102 568,63
Historical cost 31.12	1 977,87	5 042 546,65	2 439 412,51	160 101,20	7 644 038,23
Accumulated depreciation 1.1.	0,00	-3 158 722,04	-1 785 069,89	0,00	-4 943 791,93
Accumulated depreciation related to decreases	0,00	0,00	0,00	0,00	0,00
Depreciation for the financial year	0,00	-533 263,72	-190 582,52	0,00	-723 846,24
Accumulated depreciation 31.12.	0,00	-3 691 985,76	-1 975 652,41	0,00	-5 667 638,17
CARRYING AMOUNT 1.1.	1 977,87	940 207,71	455 264,11	0,00	1 397 449,69
CARRYING AMOUNT 31.12.	1 977,87	1 350 560,89	463 760,10	160 101,20	1 976 400,06

2016

Historical cost 1.1.	1,977.87	3,801,433.57	1,991,972.65	200,263.66	5,995,647.75
Increases	0.00	71,366.99	0.00	274,226.88	345,593.87
Decreases	0.00	0.00	0.00	0.00	0.00
Reclassifications	0.00	226,129.19	248,361.35	-474,490.54	0.00
Historical cost 31.12	1,977.87	4,098,929.75	2,240,334.00	0.00	6,341,241.62
Accumulated depreciation 1.1.	0.00	-2,660,890.43	-1,546,737.22	0.00	-4,207,627.65
Accumulated depreciation related to decreases	0.00	0.00	0.00	0.00	0.00
Depreciation for the financial year	0.00	-497,831.61	-238,332.67	0.00	-736,164.28
Accumulated depreciation 31.12.	0.00	-3,158,722.04	-1,785,069.89	0.00	-4,943,791.93
CARRYING AMOUNT 1.1.	1,977.87	1,140,543.14	445,235.43	200,263.66	1,788,020.10
CARRYING AMOUNT 31.12.	1,977.87	940,207.71	455,264.11	0.00	1,397,449.69

12. Accrued receivables

In 2017, the largest accrued receivables included marketing support invoicing of KEUR 3,555 (KEUR 1,306).

13. Deferred taxes

Deferred tax assets from the depreciation reserve KEUR 127 (KEUR 162) have not been booked in the financial

statements. In 2017 and 2016, the company has no unbooked essential deferred tax liabilities.

14. Equity

€	2017	2016*
Equity 1.1.	100,000.00	100,000.00
Invested unrestricted equity fund at the beginning of the period	25,492,777.58	25,492,777.58
Invested unrestricted equity fund additions	0.00	0.00
Invested unrestricted equity fund at the end of the period	25,492,777.58	25,492,777.58
Retained Earnings	13,857,047.52	10,505,115.56
Dividends, annual general meeting	-7,480,811.55	-6,759,769.50
Dividends, extraordinary general meeting	-901,302.60	0.0
Profit/ Loss of the accounting period	9,781,831.16	10,111,701.46
Equity total	40,849,542.11	39,449,825.10
Restricted equity at the end of the period	100,000.00	100,000.00
Unrestricted equity at the end of the period	40,749,542.11	39,349,825.10
UNRESTRICTED AND RESTRICTED EQUITY TOTAL	40,849,542.11	39,449,825.10

*Note 2

15. Calculation of distributable funds

€	2017	2016*
Invested unrestricted equity fund	25,492,777.58	25,492,777.58
Result from Previous years	13,857,047.52	10,505,115.56
- Dividends	-8,382,114.15	-6,759,769.50
- Capitalization of development costs	-754,460.07	-1,052,079.35
Profit/Loss of the accounting period	9,781,831.16	10,111,701.46
DISTRIBUTABLE FUNDS TOTAL	39,995,082.04	38,297,745.75

*Note 2

16. Provisions

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

The company has with its Apuraha -partners profit sharing arrangements which include sharing the credit

losses according to agreed proportions. The company has recognized a provision on these contractual obligations. The provision is calculated based on a historical credit loss rate and on the value of the open portfolio at the reporting date.

€	Product warranties	Expected credit losses from financial guarantee contracts	Total
Provisions, 1 Jan	810,000.00	0.00	810,000.00
Reversals of unused provisions	-354,753.61	0.00	-354,753.61
Increases in provisions	150,363.65	31,460.30	181,823.95
PROVISIONS, 31 DEC	605,610.04	31,460.30	637,070.34

17. 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 31.12.2017.

18. Internal liabilities and receivables

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

19. Accrued liabilities

In 2017, the largest accounts were holiday-pay salaries and related insurance costs which came to KEUR 3,407

(KEUR 3,251) in total and other accrued salaries of KEUR 2 204 (KEUR 2,059).

20. Commitments and contingencies

€	2017	2016
Collaterals given and other liabilities		
Liab.(Letter of Credit, Rent and Customs guarantees)	3,662,327.98	2,056,276.71
Leasing liabilities		
Lease payments (<1 year)	194,260.46	339,400.03
Lease payments (>1 year)	209,140.83	387,756.46
Collaterals given and other liabilities		
Collateral	27,000,912.74	27,000,912.74

The collaterals given relates to a revolving credit facilities of 15 million euros, which had not been utilized on 31 December 2016.

Leasing liabilities

Leases on premises are valid in Pirkkala until 31.12.2021, in Oulu until 31.3.2022 and in Raisio until 31.10.2022. The leasing contract for the Jätkäsaari premises in Helsinki is valid until 31.1.2027. Verkkokauppa.com Oyj has made a sublet agreement of a part of the premises. The annual leasing liability is approximately MEUR 5.2 and the total of liabilities due after 1.1.2018 are approximately MEUR 39.9.

Other liabilities

The Company joined an international PINS loyalty program during 2014. The Company is committed to buy PINS loyalty program points during 2017 for a monetary amount that is not significant considering the size of the Company. The co-operation with PINS-bonus-program ended 27.1.2018.

21. Related-party transactions

Verkkokauppa.com sold the shares in Vitvaruexperten.com Nordic AB to Bygghemma Sverige AB. The profit from the original investment is 311,882.79 euros. 266,315.96 euros were reinvested in Vitvaruexperten.com Nordic AB.

Related parties in Verkkokauppa.com Oyj are deemed to comprise the members of the Board of Directors and

CEO, the other members of the Management Team of the Verkkokauppa.com Oyj, the immediate family of the aforementioned persons and companies controlled by the aforementioned persons. Common business terms are used in all transactions with related parties.

Sales to related-parties, €	2017	2016
Vitvaruexperten.com Nordic AB	2,038,866.85	1,349,008.08
Nebula Oy	52,364.02	55,343.93
Members of the Board and the Management Team	54,236.61	74,047.29
Other	32,492.90	14,424.20
TOTAL	2 177 960,38	1 492 823,50

Purchase from related-parties, €	2017	2016
Otavamedia Oy *)	44,810.93	0.00
Nebula Oy	18,055.70	8,103.49
Mikael Hagman Consulting AB	64,789.17	81,809.78
Other	0.00	7,071.12
TOTAL	127,655.80	96,984.39

*) included in related-parties from 27 September 2017 onwards.

22. Management's shareholding

Board of Directors', Chief Executive Officer's and management team's, number of shares owned by	2017	2016
Chief Executive Officer (CEO)	22,487,496	22,487,496
Board of Directors	2,092,074	2,106,074
Management team	54,980	51,980
TOTAL	24,634,550	24,645,550

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

23. Major shareholders 31 December 2017

Shareholder	Number of shares	% of shares
Seppälä Sipi Samuli	22,487,496	49.9%
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	2,304,509	5.1%
Keva	2,171,000	4.8%
Keskinäinen Työeläkevakuutusyhtiö Varma	2,065,932	4.6%
Rite Ventures Finland AB	1,967,576	4.4%
Sijoitusrahasto Nordea Nordic Small Cap	1,022,794	2.3%
Fondita Nordic Micro Cap Placeringsfond	1,002,967	2.2%
OP-Suomi -Sijoitusrahasto	984,595	2.2%
Sijoitusrahasto Danske Invest Suomen Pienyhtiöt	665,000	1.5%
Sijoitusrahasto Evli Suomi Pienyhtiöt	651,252	1.4%
10 biggest shareholders total	35,323,121	78.4%
Other shareholders	9,742,009	21.6%
TOTAL	45,065,130	100.0%

24. Distribution of shareholders at 31 December 2017

Size of shareholding	Number of shareholders	% of shareholders	Number of shares	% of shares
1–100	2,688	43.9%	130,823	0.3%
101–500	2,388	39.0%	573,524	1.3%
501–1 000	565	9.2%	420,609	0.9%
1 001–5 000	401	6.5%	858,712	1.9%
5 001–10 000	36	0.6%	250,328	0.6%
10 001–50 000	29	0.5%	799,754	1.8%
50 001–100 000	4	0.1%	370,313	0.8%
100 001–500 000	5	0.1%	749,419	1.7%
500 001–	13	0.2%	40,911,648	90.8%
TOTAL	6,129	100.0%	45,065,130	100.0%
Nominee-registered			4,980,674	11.1%

25. Shareholder breakdown by sector at 31 December 2017

	Number of shareholders	% of shareholders	Number of shares	% of shares
Companies	209	3.4%	756,248	1.7%
Financial institutions and insurance companies	22	0.4%	10,060,052	22.3%
Public bodies	6	0.1%	6,713,847	14.9%
Non-profit organisations	15	0.2%	34,796	0.1%
Households	5,857	95.6%	25,448,482	56.5%
Non-Finnish nationals	20	0.3%	2,051,705	4.6%
TOTAL	6,129	100.0%	45,065,130	100.0%

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

Helsinki 14 February 2018

Christoffer Häggblom
Chairman

Samuli Seppälä
Managing director, board member

Robert Burén
Board member

Mikael Hagman
Board member

Minna Kurunsaari
Board member

Panu Porkka
Board member

Kai Seikku
Board member

Henrik Weckström
Board member

Auditor's Report (Translation of the Finnish Original)

To the Annual General Meeting of Verkkokauppa.com Oyj

Report on the Audit of the Financial Statements

Opinion

In our opinion, the financial statements give a true and fair view of the company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

What we have audited

We have audited the financial statements of Verkkokauppa.com Oyj (business identity code 1456344-5) for the year ended 31 December 2017. The financial statements comprise the balance sheet, income statement, cash flow statement and notes.

Basis for Opinion

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

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

Independence

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

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

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

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the company or to cease

operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

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

Other Reporting Requirements

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

Helsinki 14 February 2018

PricewaterhouseCoopers Oy

Authorised Public Accountants

Ylva Eriksson

Authorised Public Accountant (KHT)

Key ratios and calculation of key ratios

Key ratios

	2017	2016**	2015	2014
Revenue, € thousands	431,804	371,045	344,315	275,784
Operating profit, € thousands	11,701	12,630	8,309	7,468
Operating margin, % of revenue	2.7%	3.4%	2.4%	2.7%
Net profit, € thousands	9,782	10,112	5,860	4,488
Return on equity, %	25.1%	26.8%	16.1%	20.2%
Return on capital employed (ROCE), %	30.3%	33.6%	22.5%	29.2%
Equity ratio, %	33.8%	40.0%	45.5%	48.7 %
Equity ratio, % (including subordinate debt)	33.8%	40.0%	45.5%	48.7 %
Earnings per share (EPS) revised by share split, €	0.22	0.22	0.13	0.11
Earnings per share (EPS) revised by share split (diluted), €	0.22	0.22	0.13	0.10
Equity per share, €	0.91	0.88	0.80	0.81
Equity per share (diluted), €	0.91	0.88	0.80	0.81
Dividend per share, € *	0.182	0.166	0.15	0.14
Payout ratio, %	82.7%	75.5%	115.4%	133.8%
Effective dividend yield, %	2.6%	2.2%	2.1%	2,8 %
Price per earnings ratio (P/E ratio)	32.18	33.55	55.38	48.18
Share trade:				
Number of shares at end of period	45,065,130	45,065,130	45,065,130	7,510,855
Average number of shares at end of period revised by share split	45,065,130	45,065,130	45,065,130	42,399,765
Number of shares at end of period revised by share split	45,065,130	45,065,130	45,065,130	45,065,130
Lowest stock price revised by share split	6.63	6.10	4.91	3.35
Highest stock price revised by share split	10.01	8.20	7.23	5.28
Average stock price revised by share split	7.78	6.87	6.04	3.91
Period end stock price revised by share split	7.08	7.38	7.20	5.10
Market value of the shares at period end	319.0	332.6	324.5	229.8
The number of traded shares	7,553,034	4,092,299	7,600,519	3,821,330
Traded shares of all shares, %	16,8 %	9.1%	16.9%	54.1%

Diluted key ratio has been presented in case it differs from undiluted key ratio. During the reporting period 2015, a free share issue was executed. The changes in the

numbers of shares have been taken into account in share-related key figures for the comparison years.

* 2017: Board of Directors' proposal

** Note 2

Calculation of key ratios

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

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

Corporate governance statement

Verkkokauppa.com Oyj (hereinafter, the “**Company**” or “**Verkkokauppa.com**”) is a public Finnish limited liability company. The shares of the Company are traded on the First North Helsinki market place of Nasdaq Helsinki Ltd. (“**First North**”). The Company’s governance is subject to the Finnish Companies Act, the Securities Market Act, the Accounting Act, the rules of First North Helsinki as well as the Company’s Articles of Association.

As the Company’s shares are not listed on the main list of Nasdaq Helsinki Ltd. the Company is not subject to the Finnish Corporate Governance Code 2015 ratified by the Securities Market Association (the “**CG Code**”). However, to the extent practicable, the Company seeks to comply with the CG Code as applicable. Compliance with the CG Code is based on a comply-or-explain principle, whereby departures from the CG Code shall be explained and disclosed. The CG Code is available at the website of the Securities Market Association www.cgfinland.fi/en.

The Company complies with all of the recommendations of the CG Code following the Extraordinary General Meeting held on 28 April 2017, when Robert Burén and Panu Porkka were elected as independent members of the Board of Directors (Recommendation 10).

The Company’s Corporate Governance Statement is available on the Company’s website www.verkkokauppa.com/en/investors/governance.

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 over the past five (5) years.

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

General Meeting

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

Extraordinary General Meetings are convened by the Board of Directors if needed to handle specific matters proposed to a General Meeting. Shareholders holding a minimum of 10% of all

shares and the Company’s auditor may request the handling of a specified matter at a General Meeting, which the Board of Directors shall then convene.

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

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

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

Notice to the General Meeting

The shareholders of the Company are summoned to the General Meeting by publishing the notice on the Company’s website. The notice shall be published not earlier than three (3) months before and not later than nine (9) days prior to the General Meeting record date. In addition, the Board of Directors may publish a summary notice of the General Meeting in one (1) or more national daily newspapers. The notice shall state the matters to be handled at the General Meeting and other information required in Finnish Companies Act and CG Code.

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

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

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

If a decision pertains to a share issue, the issue of option rights or other special rights entitling to shares, the increase of the share capital from reserves, the payment of dividend, the distribution of reserves of unrestricted equity, the decrease of the share capital, the acquisition or redemption of own shares, or the Company going into liquidation, and the financial statements are not to be dealt with at the meeting, the following information is made available on the Company's website at least three (3) weeks 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 shareholder 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 release immediately after the General Meeting. The documents related to the General Meeting shall be available on the Company's website at least for five (5) years after the General Meeting.

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

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

Decision-making

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

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

Board of Directors

Composition and term

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

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

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

Current composition of the Board of Directors

The Board of Directors consists of the following eight (8) members: Christoffer Häggblom, Robert Burén, Mikael Hagman, Minna Kurunsaari, Panu Porkka, Kai Seikku, Samuli Seppälä and Henrik Weckström.

At the Annual General Meeting held 15 March 2017, Christoffer Häggblom, Mikael Hagman, Minna

Kurunsaari, Kai Seikku, Samuli Seppälä and Henrik Weckström were elected as members of the Board of Directors for a term until the close of the next Annual General Meeting.

At the constitutive meeting of the Board of Directors, convened after the Annual General Meeting, Christoffer Häggblom was elected as the Chairman of the Board of Directors.

At the Extraordinary General Meeting held 28 April 2017, the Board of Directors was complemented with two members and Robert Burén and Panu Porkka were elected as new members of the Board of Directors for a term until the close of the next Annual General Meeting. The meeting of the Board of Directors held following the Extraordinary General Meeting resolved that Christoffer Häggblom would continue as the Chairman of the Board of Directors.

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

The Company announced on 27 September 2017 that it had appointed Panu Porkka as the Company's new CEO. Porkka will take on the position as CEO by April 2018 and when taking on the position, he will resign from his position as member of the Board of Directors.

Information reported on the members of the Board of Directors can be found on the spread "Board of Directors".

Duties of the Board of Directors

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

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

Name	Participation in board meetings	Attendance percentage
Christoffer Häggblom	22	96%
Robert Burén¹⁾	15	100%
Mikael Hagman	20	87%
Minna Kurunsaari	23	100%
Panu Porkka¹⁾	11	73%
Kai Seikku	20	87%
Samuli Seppälä	21	91%
Henrik Weckström	23	100%

¹⁾ The person was elected as member of the Board of Directors at the Extraordinary General Meeting held on April 28, 2017.

The Board of Directors held 23 meetings during 2017. The average ratio of attendance at the meetings was 92 percent.

Verkkokauppa.com does not have a supervisory board.

Decision-making

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

The Board of Directors is always obliged to act in the Company's interests and in such a way that its acts or measures are not likely to produce

unjustified benefit to any shareholder or other third party at the cost of the Company or another shareholder.

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

Meeting practice

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

The secretary of the Board of Directors is Jussi Tallgren.

The Board of Directors conducts annual performance self-evaluations.

Principles concerning the diversity of the Board of Directors

The Company has defined the principles concerning the diversity of the Board of Directors in accordance with the recommendation 9 of the CG Code.

It is in the Company's and its shareholders' interest that the members of the Board of Directors have a broad expertise from different

fields and business areas. The diversity of the Board of Directors supports the Company's business and its development, open discussion and independent decision-making.

In the preparation of the proposal for the composition of the Board of Directors, the requirements placed by the Company's strategy, operations and development phase as well as the sufficient diversity of the Board of Directors are taken into account. The diversity of the Board of Directors is examined from different perspectives. Important factors for the Company are the age and gender distribution, academic and professional background as well as strong, versatile and mutually complementary expertise, experience and knowledge in the different business areas important to the Company.

The proposal regarding the composition of the Board of Directors is based on the competence of the candidate and the Company aims to elect Board members whose experience and profile correspond with the Company's current and future business needs. The Board members are elected annually at the Annual General Meeting of the shareholders.

The Company's goal is that both genders are represented on the Board of Directors and that in the long-term a more balanced representation of both genders on the Board is achieved. As means to achieve this objective, the Board of Directors seeks to include representatives of both genders in the Board candidate search and evaluation process and to actively communicate this objective to the shareholders of the Company.

During this accounting period one Board member was a female and the remaining members

were male. The Company's goal concerning the representation of both genders has thus been fulfilled.

Board Committees

The Company announced on 15 December 2017 that the Company had resolved to establish three board committees for the preparation of board matters. The board committees are Audit Committee, Nomination and Remuneration Committee and Strategy Committee. The committees start their work from the beginning of 2018. Going forward, the Board of Directors elects the members of these committees from among the Board members at its constitutive meeting after the Annual General Meeting. The Board of Directors has confirmed written charters for the committees. The committees report to the Board of Directors.

The Audit Committee shall prepare the monitoring and supervision duties of the board in matters related to the Company's financial reporting, efficiency of internal control and audit and risk management function and the independence of the Company's auditor. From 2018, the Committee consists of board members Kai Seikku (Chairman), Christoffer Häggblom and Minna Kurunsaari.

The Nomination and Remuneration Committee shall ensure the efficient preparation of nomination and remuneration matters in relation to board members, the chief executive officer and the other senior members of executive management. From 2018, the Committee consists of board members Christoffer Häggblom (Chairman), Robert Burén and Kai Seikku.

The Strategy Committee shall assist the Board with matters relating to the strategy of the Company, including also strategic level considerations in relation to the Company's IT issues and its retail operations. From 2018, the Committee consists of board members Samuli Seppälä (Chairman), Christoffer Häggblom, Robert Burén and Mikael Hagman.

Chief Executive Officer

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

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

The remuneration of the CEO comprises a fixed basic salary and fringe benefits (such as rights for company car and phone). In 2017, the total annual salary with fringe benefits of the CEO amounted to EUR 2 thousand. The CEO forewent his salary for the period of 1 January – 31 December 2017, 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 2017. 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 Company announced on 27 September 2017 that it had appointed Panu Porkka as the Company's new CEO. Porkka will take on the position as CEO by April 2018 and when taking on the position, he will resign from his position as member of the Board of Directors. Information reported on the Chief Executive Officer can be found on the spread "Management team".

Management team

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

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 can be found on the spread "Management team".

Remuneration

The Board of Directors resolves on the remuneration and other benefits of the Company's CEO and the chairperson of the Board of Directors approves the remuneration and other benefits of the management team operating under the CEO. When elaborating on the remuneration, bonus and incentive schemes, the Board of Directors also takes into account aligning of the interests between shareholders and directors. The remuneration of the CEO comprises a fixed basic salary and fringe benefits (such as rights for company car and phone). The remuneration of the management team (excluding the CEO) comprises hourly wage. The management team is entitled to additional pay in accordance with the collective agreement for commercial sector (FIN: kaupan alan työehtosopimus) for work outside normal working hours. If the employment relationship of a member of the management team is terminated for a reason not attributable to the Company, a non-compete period of six (6) months is observed. The member

of the management team is entitled to a monthly compensation for such period, corresponding to the average monthly salary paid for normal working hours.

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

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

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

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

Annual General Meeting (15 March 2017)

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

Internal control in Verkkokauppa.com

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

Internal audits are an integral part of internal control. The Board of Directors is responsible for organising the internal audit, and the internal audit services are purchased from an external service provider. The internal audit reports its observations to the Board of Directors. The internal audit supports the management in directing operations by inspecting and evaluating the efficiency of business operations, risk management and internal control, and by producing information and recommendations to enhance efficiency. The internal audit also inspects the processes of business operations and financial reporting. The operations of the internal audit are based on a risk-focused approach and the focus areas of the business operations and its development.

Risk management

The Company's Board of Directors approved on 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 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 other applicable regulation and strives to make disclosures without undue delay.

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

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

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

Insider Administration

The Company observes the insider guidelines issued by Nasdaq Helsinki Ltd. and which are applicable to Companies, the shares of which are traded on First North. The Company's insider policy approved by the Company's Board of Directors complements applicable insider regulation and sets out guidelines for the Company's insiders and the insider administration. Verkkokauppa.com's insider policy is regularly updated and compliance therewith monitored on an ongoing basis. The Company has appointed Jussi Tallgren, CFO, as the insider officer.

The Market Abuse Regulation (MAR) entered into force on 3 July 2016, which especially affected the Company's duty of disclosure, management of insider information, reporting and disclosure of management's and their related parties' transactions and insider lists.

Under MAR, the duty of disclosure has been coupled with the emergence of insider information. According to MAR, the disclosure of insider information can be delayed at the issuer's risk if the immediate disclosure would likely prejudice

the legitimate interests of the issuer, the delay of disclosure is not likely to mislead the public and issuer can ensure that the said information would stay confidential. The Company must file a written notification on the delay to Finnish Financial Supervisory Authority immediately after the disclosure of the information.

Since the entry into force of MAR, the Company no longer has an obligation to keep an up-to-date list of the ownership of the current public insiders. The current public and company-specific insider registers will be replaced with a non-public insider list which is divided into a permanent list and project/event-specific lists. For the time being, the Company has determined not to establish and maintain a list of permanent insiders but all persons involved in insider projects will be included in the project-specific insider lists instead. In the future, the establishment of a list of permanent insiders of the Company would need to be determined by the Board of Directors.

The persons discharging managerial responsibilities in the Company and persons closely associated with them shall from now on notify their transactions in Company's financial instruments to the Company in accordance with the insider policy in two (2) business days from the transaction and to the Finnish Financial Supervisory Authority in three (3) business days from the transaction. The Company must notify the transactions with a Company release in three (3) business days from the transaction. In addition, the persons discharging managerial responsibilities in the Company must notify in writing the persons closely associated with them on the emergence of the duty of notification.

According to MAR, the closed period, during which transactions in the Company's financial instruments are prohibited, is 30 calendar days before the announcement of financial report and the year-end report of the issuer and applies to the persons discharging managerial responsibilities. The Company applies the closed period after the end of each calendar quarter until the day after the announcement of the Company's financial report or year-end report (the "**Closed Window**"). The Closed Window shall, however, always include at least 30 calendar days immediately preceding the announcement of the financial report or the year-end report, as the case may be, and the day of publication of such report. In certain special cases the issuer may on a case-by-case basis allow transactions during the Closed Window.

The Company's insider administration is included in the SIRE-system of Euroclear Finland Ltd.

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, the auditor of the Company shall be an Authorized Public Accountants firm approved by the Patent and Registration Office. 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 2017 were approximately EUR 72,361 and fees paid to the auditor for non-audit services in 2017 were approximately EUR 16,403.

PricewaterhouseCoopers Oy, a firm of Authorised Public Accountants, was elected as auditor of the Company on 15 March 2017 with Ylva Eriksson, Authorised Public Accountant, being the auditor-in-charge.

Shareholders' Agreements

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

The remuneration paid to the Board of Directors for board work and other tasks during 2017 was as follows:

Name	Position	Board work	Other benefits from the Company	Total (EUR)
Christoffer Häggblom	Chairman	40,000	0	40,000
Robert Burén ¹⁾	Member	18,333	0	18,333
Mikael Hagman	Member	20,000	64,789 ²⁾	84,789
Minna Kurunsaari	Member	20,000	0	20,000
Panu Porkka ¹⁾	Member	18,333	0	18,333
Kai Seikku	Member	20,000	0	20,000
Samuli Seppälä ³⁾	Member	0	2,270	2,270
Henrik Weckström ³⁾	Member	0	156,462	156,462
IN TOTAL		136,666	223,521	360,187

¹⁾ The person was elected as member of the Board of Directors at the Extraordinary General Meeting held on April 28, 2017.

²⁾ Remuneration as an advisor of the Company.

³⁾ The person belongs to the executive management of the Company, which is why no separate remuneration is payable for the Board work.

Chief Executive Officer and Management Team

The CEO forewent his salary for the period of 1 January – 31 December 2017 and the sum corresponding to the CEO's salary from the period of 1 January – 30 September 2017 was distributed to the personnel in equal amounts. In 2017, the total annual salary with fringe benefits of the CEO amounted to EUR 2,270. The CEO has not received any other benefits from the Company during 2017.

In 2017, the remuneration, including fringe benefits of the members of the management team (excluding the CEO) was EUR 907,597. The members of the management team (excluding the CEO) have not received any other benefits from the Company during 2017.

Board of Directors



Kai Seikku

*President and CEO,
Okmetic Oyj*

*Executive Vice President
National Silicon Industry Group
(Shanghai, China)*

Born 1965, M.Sc. (Econ.)

Board member since 2013

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

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

Working experience
CEO, HKScan Corporation, 2005–2009

CEO, Hasan & Partners Oy, 1999–2004

Independent of the Company and significant shareholders



Robert Buren

Consultant

Born 1970, MSc studies, Computer Science and Technology

Board member since 28.4.2017

Shares and share-based rights and corporations over which control is exercised
6,000 shares

Positions of trust
Member of Board of Directors at Cygni 4/2006–

Member of Board of Directors at Bredband2 3/2014–

Member of Board of Directors at Eaton Gate Gaming, Ltd 1/2016–

Working experience
CIO at Bisnode 1/2016–3/2017
CIO at SBAB Bank 2/2015–11/2015

CTO at Unibet 2/2011–1/2015

Independent of the Company and significant shareholders



Panu Porkka

*CEO,
Suomalainen Kirjakauppa*

Born 1977, Studies at commerce

Board member since 28.4.2017

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

Positions of trust
Otava Oy, board of directors (supplementary member) 2017–

Otavamedia Oy, board of directors 2017–

Suomalainen kirjakauppa Oy, board of directors 2017–

Working experience
CEO, Suomalainen Kirjakauppa 1/2017 –

Sales director, Tokmanni 1/2013 – 12/2016

COO, Lidl Switzerland 1/2009 – 12/2010

Independent of the Company and significant shareholders



Christoffer Hägglom

*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 1,967,576 shares in total.

Positions of trust
Member of the Board of, inter alia, Rite Internet Ventures Holding AB, Qliro Group AB, Lemonsoft Oy, Acervo AB

Working experience
Founder of Rite Internet Ventures Holding AB

Independent of the Company and significant shareholders



Samuli Seppälä

*CEO,
Verkkokauppa.com Oyj*

Born 1975, High school graduate

Board member since 1998

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

Positions of trust
Member of the Board of F. Sergejffin Olut-tehdas Osakeyhtiö

Working experience
CEO and Purchasing Director 1992–2017, Founder since 1992–, Verkkokauppa.com Oyj



Minna Kurunsaari

*Consultant,
Born 1965, Master of Laws trained on the bench*

Board member since 2015

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

Positions of trust
–

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

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

Various director positions in Kesko Oyj, 1995–2008

Independent of the Company and significant shareholders



Henrik Weckström

*CTO,
Verkkokauppa.com Oyj*

Born 1976, M.Sc. (Tech.)

Board member since 2001

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

Working experience
CIO, Verkkokauppa.com Oyj, 2000–2015



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
3,112 shares

Positions of trust
Chairman of the Board of Vitvaruexperten.com Nordic AB

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

Independent of significant shareholders

Management team



Markus Pätilä

Sales Director, retail stores
Verkkokauppa.com Oyj

Born 1975, Vocational qualification in data processing

Member of the management team since 2011

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

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

Henrik Weckström

CTO,
Verkkokauppa.com Oyj

Born 1976, M.Sc. (Tech.)

Member of the management team since 2008

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

Working experience
CIO, Verkkokauppa.com Oyj,
2000–2015

Jussi Tallgren

CFO,
Verkkokauppa.com Oyj

Born 1966, M.Sc. (Econ.)

Member of the management team since 2012

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

Working experience
CFO, Veikon Kone Oy,
2009–2012

Samuli Seppälä

CEO,
Verkkokauppa.com Oyj

Born 1975, High school graduate

Member of the management team since 2008

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

Positions of trust
Board member, F. Sergejeffin
Olut-tehdas Osakeyhtiö

Working experience
CEO and Purchasing Director
1992–2017, 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
50 shares

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

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

Miika Heinonen

Logistics Director,
Verkkokauppa.com Oyj

Born 1976, BBA

Member of the management team since 2011

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

Working experience
Warehouse Manager,
Verkkokauppa.com Oyj,
2005–2011

Vesa Järveläinen

Purchasing Director,
Verkkokauppa.com Oyj

Born 1983, High school graduate

Member of the management team since 2017

Shares and share-based rights and corporations over which control is exercised
3,000

Working experience
Vice Purchasing Director,
Verkkokauppa.com Oyj,
2015–2017

Purchasing Manager,
Verkkokauppa.com Oyj,
2010–2015

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 Manager,
Verkkokauppa.com Oyj,
2008–2012

The statements and estimates contained in this Annual Report

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

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

Verkkokauppa.com Oyj

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