



Daisy Lowe photographed by Helena Christensen, Chelsea Hotel New York 2010

odd molly annual report 2009
short version



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odd molly



KICKING INTO HIGH GEAR

At the very beginning, a creative passion and playfulness were Odd Molly's cicerone, foundation and the engine driving us. Probably even the formula for our success. Now, in a time of stock listings and correctness, you might assume that we would shift direction and try to fit in more with the fashion world's unwritten rules and expectations, but that's not the case.

Since Odd Molly's very first day, March 25, 2002, we have dreamed of creating a business engine that doesn't leak water, of one day combining our playful mix of products and brands with an efficient, stable support system that only needs sustenance and creative fuel a few times a year. Not to mention a worldwide network of stores that sells our products. And that's where we stand today.

Our company finally has all the ingredients and components in place to give our creative talents the security of knowing that all those other things are taken care of professionally. In the process, we have created the potential for even greater artistic freedom and control.

This is also why we feel that this is the best possible time to reach for the next level, to use our resources in the form of efficient administration, a tight organization, strong finances and widespread distribution to reach new heights.

The timing is perfect to capitalize on these resources, and it feels right to kick into high gear by investing in our own international stores, menswear collections and other exciting spinoffs. The table is set and we have lifted the napkin from our plate.

It almost feels like we are only now getting started.

Operations in brief

What is Odd Molly?

Odd Molly is a Swedish company that designs, markets and sells fashion primarily through outside retailers around the world. Odd Molly's clothing is distinguished by beautiful design, qualitative values and sensuality. In 2009 Odd Molly's products were sold in 42 countries, including 29 through local representatives, in Europe, North America, the Middle East, Japan, Australia and New Zealand. The company has 40 employees in Stockholm and Los Angeles, four of whom work in the U.S.

When did the journey begin?

Odd Molly was founded in 2002 by two designers and an entrepreneur with strong ideas, distinctive clothes and a small budget. Since then the company has enjoyed strong growth and solid profitability and significantly expanded its international presence each year. In 2007 a subsidiary was established in the U.S. and the Odd Molly share was listed on the First North marketplace. In 2009 Odd Molly opened its first store and launched a new skincare line. In spring 2010 Odd Molly is introducing a line of eyewear, and in fall 2010 the first menswear collection will be launched by Odd Molly's retailers. Two new stores are opening in Los Angeles and Copenhagen.

What is your recipe for success?

The company's profitable growth is the result of creative design, consistent branding and business acumen, as well as a business model that facilitates expansion with limited capital requirements and minimal inventory risk. Strong values are reflected in everything the company does. Odd Molly sells its products, which are designed in-house, to outside retailers through independent agents and distributors. Once they have placed binding orders, Odd Molly has the ordered quantity of each item produced by contract manufacturers, which keeps inventories low. At the same time the organization's size and other resources can be adjusted in time.

Where is the company headed and how will it get there?

Odd Molly's goal is that all its stakeholders, from end consumer to business partner, will find value-added in their relationship with the company. Shareholders will receive value on their investment through the company's profitable growth. Odd Molly's continued growth will be achieved while maintaining high quality and acting responsibly through:

- ✕ Continued geographic expansion
- ✕ Increasing number of retailers and higher average orders from current retailers
- ✕ Complementary distribution channel in the form of wholly owned stores
- ✕ Development of new products and product groups
- ✕ Broader marketing
- ✕ Strengthening the organization



The year in brief

2009 in brief

- ✕ Net sales increased by 23 percent to SEK 329.8 million (267.7)
- ✕ The gross profit margin was 54.0 percent (58.4)
- ✕ Operating profit amounted to SEK 59.2 million (67.5), corresponding to an operating margin of 17.9 percent (25.2)
- ✕ Net profit amounted to SEK 43.0 million (49.8). The net margin was 13.1 percent (18.6).
- ✕ Earnings per share amounted to SEK 7.48 (8.66)

Seasonal fluctuations

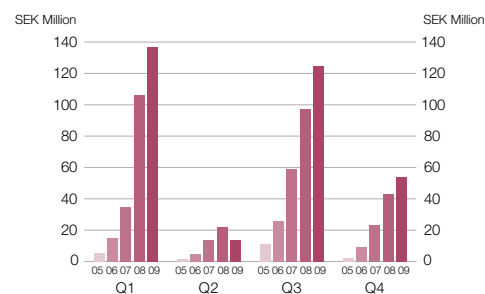
Odd Molly currently has four collections per year – spring, summer, fall and winter – as well as two pre-shippments of the spring and fall collections. Operations are highly seasonal. The first and third quarters are the strongest in terms of sales and earnings, since the entire spring and fall collections are invoiced to retailers during these quarters. The second and fourth quarters are the weakest with the current seasonal pattern.

Financial history

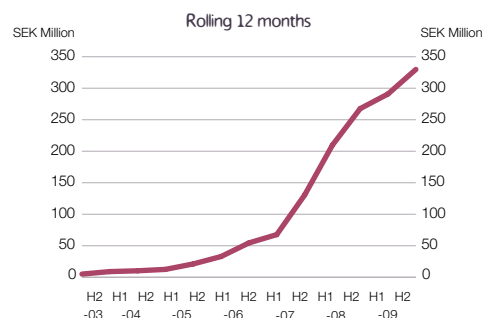
	2009	2008	2007	2006	2005
Net sales, SEK thousand	329,809	267,653	130,260	54,477	21,151
Operating profit, EBIT, SEK thousand	59,179	67,509	18,457	4,932	890
Operating margin, EBIT, %	17.9	25.2	14.2	9.1	4.2
Return on capital employed, %	55.6	99.1	67.6	88.5	33.1
Return on equity, %	39.9	71.2	50.6	76.3	41.9
Equity/assets ratio, %	76.2	74.8	75.0	57.1	57.7
Equity per share, SEK	21.00	16.51	8.34	1.20	0.54
Earnings per share, SEK	7.48	8.66	2.39	0.67	0.12
Dividend per share, SEK	*3.50	3.00	0.00	0.00	0.00
Average number of employees	36	30	19	10	5
Net sales per employee, SEK thousand	9,086	8,997	6,856	5,448	4,230
Number of retailers	1,450	1,612	1,166	550	360
Number of markets	42	41	31	20	19

*Proposed dividend

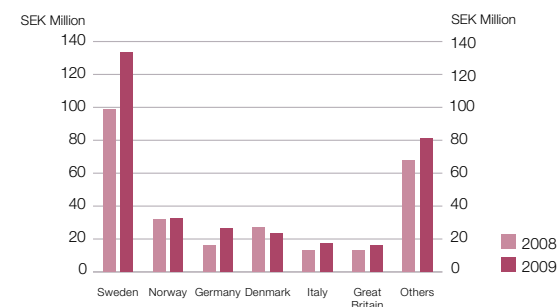
Sales per quarter



Sales trend



Sales per country



Creativity and execution

It may seem like a reckless strategy to be aggressive and test new ideas as long as you are more right than wrong. But this is the spirit that has always set Odd Molly apart, and it has not diminished despite the recent economic uncertainty. Just the opposite, we have taken advantage of this period to make a number of strategic investments and further develop the company, never forgetting our attention to quality and the brand's other core values, and by utilizing the business acumen we have built up in the organization. In 2009 we took a number of steps in line with our strategy by opening our first Odd Molly store, enacting changes in our distribution network and developing a totally new menswear concept.

If 2007 was intense and 2008 fantastic, I would describe 2009 as aggressive – and quite successful considering the turbulence we otherwise saw around the world. The past year demonstrates that we have stayed the course, implemented our ideas and improved our positions.

As we grow, new challenges arise. In a year of global recession, Odd Molly strengthened its position in several markets. Our first and largest market, Sweden, continued to generate solid growth, and we also developed strongly in central and southern Europe. I would point to our progress in important countries such as Germany, the UK and Italy, all of which are now on the list of Odd Molly's largest markets.

Odd Molly previously had not done any advertising, instead relying on alternative marketing such as PR, trade shows and fashion shows. In 2009 Odd Molly ran its first ad campaign, using supermodel Helena Christensen. We are pleased and proud that Helena wants to work with us and feel that this was a contributing factor to our continued sales increases despite a jittery global market.

On the other hand, Odd Molly's investment in the U.S. underperformed in 2009, which is largely due to the tough economic climate in that country. We know that we can always be better at what we do and have therefore taken measures to strengthen the organization by placing more emphasis on sales and replacing our agent and PR firm. As a relatively new brand in a market it is important to have strong players on our side who understand local conditions. One of the biggest strengths of our new partner is its strong relationships on both the east and west coasts. In the first half of 2010 we will open an Odd Molly store in a prime location in Los Angeles as part of an effort to improve the brand's appeal and support sales in the North American market. Taken as a whole, this means that our opportunity to become a strong, sustainable player in the U.S. is better than ever.

As stated earlier, we continuously evaluate Odd Molly's current and potential representatives to ensure that we share the same aims and are in agreement about the brand's positioning. For 2010 we replaced our agent in Greece and signed an agreement with a new distributor in the Middle East/North Africa.

Quality and development are important ideals that have guided us through the last year. We at Odd Molly have a strong belief in what we do, but my philosophy is that if everything is going well, there is a risk that we have done too little and may be acting too defensively. Part of challenging yourself and developing is learning from your mistakes. It is a question of finding the right balance between what already works and what's new in making strategic business decisions as well as creating our collections, so that we don't lose our magic and keep developing as a business. We devote a great deal of work to issues concerning quality and social responsibility, and I am very pleased that we have established a partnership with the Fair Wear Foundation that will help us be even better in this area.

During the year we launched our first two partnerships in complementary products – eyewear and skincare products – with a cautious but positive start. We also began planning for our new menswear collection – Post fire dew – as an independent brand within the Group. We own this investment ourselves and can benefit from the collective expertise and contacts that Odd Molly has created since we got our start. We can use our current agents to some extent, but cannot ignore the fact that men's apparel in many respects requires completely different marketing. It gives us a sense of security, however, to know that we are launching the initial collection for fall/winter 2010 collaboratively with eight of Odd Molly's agents that are already established in the menswear segment.

Another important milestone during the year was the opening of our first Odd Molly store in Stockholm in February. We are already seeing a positive impact from having our own store, which we feel has contributed to our further development in Sweden. This is why we are not only opening another store in Los Angeles, but one in Copenhagen as well this spring. Remember, though, that Odd Molly is, and will remain, a brand development company. We will continue to design beautiful, marketable collections and build an organization and network that contributes to global distribution. This is, and will remain, the strength of our business model. The store openings are a complement that will support the brand and our opportunities in the international arena.

The purpose of all this is to make more room for creativity – and profitable growth. Since our start in 2002 we have tried to establish a climate that allows creative ideas to flourish in structured forms. But without the ability to execute and evaluate, ideas never make it past the sketchpad. In 2010 we have a number of projects under way, which we will work conscientiously to bring to a successful conclusion. With competent, ambitious employees, we have a strong team well-equipped to continue to surprise and exceed expectations. One exciting project facing the company is the change in our share listing planned later this year, which we also expect will help in our further development.

In summary, we will continue to foster creativity in our products and marketing, refine our strategies for profitable growth and work in a structured way to ensure consistently high quality and efficiency. With the motto, more right than wrong.



Christina Tillman, CEO

“If everything we have done is successful,
there is a risk we have done too little”

Christina Tillman, CEO of Odd Molly

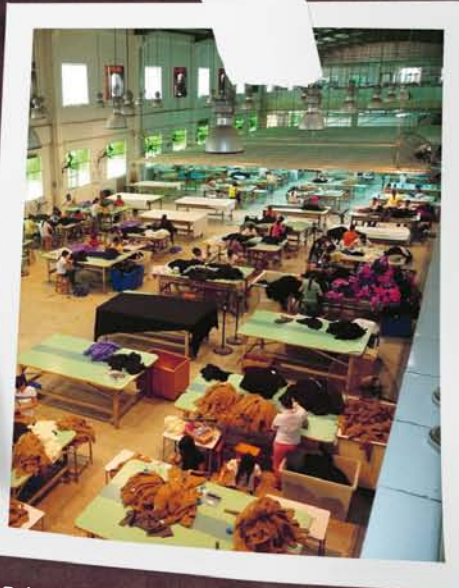


The year in images



Opening of first store

In February the company opened its first store on Humlegårdsgatan in Stockholm.



Fair Wear Foundation

In June Odd Molly established a cooperation with the Fair Wear Foundation, an independent organization that promotes improved working conditions in the textile industry.

Menswear

A new menswear collection – Post fire dew – is taking shape for launch in fall 2010. Ylva Liljefors, a previous winner of the Golden Button fashion award, was recruited as designer.



Fashion show at Grand Hôtel Stockholm

Odd Molly's annual fashion show was held in August at Grand Hôtel in Stockholm with Helena Christensen back on the catwalk.



More new stores – Los Angeles and Copenhagen
New stores are planned on Robertson Boulevard in Los Angeles and on Svaertegade in Copenhagen, with grand openings scheduled in spring 2010.



Odd Mollys first advertising campaign
Helena Christensen becomes the face of Odd Molly in a selection of international fashion magazines.



Skincare
Skincare products developed jointly with CCS are being launched by retailers.

Business concept, goals and strategies

The right feeling and continuous development are our mantra at Odd Molly. From a foundation of beautiful clothing collections for women, Odd Molly has broadened its offering to include complementary products in skincare and eyewear. In 2009 we began to prepare the launch of a separate collection for men. To further strengthen brand awareness and contacts with consumers, we are now opening our own stores in carefully selected locations in the world.

Business concept

Odd Molly's business concept is to design, market and sell fashion, primarily through outside retailers worldwide. Odd Molly represents a unique combination of beautiful design, qualitative values and sensuality.

Vision

Odd Molly's vision is to establish cooperative relationships with a worldwide network of retailers that sell Odd Molly products and thereby play a distinct, long-term role in the international fashion industry.

Goal

Odd Molly's goal is that all its contacts, from end consumers to business partners, will find value-added in their relationship with the company. Shareholder value will be created through high growth and solid profitability.

Financial goals

Turnover growth

The goal is a growth rate exceeding 20 percent annually in the coming years.

Operating margin

Odd Molly's goal is to achieve an operating margin (EBIT) of well above 10 percent over a business cycle.

Equity Ratio

The equity/assets ratio over time will be at least 40 percent.

Strategies

Odd Molly's future growth will be achieved while maintaining an attention to quality and acting responsibly toward stakeholders with the help of the following strategic steps.

Continued geographic expansion

Odd Molly today has its strongest foothold in Western Europe and North America, but is also active in Japan, the Middle East/North Africa, Australia and New Zealand. The company takes a long-term approach to strengthening its brand and position in current markets, while continuously seeking out and evaluating opportunities to expand to attractive new markets.

In 2009 Odd Molly's products were sold in 42 countries. In addition, the company increased its marketing activities, including in cooperation with Helena Christensen. Odd Molly participated in nearly 30 international fashion shows in 2009, where buyers from every corner of the globe were represented.

Increasing the number of retailers

Odd Molly will expand geographically by launching the brand and establishing partnerships with retailers through independent agents and distributors. The company will achieve an optimal retail presence by carefully choosing retailers and selectively recruiting experienced agents and distributors. Careful evaluation is crucial in the selection of representatives, since the agents bear considerable responsibility for sales in their markets.

During the year Odd Molly replaced its agent and PR firm in the U.S. and signed a distribution agreement in the Middle East/North Africa. In 2010 Odd Molly has contracted a new agent in Greece and a distributor for part of China.

Complementary distribution channel in the form of wholly owned stores

Odd Molly is evaluating its own, complementary distribution channel in order to strengthen the brand and provide an opportunity to showcase the entire collection in a unique environment. Company-owned stores are a complement to other retailers, which will receive support from the brand's stronger presence. New stores will be opened selectively after thorough evaluation.

In February 2009 Odd Molly opened its first store on Humlegårdsgatan in central Stockholm. In spring 2010 stores are scheduled to open in Los Angeles and Copenhagen, both in the trendiest neighborhoods in each city.

Development of new products

Odd Molly is broadening its product range primarily to be sold through its existing network of retailers, but also through new distribution channels.

In 2009 a skincare line and eyewear collection were launched in cooperation with licensees. Odd Molly also began design work on a menswear collection scheduled for launch in stores in fall 2010.

Broader marketing

Since its start Odd Molly has created strong brand awareness and rapidly increased the number of retailers by working intensely with agents and retailers. Odd Molly will continue to invest in activities that build relationships and drive sales, targeting current and potential partners and customers.

In 2009 Odd Molly continued to receive considerable media coverage in the trade and business press locally and internationally. Odd Molly launched its first consumer campaign in the international fashion press during the year. Supermodel Helena Christensen is the face of the campaign, which will continue in 2010.

Strengthening the organization

Odd Molly's organization will maintain the highest level of quality and professionalism and will be adapted to the company's long-term requirements and growth.

The number of employees was raised from 33 to 40 in 2009, strengthening every level of the company in Sweden and the U.S. To strengthen quality and production control, a partnership has been established with a third party quality control company and a long-term improvement plan for quality control was prepared during the year.



Business model

Launching a new brand requires patience, extensive knowledge and, not least of all, a feel for the local market and how it operates. Since its start Odd Molly has stuck to a philosophy of working with those with the best understanding of their market. Branding and marketing strategy are formulated centrally, but responsibility for actual sales work and the choice of retailers rests with carefully selected agents and distributors around the world. In this way, Odd Molly combines aggressive marketing with low risk.

Local experts and low risk

Odd Molly's success is based on creative design and innovative branding. Together with a consistent philosophy, solid structure and an expansion-friendly business model, Odd Molly has been able to develop a successful, profitable company since the start. Through its design, the business model facilitates further expansion with limited capital requirements and small risk of large, out-of-date inventory.

The business model is based on Odd Molly selling its products primarily through outside retailers. To get the right product mix to as many retailers within the right image as possible, Odd Molly works with agents, or in rare cases distributors, in various countries. The agent has an exclusive right to sell Odd Molly's products in a geographically defined market. In this way, Odd Molly has a partner in each country where it is represented who understands the local business culture, language and fashion business. At year-end, Odd Molly had 15 agents and four distributors covering a combined 29 countries. To complement outside retailers and promote the brand, Odd Molly has also had its own store since 2009. In 2010 two more flagship stores are planned.

To represent the brand and sell each collection in the best way possible, each season begins with a sales meeting where the collection and sales strategy are presented to every agent and distributor. The agents are then allowed to borrow a sales collection from Odd Molly to sell to buyers and retailers in each market. Every agent has a showroom where Odd Molly's collections are shown and where they take orders for each collection. When it has received all the orders from its agents, Odd Molly tallies them and places them with selected manufacturers.

As a result Odd Molly produces only enough of each item to meet its binding orders, which minimizes inventory risk, while at the same time providing a solid basis for planning resources. In this way, Odd Molly can continuously ensure high quality in everything from sourcing to delivery. The long lead times between sales to retailers and delivery mean that sales for each fiscal year can be predicted

fairly accurately. Work is under way to introduce a new, more efficient ordering system in 2010.

Products are delivered to a warehouse in Stockholm, except those destined for the U.S., which are repackaged for shipment to each retailer. Odd Molly does not have any distribution operations of its own, relying instead on third-party logistics providers for warehousing and distribution. Odd Molly's contractual partner is the retailer; the agent receives a commission on the total sales value for their market. Once Odd Molly has sold the products to retailers, they assume the risk of sales to consumers. It works in much the same way in the U.S., where Odd Molly also has staff on location who know the market to monitor the supply chain.

In Australia/New Zealand, Japan, Poland and the Middle East/North Africa – Odd Molly has chosen to cooperate with distributors instead of agents. The distributor buys the collection from Odd Molly and is responsible for delivering to retailers and invoicing them. Instead of receiving a commission on order volumes from retailers, the distributor buys Odd Molly's products at a discount. Odd Molly's contractual partner is the distributor, which also assumes the risk for selling to outside retailers.

For its own stores, Odd Molly places orders with suppliers based on budgeted sales, which means that these quantities, unlike other sales, do not have the same binding order status as orders from outside retailers.

Eyewear and skincare are being designed in cooperation with licensees. Odd Molly's agents sell these products to current retailers using the same business model as the other products. The licensees sell the products to specialized retailers such as opticians and cosmetics stores. Odd Molly receives a royalty on these sales.

*"if it's ok with me,
it's ok with me"*



Odd Molly worldwide

Without a select number of committed business partners that represent Odd Molly, the brand would never have achieved the geographical coverage it has today. Odd Molly has hand-picked ambassadors around the world in the form of 15 agents and four distributors. In 2009 Odd Molly's products were sold by 1,450 retailers in 42 countries, including local representation in 29 countries. Odd Molly is working continuously to improve the dialogue with its representatives and provide them a high level of service in order to further raise international sales.

Retailers and agents

Odd Molly carefully selects the agents and distributors that represent the brand and chooses retailers in close consultation with them. The key criteria are the store's position in the market, their commitment to the brand, and the other brands carried by the same stores and in the neighboring area.

In 2009 Odd Molly's products were sold by 1,450 retailers. The adjacent table shows Odd Molly's six largest markets in 2009.

Odd Molly's retailers include several well-known international fashion stores and chains such as Bon Marché in Paris, Brunschwig Bon Genie in Zurich, NK in Stockholm and Fred Segal in Los Angeles as well as the department stores Beams and Isetan in Tokyo, Galeries Lafayette in Berlin, Ludwig Beck in Munich and El Corte Inglés in Lisbon. In addition, Odd Molly products are sold at a number of trendy, welcoming design boutiques.

Markets

Odd Molly is a global brand active in the upper mid-price segment of the women's clothing market, which Odd Molly defines as "within reach." In fall 2010 Odd Molly is also launching a menswear collection under the new brand name Post fire dew. The large part of Odd Molly's sales are currently in Western Europe and North America, but the brand is also represented in Australia and New Zealand as well as in Asia.

Sweden is Odd Molly's first and largest market, where brand was represented by over 200 retailers in 2009. Recent growth in the Swedish market has primarily been achieved through higher average orders.

Norway was Odd Molly's second largest market in 2009, followed by Germany, which has performed strongly in recent seasons. In spring 2009 Odd Molly further strengthened its organization and replaced its agent in the U.S. to ensure stronger future development. Odd Molly's six largest markets (Sweden, Norway, Germany, Denmark, Italy and the UK) accounted for approximately 75 percent (75) of total sales in 2009. Switzerland, Belgium, Poland, Germany and Finland reported the highest growth percentage-wise. Sales also trended higher in Sweden, the Netherlands, Spain, Italy and France in 2009.

The average order from retailers in 2002 was about SEK 15,000. For spring/summer 2010 the average order from external retailers was about SEK 156,000. Average sales have risen steadily thanks to an increase in sales at the retail level and attractive new collections.

During the year Odd Molly signed a contract with the distributor for the Middle East/North Africa and replaced its agent in the U.S., raising the total number of agents to 15 and distributors to four, together representing 29 countries. The network is continuously reviewed to ensure that the brand is managed and developed correctly by representatives that share Odd Molly's values.

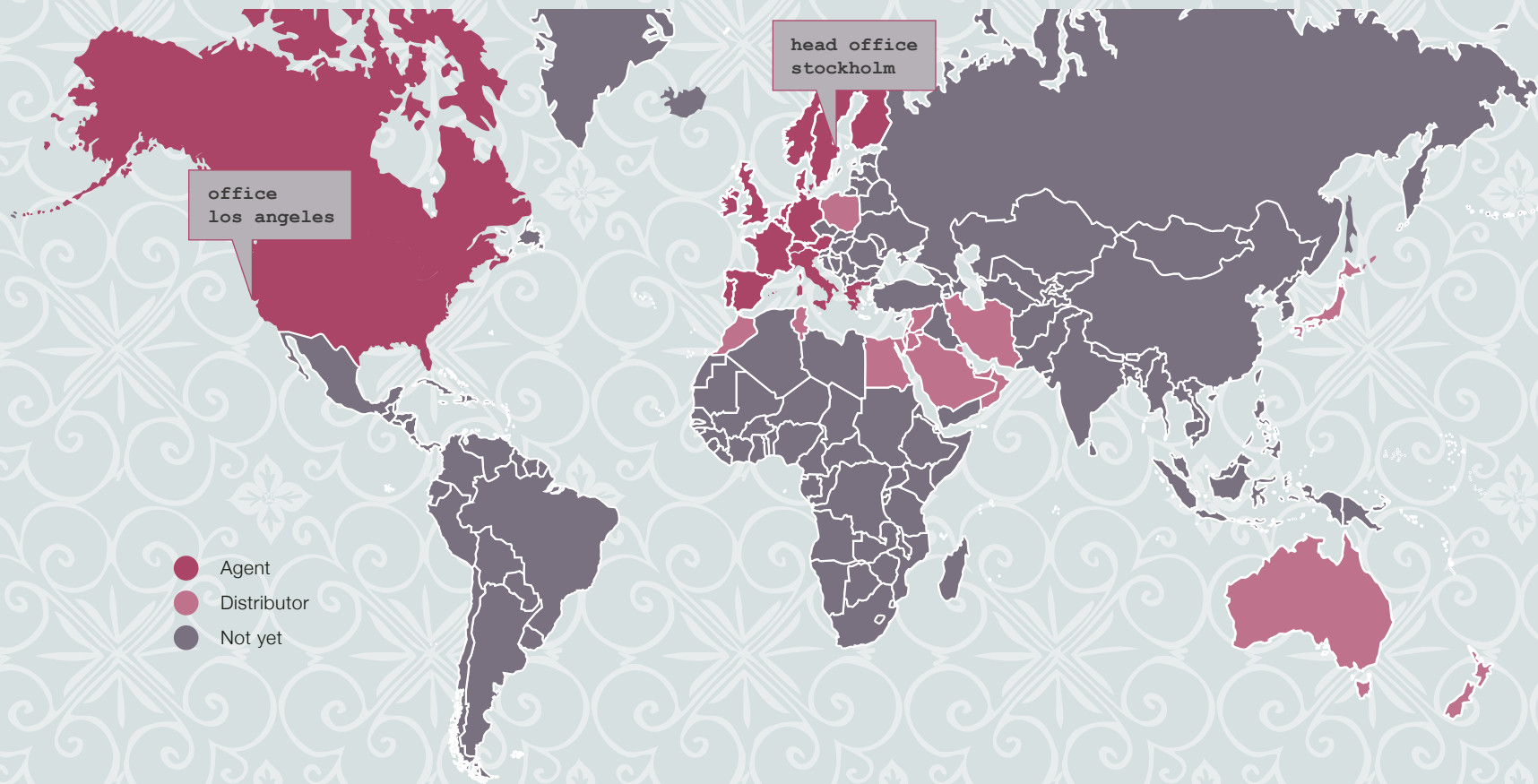
Competitors

The women's apparel market is intensely competitive, where strong brands and original concepts have become increasingly important due to less price sensitivity in this segment. 2009 was a year of great economic uncertainty around the world, not least for Odd Molly's relatively new market, the U.S.

Odd Molly believes that consumer awareness and opinions of the brand are key competitive factors, alongside perhaps its most distinguishing feature of all: unique design and high quality. This makes the ability to build strong customer loyalty and continuous product development crucial success factors.

Since the beginning Odd Molly has tried to define and reaffirm its distinctiveness, carving out a clearly defined position in the fashion industry. As such, the company does not feel it has any direct competition in the market, but rather several players that compete for consumers' spending. In the Nordic market Odd Molly is often sold in the same stores as, for example, Acne, Braez, Bruuns Bazaar, Day Birger et Mikkelsen, By Marlene Birger, Dagmar, Day, Filippa K, Hunky Dory, Nolita, Rützou, Stella Nova and Tiger.

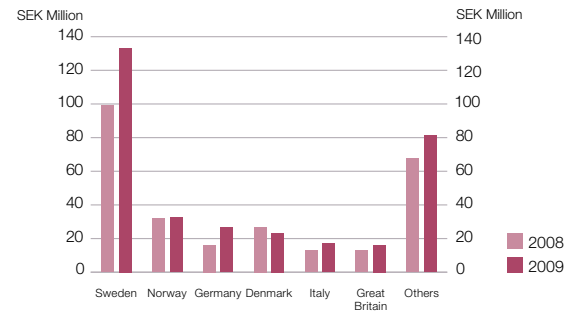
Odd Molly's international competitors vary by market. In the European market, the international brands in Odd Molly's price segment include American Vintage, Antik Batik, Braez, Custo, Desigual, Essentiel, Isabel Marant Etoile, Nolita, Marc by Marc Jacobs, Patricia Pepe, Paul&Joe, Sister, Sand, Sandro, See by Chloé, Stella Forest, Vanessa Bruno athé and Velvet. In the U.S. market they include Free People, Juicy Couture, Leifsdottir, Marc by Marc Jacobs, Paige Denim, True Religion and Z-Brand.



Sales per country

SEK million	2009	2008
Sweden	133	99
Norway	32	32
Germany	27	16
Denmark	23	27
Italy	17	13
UK	16	13
Other countries	81	68
Total	330	268

Sales per country



Design and products

Odd Molly's clothing stands out for its distinctive design, comfortable materials and hand-stitched details. Most items have a special message somewhere on the fabric – sometimes for everyone to see and other times hidden inside just for the person wearing it. The goal is to convey an exceptional, positive feeling. This concept has created a sense of belonging and community, and extremely loyal customers in a wide range of ages. Odd Molly's mission is to preserve the unique, off-beat, distinguishing features of the brand that attract women around the world. In 2010 a new menswear collection will be introduced under the name Post fire dew.

Design

Odd Molly's clothing has an exceptionally personal design, feeling and unique style that interpret the times we live in without slavishly adhering to fashion trends. Nonetheless, the design team continuously conducts market research, travels to find inspiration and identifies issues important to women in different cultures.

Since the beginning every collection has had a special theme and platform of values represented by a symbol and tagline. For spring 2009, the design team chose not to expose the collection's symbol on the outside of the clothing, but to let the form and details of the clothes speak for themselves. This is one reason why the brand has achieved such widespread coverage and the clothing's unique design is so widely recognized. The little white canvas Odd Molly label can still be found on the outside of the clothing.

Prior to each sales period, which occurs twice a year with two simultaneous collections (spring/summer, fall/winter), the design team presents the theme to Odd Molly's agents and distributors, who receive a thorough review of choice of materials, colors, models and details of the technical production of the collection. Each agent then borrows a sample collection to show to its customers: current and potential retailers. Odd Molly's chief designer summarizes the most important ideas behind each collection in a letter to all partners. In conjunction with shipments of each collection, retailers also receive display material and logos for their stores, all produced centrally by Odd Molly. To further emphasize the feeling and theme of each collection, small words of wisdom are printed on the inside or outside of each article, together with a visible product number.

Designs often utilize a wealth of hand-stitched details. Odd Molly's designers also use a wide palette of colors, sometimes with unexpected but striking color combinations.

Product offering

Women's collections are the mainstay

Odd Molly's range is mainly produced in natural materials such as cotton, wool and silk. Several production steps are often performed by hand. Two collections normally comprise a combined total of 600 items, including all the different color options. With relatively broad-based collections, the clothing can be sold by several stores in the same area without them having to compete for the same consumers with the same products. Another advantage of relatively large collections is that they contain products that are suited for both hot and cold climates and therefore can be sold in many different countries.

Four collections are produced each year: spring, summer, fall and winter. The spring and summer collections are sold at the same time, as are the fall and winter collections. In terms of volume, the spring and fall collections are the largest. In recent seasons, limited pre-shipments have been sold to even out the flow of goods and to facilitate added sales. The collections are divided into, and presented by the design team, as programs based on qualities, techniques, patterns or color combinations.

The product range includes variations of recurring models that are adapted for each season and more unique items that are totally new to each collection. By combining the expected and unexpected, customers have the opportunity to buy a favorite item in a new color or be surprised by the new pieces in each collection.

Menswear collection launches in 2010

In 2009 design work began on a new menswear collection under a separate brand name, Post fire dew, and a designer was hired. After initial promotions, the brand is being launched internationally through sales agents in Sweden, Norway, Germany, Belgium, England, Italy, Spain and Switzerland. The collection will be premiered this spring at major trade shows in Europe.

The collection includes around 60 pieces with a focus on jackets and tops stitched mainly in natural materials and classic designs, but with raw or unusual details. The design utilizes irregular, non-ironed fabrics. The look can be described as unshaven, rugged and distressed, but still with class and quality.

The name Post fire dew connotes a special feeling – the almost indescribable sensation after strenuous exertion or a long journey – or the otherworldly display of pearly dew that settles over the ground after a forest fire. This is the feeling the brand hopes to project: for those who want it both ways. Raw but tailored, with uneven edges but structured, distressed but with class.

Post fire dew is a brand for men who stand up for their convictions and follow their intuition despite expectations, risks or limitations. Those with good taste who appreciate fashion, but want it their way. Men who are both quirky yet self-aware.

As with the women's collection, the aim is to reach selected department stores, chains in the right price and fashion category, and better department stores. The menswear is expected to have only a marginal effect on the Group's results and sales in 2010.

Complementary products

Skincare

In 2009 work began on a skincare line in cooperation with the Swedish skin care and pharmaceutical company Clean Chemical Sweden AB (CCS). The products, which will closely complement Odd Molly's current clothing collections, are based in large part on natural ingredients with inspiration from various parts of the world.

The licensee, CCS, is responsible for product development of the skincare and body line in close collaboration with Odd Molly's design and brand team, which is in charge of selecting the products, as well as their feel and scent, packaging and all sales and marketing material. The first line included body, hand and foot care products, bath and shower products, and lip balm. A sun protection line will be added in spring 2010.

The first products were presented to Odd Molly's current retailers in connection with promotions for the fall and winter collection 2009. The launch of the

skincare line has received widespread coverage in the lifestyle and fashion press. CCS is also responsible for marketing to selected skincare stores primarily in the Nordic region that carry products in the premium segment. The aim is to eventually sell them wherever Odd Molly is located in the world, provided that local laws and import restrictions allow. Over time the range can be expanded with new items each season. The launch will first be carefully evaluated by both parties, however, before the next step is taken. The product group is not expected to have a significant impact on Odd Molly's results.

Eyewear

Odd Molly also signed an agreement in 2009 with EGOptiska International AB (EGO) to manufacture optical frames and sunglasses under license, with a retail launch scheduled for spring 2010. The aim is to create the market's best pilot eyeglasses for women, where design and quality go hand in hand with Odd Molly's clothing design.

Odd Molly handles sales of sunglasses to its current retailers, while the licensee is responsible for sales of frames to opticians and other professional eyeglass retailers. This applies primarily to the Nordic market.

Odd Molly is ultimately responsible for all marketing material for sunglasses and optical frames. Sales through EGO generate royalties for Odd Molly. While initial presales in 2009 and 2010 have received a positive response, the product group is not expected to have a significant effect on Odd Molly's results. Initially the new line is primarily seen as a brand builder.



The brand

The ability to create and maintain a strong, distinctive brand is critical to sustainable success in the international fashion market. This requires long-term consistency, which in Odd Molly's case also means constantly challenging expectations and finding new ways to build the brand.

Brand

Odd Molly's branding is based on strong ideas, but a relatively small budget. Being seen and heard in unexpected places has been one of the reasons for the success in building the brand since the beginning. It is also important that there is credibility behind the brand and that the company carefully evaluates how the brand is represented. All sales and advertising material is designed centrally by Odd Molly to maintain a consistent image. The company-owned stores now opening in strategic locations around the world are also part of an effort to clearly position the brand and showcase entire collections in an environment designed just for Odd Molly.

Aside from creative branding, the measures taken to protect the brand worldwide are also important. Odd Molly works continuously to create and expand its brand protection in every country where it is represented as well as in a number of other markets where there are plans to launch sales or there is a major risk of copying. Odd Molly continuously monitors any registration of Odd Molly by other players. It actively monitors the market to prevent copying of Odd Molly's unique design.

Odd Molly is a Swedish company, but is active in the international fashion arena with collections that are influenced by various cultures. Accordingly, the company does not stress its Swedish origins in its marketing. Despite the multicultural look, it is obviously important that the brand's core values are communicated in a similar fashion worldwide.

One of the tools developed to summarize the soft values of the company and brand is called the "Odd Molly Manifest," which provides the guiding principles for employees in the organization and is shared with partners worldwide. In addition, personal meetings, continuous dialogue and close relationships with agents, distributors and suppliers are key components in international branding. At least twice a year employees from Odd Molly and all brand representatives meet in various locations around the world to share impressions and build support for the brand's basic philosophy. Local agents, distributors and contracted international PR agents are then responsible for day-to-day brand management in their respective markets, with the support of the office in Stockholm.

Target group

Odd Molly's clothing is positioned in the upper mid-price segment – "within reach." The target group consists of women in a wide age range, with the core in the 25–50 age group, around the world. Odd Molly's sees its target group as women who:

- ✕ Have many interests and live full lives.
- ✕ Are open-minded and unprejudiced.
- ✕ Have big ambitions in life without taking themselves too seriously.
- ✕ Live active, meaningful lives at work and in their free time.



The share

The purpose of Odd Molly's communication with the capital market is to build confidence in the company and its development among investors, minimize the risk of rumors and speculation, and increase interest and liquidity in the share. Odd Molly is protective of its relationships with shareholders and the rest of the capital market. Its aim is that communication with the market, like the rest of its operations, will be distinguished by quality, reliability, continuity and promptness.

Listing on First North

The Odd Molly share was listed on the unofficial First North marketplace on June 18, 2007. In conjunction with this, the company added slightly over 2,000 new shareholders. The selling price was set at SEK 40 and the offering was strongly oversubscribed.

Listing change

The Board of Directors has decided to apply to list the company's share on NASDAQ OMX Stockholm in 2010.

Market capitalization and sales

The final price paid on December 31, 2009 was SEK 144.00 (42.50), giving Odd Molly a market capitalization of SEK 828.3 million (244.5). During the fiscal year the average turnover was about 12,300 shares per day (18,900). A total of 3.1 million Odd Molly shares (4.8) were traded at a value of SEK 278.0 million (407.0) on First North. The lowest price was SEK 44 (January 23) and the highest price was SEK 163 (December 11). In 2009 the price increased by 229.5 percent. During the fiscal year the OMXSPI Index rose by 46.7 percent.

Share capital

At December 31, 2009 Odd Molly's share capital amounted to SEK 575,200 distributed among 5,752,000 shares with a quota value of SEK 0.1 per share. According to the Articles of Association, the share capital shall be not less than SEK 500,000 and not more than SEK 2,000,000, distributed among not fewer than 5,000,000 and not more than 20,000,000 shares. Odd Molly has only one class of share. The shares are issued in accordance with Swedish law and are denominated in Swedish kronor. Shareholders' rights can only be amended in accordance with the rules prescribed in the Swedish Companies Act (2005:551). Each share carries the same entitlement to share in the company's assets and earnings. At the Annual General Meeting each share carries one vote and all shareholders can vote for the full number of shares held without restrictions on their voting rights. The shares can be freely transferred.

Share-based incentive program

Odd Molly currently has no share-based incentive programs.

Change in share capital

Year	Transaction	Increase in no. of shares	Total no. of shares	Increase in share capital, SEK	Total share capital, SEK
2002	Formation		1,000		100,000
2003	New share issue	110	1,110	11,000	111,000
2005	Split 100:1	109,890	111,000		111,000
2005	New share issue	11,000	122,000	11,000	122,000
2007	Split 41:1	4,880,000	5,002,000		122,000
2007	New share issue		5,002,000	378,200	500,200
2007	Bonus issue	750,000	5,752,000	75,000	575,200



Dividend policy

The Board of Directors of Odd Molly will recommend that the Annual General Meeting approve a dividend of SEK 3.50 (3.00) per share for the fiscal year 2009, corresponding to 46.7 (34.7) percent of net profit. The Board intends to annually test whether there is the possibility to pay a dividend. In evaluating future dividends, the Board will consider several factors, including the company's operations, operating profit and financial position, current and anticipated liquidity needs, expansion plans and other important factors. The Board is of the opinion that liquidity not required in operations should be distributed to shareholders.

Largest shareholders as of December 31, 2009

Ten largest shareholders	No. of shares	No. of votes/ capital, %
Kattvik Financial Services AB	919,763	15.99
A.T.V Holding AB	898,046	15.61
M2 Capital Managment AB	651,250	11.32
Jimfelt Ghatan, Karin	641,090	11.15
Holknekt, Per	500,000	8.69
Swedbank Robur Small Cap Fund Sweden	244,097	4.24
AMF Small Cap Equity Fund	133,150	2.31
Stella Small Cap Fund	95,188	1.65
NORDNET Pensionsförsäkring AB	78,375	1.36
SEB Life Ireland	77,478	1.35
Total, ten largest shareholders	4,238,437	73.67
Other	1,513,563	26.32
Total	5,752,000	100.00

Ownership structure at December 31, 2009

At December 31, 2009 Odd Molly had a total of 3,901 shareholders (3,367), according to Euroclear Sweden AB (formerly VPC AB). Odd Molly's ten largest shareholders held shares corresponding to 73.7 percent (72.4) of the votes and capital in the company. Foreign ownership amounted to approximately 3 percent (5.6) at December 31, 2009.

Shareholder structure	No. of shareholders	%	No. of shares	%	Market value (SEK 000)
1 – 500	3,484	89	482,296	8.38	69,451
501 – 1,000	239	6	204,833	3.56	29,496
1,001 – 5,000	139	4	309,709	5.38	44,598
5,001 – 10,000	15	0	119,478	2.08	17,205
10,001 – 15,000	4	0	49,367	0.86	7,109
15,001 – 20,000	0	0	0	0.00	0
20,001 –	20	1	4,586,317	79.73	660,430
Total	3,901	100	5,752,000	100.00	828,288

Key data per share

	2009	2008	2007	2006	2005
Equity per share, SEK	21.00	16.51	8.34	1.20	0.54
Earnings per share, SEK	7.48	8.66	2.39	0.67	0.12
Dividend per share, SEK	*3.50	3.00	0.00	0.00	0.00
Number of shares outstanding					
on balance sheet date	5,752,000	5,752,000	5,752,000	122,000	122,000

*Proposed dividend



Board of Directors' report

The Board of Directors and CEO of Odd Molly International AB (publ), corporate registration number 556627-6241, hereby issue the annual report and consolidated accounts for the fiscal year January 1, 2009 –December 31, 2009.

The company was registered with the Swedish Companies Registration Office on June 27, 2002 and has its head office in Stockholm. Odd Molly's legal structure comprises the Parent Company, Odd Molly International AB (publ), and the wholly owned subsidiary Odd Molly, Inc., which is registered in Delaware, in the U.S. The principal operations are conducted by Odd Molly International AB, while Odd Molly Inc. conducts Odd Molly's operations in the U.S. and Canada from Los Angeles.

Odd Molly share and ownership structure

The Odd Molly share has been listed on First North since June 2007. The Board intends to apply to list the share on NASDAQ OMX Stockholm in 2010. A listing on NASDAQ OMX Stockholm would increase opportunities for institutional investors to invest in Odd Molly and create better liquidity in the share. It would also be a further seal of approval for the company in terms of its operations and information disclosure. The planned listing change is expected to generate one-time expenses in 2010 in the range of SEK 5 million. The total number of shares in Odd Molly is 5,752,000 distributed among one class of share.

At December 31, 2009 Odd Molly had around 3,900 shareholders, 97 percent of whom were registered in Sweden. About 45 percent of shareholders were men, 49 percent women and 6 percent legal entities. The four largest shareholders were Kattvik Financial Services AB, ATV Holding AB, M2 Capital Management AB and Karin Jimfelt-Ghatan. For more information, see page 20.

Odd Molly currently has no share-based incentive programs.

Operations

Odd Molly is a Swedish company that designs, markets and sells women's fashion through independent retailers worldwide. The products are distinguished by attractive, personal and sensual design combined with high quality and a distinctive profile.

Odd Molly is represented by outside agents or distributors worldwide, who are responsible for geographically defined markets. The business model facilitates expansion with limited operational risk and tied-up capital, and with retained control of the concept and brand. Until 2009 Odd Molly's products were sold exclusively through outside retailers. In February 2009 Odd Molly opened its first store, on Humlegårdsgatan, in Stockholm, and in early 2010 company-owned stores will be opened in Los Angeles and Copenhagen.

In 2009 Odd Molly's products were sold in 42 countries, including 29 countries with local representation through 15 independent agents and distributors.

Significant events during the year

New cooperations and expanded product range and target group

The company's products originally consisted of clothing and accessories for women. Its goal, however, is to expand the product mix to include new offerings that strengthen the brand and maintain the same high level as the rest of the range.

In 2008 Odd Molly formed a cooperation with EGOptiska International AB (EGO) to design, produce and sell eyewear. The eyewear was promoted in fall 2009 for delivery to retailers in spring 2010. EGO is responsible for sales of optical frames and sunglasses to opticians, while Odd Molly's agents and distributors handle sales of sunglasses to current Odd Molly retailers. The Nordic eyewear retailer Synsam, for example, guaranteed to buy Odd Molly's eyeglasses for delivery in 2010.

Another cooperation was begun in 2008 with Clean Chemical Sweden AB (CCS) on the development of a skincare line produced in Sweden. These products were sold to retailers in spring 2009 with initial deliveries in fall 2009. CCS is responsible for promoting skincare products and cosmetics to retailers. Sun protection products were added for spring 2010.

In 2009 the decision was made to design and market a menswear collection, which will be launched by retailers in fall 2010. In its first season, the menswear collection will be sold through agents in Sweden, Norway, Switzerland, the UK, Germany, Spain, Italy and Belgium. Men's products are marketed under the name Post fire dew.

New markets in 2009

In 2009 Odd Molly sold its products in 42 countries, compared with 41 a year earlier. In 13 of these countries, Odd Molly did not have its own representative. A new distributor for the Middle East/North Africa region was added during the year.

Fashion show at Grand Hotel in Stockholm

In August Odd Molly held its fourth international fashion show, this time at Grand Hotel in Stockholm. Supermodel Helena Christensen made her comeback on the runway. A broadcast of the show available on the company's website has been downloaded more than 500,000 times. The show was covered by a large number of Nordic and international fashion journalists.

Consumer marketing

In 2009 Odd Molly ran its first consumer ad campaign in leading fashion magazines in the U.S., England, Italy, Sweden, Norway, Germany and Denmark. The cooperation with Helena Christensen will continue for the spring/summer collection 2010. For the fall/winter collection 2010 she will instead be standing behind the camera.

Stronger organization built for continued growth

To accommodate substantial growth in recent years and continuously improve quality in every respect, Odd Molly has further strengthened its organization. In the last year seven employees were hired and at year-end a total of 40 were employed by the company, including four in the U.S. The new employees included a sales manager in the U.S. and an administrative manager to strengthen the company in IT and administration, as well as designers and store personnel.

Reinforcements and process improvements at the head office contributed to the company's positive results. Design and production are working extremely well, and distribution and delivery reliability improved despite larger volumes. In addition to ensuring high quality in all its relationships, a stronger organization makes Odd Molly less dependent on individual employees.

Sales and revenue 2009

Parent Company

Odd Molly International AB sells to all countries outside North America, where sales are handled through wholly owned subsidiary Odd Molly Inc. Odd Molly International AB reported sales for the year of SEK 315.6 million (244.0) and an operating profit of SEK 61.4 million (66.1). The Parent Company's shareholders' equity amounted to SEK 110.1 million (81.9). Cash and cash equivalents amounted to SEK 83.3 million (75.5).

Group

Net sales

The sales trend remained strong, with net sales amounting to SEK 329.8 million (267.7), up 23 percent from the previous year. The aggregate order value for 2009, as previously published, was SEK 313 million. Exchange rate effects were the main reason why sales exceeded the order value, although sales of collection samples and a small surplus delivery of merchandise from some of the company's suppliers contributed as well.

In 2009 Odd Molly's products were sold in a total of 42 countries. Odd Molly has local representatives in 29 countries through 15 independent agents and four distributors, and thus sold its products without representatives in 13 countries. Odd Molly's six largest markets (Sweden, Norway, Germany, Denmark, Italy and the UK) accounted for approximately 75 percent (75) of total sales in 2009.

In 2009 Odd Molly signed an agreement with a local representative in the Middle East and North Africa, where sales have been launched. In addition, Odd Molly signed a distribution agreement for part of China in 2010. While very exciting, these new markets are not expected to significantly affect results in 2010. In the U.S., the company has a more sales-oriented organization in place, along with a new agent and its own store in Los Angeles. The company also has a new agent in Greece.

Earnings

The gross profit margin was 54.0 percent (58.4). The decrease was mainly due to more favorable exchange rates 2008. Operating profit amounted to SEK 59.2 million (67.5), corresponding to an operating margin of 17.9 percent (25.2).

Other external expenses amounted to SEK 92.1 million (72.9), corresponding to 27.9 percent (27.2) of sales. Marketing expenses for fashion shows, advertising, trade shows and PR activities have increased in several countries, as planned. Odd Molly has also incurred slightly higher rental costs in connection with store openings and its expanded head office. Personnel expenses amounted to SEK 25.8 million (19.8), a slightly higher share of sales than the previous year (7.8 percent in 2009 against 7.4 percent in 2008).

Operating expenses can be divided into four primary items – cost of goods, including freight and customs duties; commissions to local agents; marketing and PR, including trade fair costs; distribution to retailers, and personnel costs – as well as other costs. The first two items and distribution costs are in principle directly variable in relation to sales, while marketing and PR are related to growth, and revenue is generated in subsequent years. Other costs primarily consist of central costs for the head office's organization as well as consulting costs. A business model with early binding orders from retailers allows Odd Molly to adjust its resources and costs as its sales and needs change.

The number of shares outstanding at year-end was 5,752,000. Earnings per share amounted to SEK 7.48 (8.66) based on the average number of shares during the period.

Seasonal fluctuations

Odd Molly has four collections per year (spring, summer, fall and winter), of which spring and fall have historically been the strongest collections in terms of sales. Odd Molly's operations are highly seasonal; the first and third quarters are strong, while the second and fourth quarters are significantly weaker. This means that it is better to follow the company's operations, sales and profits on a semiannual basis. Odd Molly ships its fall collection between August 1 and September 15 and the winter collection in October, which means that the fall collection is delivered during the third quarter and the winter collection during the fourth quarter. To even out deliveries and boost sales, Odd Molly has added two additional shipments: a pre-spring shipment in early December and a pre-fall shipment in early July. The pre-spring shipment increased from SEK 6 million in December 2008 to SEK 17 million in December 2009.

Financial position

The company's total assets amounted to SEK 158.5 million (127.0) at the end of the period. Shareholders' equity totaled SEK 120.8 million on December 31, 2009, compared with SEK 94.9 million a year earlier. The equity/assets ratio was 76 percent (75) at the end of the period. Cash and cash equivalents amounted to SEK 85.0 million (78.3) on December 31, 2009.

Accounts receivable amounted to SEK 31.9 million (23.8) on December 31, 2009. As a ratio of sales, accounts receivable increased for the full-year from 8.9 percent in 2008 to 9.7 percent in 2009. The pre-spring shipment sent to retailers in December rose from SEK 6 million in December 2008 to SEK 17 million in 2009, which is an important reason for the increase in accounts receivable as of December 31, 2009. To minimize the risk of losses on accounts receivable, customers' credit ratings are monitored continuously. In 2009 realized customer losses corresponded to only 0.2 percent (0.1) of sales. Many small customers and a strategy to work selectively with strong retailers spreads the risks associated with accounts receivable and at the same time has allowed the company to keep accounts receivable at a low level.

Inventories amounted to SEK 24.8 million as of December 31, 2009, compared with SEK 18.5 million at year-end 2008. As a ratio of sales for the full-year, inventory amounted to 7.5 percent, compared with 6.9 percent in 2008, and consisted of spring merchandise awaiting shipment to retailers, stock in company-owned stores and merchandise remaining after the season. The share of new merchandise awaiting distribution in early January (spring collection 2010) represented 31 percent (30) of total inventory.

Investments and cash flow

The company's investments mainly comprise stores, equipment and IT improvements. Total investments for the full-year 2009 amounted to SEK 5.8 million (2.6) and mainly comprise store fixtures and IT systems. Cash flow from operating activities amounted to SEK 29.9 million during the year, compared with SEK 50.6 million in 2008. The dividend payment amounted to SEK 17.3 million (0) in 2009. Total cash flow amounted to SEK 6.9 million (48.0) for the full-year 2009.

Employees

To pave the way for its rapid expansion and ensure high quality in every respect, the company added seven employees in 2009 and now has a total of 40 (including four in the U.S.). Of the 40 employees, nine are men and 31 women. The average number of employees in 2009 was 36 (30).

Environmental and social responsibility

Odd Molly takes a keen interest in its fellow man and the environment and how they are affected by its operations. Odd Molly has no proprietary production. Instead, its collections are produced by carefully selected suppliers. The company's aim is to continuously improve ethically and environmentally, which is why it became a member in 2009 of the Fair Wear Foundation, an independent organization that seeks to improve working conditions in the textile industry. As a member, Odd Molly has undertaken to comply with the Fair Wear Foundation's Code of Labor Practices and make independent inspections of its manufacturers.

Risk factors

There are a number of factors beyond Odd Molly's control that can negatively impact the company's operations, results and financial position, in addition to other factors whose impact Odd Molly can influence through its actions. The risk factors described below may have a considerable impact on Odd Molly's future outlook. The risks are not ranked, nor is the list intended to be comprehensive. Additional risks and uncertainties that Odd Molly is not aware of or which currently are not considered material may also become important factors for Odd Molly.

Operational and industry-related risks


Market risks

Competition

Odd Molly is active in the highly competitive fashion industry where several competitors are very large and have substantial capital, which gives them the opportunity to adapt their operations to changes in customer demand, devote considerable resources to the marketing and design of their products, and achieve greater brand awareness. Although Odd Molly has held its own against the competition, there are no guarantees that the company will continue to keep up with both current and future competitors. Increased competition could lead to price pressure and the loss of market share, which could have a significant impact on Odd Molly's operations, results and financial position.

Supplier risks

Odd Molly has no proprietary production and is totally dependent on external suppliers to provide goods. The company uses several different suppliers in different countries, however, and consequently is not dependent on any individual supplier in its operations. For Odd Molly, it is essential that goods are delivered on time. The loss of one or more suppliers or delay or absence of deliveries could have a negative impact on the company's operations, results and financial position. Some of Odd Molly's products are manufactured in developing countries. Working conditions and environmental regulations there differ in many respects from the countries in which



the products are sold. Consumer product companies with suppliers in developing countries may be subjected to criticism, for example, of working conditions, product quality and environmental impacts. Negative exposure to such issues could affect confidence in the company's brand and lead to lower demand for the company's products and thus negatively affect its operations, results and financial position. Since 2009 Odd Molly is a member of the Fair Wear Foundation, which is working to improve conditions for employees at the factories that manufacture Odd Molly's products. Odd Molly regularly visits its suppliers to ensure to the greatest extent possible that they comply with the Fair Wear Foundation's Code of Labor Practices. However, Odd Molly cannot control everything its suppliers do and, in spite the measures it has taken, cannot rule out that demand for Odd Molly's products could be affected or that Odd Molly's brand could be damaged due to violations of the Code of Labor Practices or current regulations.

Import quotas

Odd Molly purchases a portion of its product range from countries outside the EU. As a step in strengthening certain sectors within Europe, the EU has in certain instances introduced import restrictions on goods such as clothing, which can affect purchasing costs. Since Odd Molly's range is of high quality and therefore commands higher prices, the potential impact is fairly limited compared with players in low-price segments. Still, there is the possibility that future trade restrictions, including higher customs duties, protective measures or quotas on clothing, could force the company to change its purchasing procedures and raise purchasing costs, which in turn could negatively affect the company's operations, results or financial position.

Exchange rate changes

Odd Molly is exposed to exchange rate risks in purchasing from suppliers and sales to foreign countries. Approximately 40 percent of purchases are in USD and 60 percent in EUR. Odd Molly receives revenue in six currencies, SEK, USD, EUR, NOK, DKK and GBP, from sales to foreign retailers. Since the company's reporting currency is SEK, while purchases and a significant share of sales occur in other currencies, the company has a substantial exposure to fluctuations in SEK against USD, EUR, NOK, DKK and GBP, which in the future could negatively affect the company's operations, results and financial position. Although the company manages the currency exposure through hedging transactions, there are no guarantees that its hedging strategies are sufficient to protect operating profit from the effects of future exchange rate fluctuations. The company hedges about half of the net exposure in each currency.

Business risks

Ability to manage growth

Odd Molly's operations have undergone rapid organic growth, which has placed demands on management and the operating and financial infrastructure of the company. As its personnel and operations continue to grow, Odd Molly must ensure that effective planning and management processes are in place to implement the business plan. At present the company believes it has the capacity to handle a significant revenue increase. If Odd Molly is unsuccessful in effectively managing its growth, it could affect the company's operations, financial position and results.

Expansion of operations

Odd Molly's future growth is dependent on, among other things, the ability of current retailers to increase sales of Odd Molly's products and that more retailers begin to sell Odd Molly's products. If Odd Molly does not succeed in expanding by adding more retailers, it could significantly impact the company's growth opportunities as well as its operations, results and financial position.

Odd Molly's sells to outside retailers through agents and distributors with exclusive rights to their market. Marketing and sales results are reliant in large part on the knowledge, experience and commitment of these agents and distributors. To retain strong, long-term partners, Odd Molly feels it is important to maintain market terms and promote strong relationships with its partners. To avoid having agents block their markets with low sales, contracts stipulate minimum levels below which they can be terminated and a new cooperation agreement signed with another agent or distributor.

Odd Molly works continuously to evaluate complementary distribution channels in the form of company-owned stores. There is no guarantee that these stores will generate a sufficient return to cover the initial investment. Moreover, access to attractive store locations will affect the expansion of operations.

In 2010 the company is launching a new men's collection. There is no guarantee that the investment will succeed, which could then negatively affect the company's growth opportunities.

A decorative border made of various colorful fabric scraps, including red, pink, and blue patterns, surrounds the text area.

Dependence on key persons and employees

Odd Molly's future success is highly dependent on the knowledge, experience and commitment of the company's management and other key employees. Odd Molly has reached employment agreements with key persons on what the company considers market terms. Odd Molly views its entire staff as an important asset and consequently works to maintain favorable human resource policies. Nevertheless, there is no guarantee that Odd Molly will be able to retain these key persons or will be able to recruit new, qualified staff in the future. If any of the company's key employees resigns, it could have a negative impact on Odd Molly's operations, results and financial position.

Intellectual property protection

Its brand is of critical importance to Odd Molly's position and success. Copying the Odd Molly brand or distribution and sale of Odd Molly's products without the company's permission would damage the brand, customer confidence in Odd Molly's products and the company's profitability. Moreover, opportunities to expand to new markets could be limited if, for example, a third party in a country has a registered trademark similar to Odd Molly's. Odd Molly actively protects its trademarks and continuously controls and monitors its trademark protection. However, there is no guarantee that the measures taken by Odd Molly to create, protect and monitor use of its intellectual property are sufficient. If Odd Molly's trademarks are damaged, it could negatively affect the company's operations, results and financial position. There is also the possibility that designers, stores and other players claim that Odd Molly's products are infringing on their intellectual property rights. Even if the company currently is not involved in any such legal disputes, there are no guarantees that such claims will not be made against the company in the future. If this occurs, it could require considerable expenditure for the company's legal defense and to pay any lawsuits. If the company cannot defend itself against one or more such claims or cannot pay damages, it could harm its reputation and significantly affect its operations, results and financial position.

Inventory risk

To the extent it is forced to maintain an inventory, Odd Molly is exposed to a risk if that this inventory cannot be sold or must be sold at a discounted price.

Reputational risk

To maintain consistently high quality and protect Odd Molly's uniform concept and values, it is essential for the company to maintain, to a significant extent, control over its distribution network. Odd Molly must ensure that customers have a uniform impression of its products around the world. The products must be presented in a way that reflects the values Odd Molly stands for. If an agent or retailer takes an action that presents Odd Molly's products contrary to its positioning in the market or fails to apply Odd Molly's values and concepts, Odd Molly's trademark and reputation could be damaged. If Odd Molly cannot effectively ensure that its products are presented correctly, it could adversely affect the company's operations, results and financial position in the long term.

Environmental risks

Odd Molly is confident that its operations are conducted in accordance with applicable laws and regulations regarding the environment, health and safety. If any violations were to occur, or if laws and regulations were amended, it could result in significant costs or other measures that adversely affect the company's operations, results and financial position.

Financial risks

Credit risk

Odd Molly currently has no outside funding and therefore is not affected by risks associated with refinancing or changes in lending terms. The company's liquid assets are invested in low-risk savings accounts or money market funds. Differences in interest rates can affect the Group's interest income. The low interest rates in 2009 resulted in significantly lower interest income than the previous year.

Odd Molly's customers receive credit after a credit check. There remains the possibility, however, that Odd Molly could incur losses if a customer is unable to make a payment. In 2009 realized losses on accounts receivable represented 0.2 percent (0.1) of sales. Payment difficulties on the part of customers could also result in increased inventory, since Odd Molly does not ship merchandise to customers with overdue invoices.

Corporate governance

Odd Molly is governed through the Annual General Meeting, the Board of Directors and the CEO in accordance with the Swedish Companies Act and the company's Articles of Association.

Future outlook

The main reason for Odd Molly's profitable growth and the foundation for its future development, aside from creative design and consistent, long-term branding, is its business model. As designed, the business model facilitates further expansion with limited capital requirements and minimal risk of large or obsolete inventory. The long lead times between promotions and delivery mean that sales for a particular fiscal year can be forecast with a relatively high degree of accuracy. The company does not intend to issue forecasts for upcoming financial years. However, Odd Molly will announce order values twice a year, in April and October.

Order value for spring/summer 2010 up 25 percent to SEK 180 million

In October 2009 Odd Molly announced its order value for the spring and summer 2010 collections. Sales generated a continued increase in order levels, thus demonstrating the considerable interest in Odd Molly's brand and designs worldwide. The order value for spring/summer 2010 amounted to slightly over SEK 180 million, compared with nearly SEK 145 million for the corresponding collections in the preceding year. For the first half-year 2010 the order value amounted to SEK 163 million (139), since previously shipped spring merchandise valued at SEK 17 million (6) was reported in 2009.

On April 13, 2010 order bookings will be announced for fall and winter 2010, the large part of which will be shipped during the third quarter. In October 2010 order bookings are scheduled to be announced for spring and summer 2011.

Proposed disposition of profit

The Board of Directors of Odd Molly will propose to the Annual General Meeting that a dividend of SEK 3.50 (3.00) per share be paid for the 2009 fiscal year, corresponding to 46.7 percent (34.7) of net profit for the year. The Board intends to annually test whether there is an opportunity to issue a dividend. In its consideration of future dividends the Board will consider several factors, including the company's operations, operating profit and financial position, current and anticipated liquidity requirements, expansion plans and other significant factors. The Board is of the opinion that liquidity not needed in operations should be distributed to the company's shareholders.

Proposed disposition of the company's profit

The following funds are available to the Annual General Meeting (SEK thousand):

Profit brought forward	62,417
Net profit for the year	45,487

Total	107,905
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The Board proposes that the funds be appropriated as follows:

Dividend to the shareholders (5,752,000 shares * SEK 3.50 per share)	20,132
To be carried forward	87,773

Total	107,905
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Financial information in summary

Results	2009	2008	***2007	***2006	***2005
Result					
Net sales	329,809	267,653	130,260	54,477	21,151
Operating profit, EBIT	59,179	67,509	18,457	4,932	890
Net profit for the year	43,047	49,829	12,922	3,358	600
Margins					
Gross profit margin, %	54.0	58.4	57.2	54.9	51.1
Operating margin, EBIT, %	17.9	25.2	14.2	9.1	4.2
Profit margin, %	18.2	25.9	14.4	8.6	3.1
Profitability					
Return on capital employed, %	55.6	99.1	67.6	88.5	33.1
Return on equity, %	39.9	71.2	50.6	76.3	41.9
Financial position					
Total assets	158,461	126,905	60,082	10,512	4,702
Shareholders' equity	120,819	94,949	45,079	6,046	2,754
Equity/assets ratio, %	76.2	74.8	75.0	57.1	57.7
Per share*					
Equity per share, SEK	21.00	16.51	8.34	1.20	0.54
Earnings per share, SEK	7.48	8.66	2.39	0.67	0.12
Dividend per share, SEK	**3.50	3.00	0.00	0.00	0.00
Employees					
Average number of employees	36	30	19	10	5
Net sales per employee	9,086	8,997	6,856	5,448	4,230

* Based on weighted average before and after dilution.

** Refers to proposed dividend for 2010.

*** Prepared according to general advice of Swedish Accounting Standards Board 2005-2007.

Consolidated statement of comprehensive income

SEK in thousands	2009	2008
Net sales	329,809	267,653
Other operating revenues	530	4 768
	330,339	272,421
Operating expenses		
Goods for resale	-151,744	-111,458
Other external expenses	-92,075	-72,907
Personnel expenses	-25,753	-19,833
Depreciation/amortization of tangible and intangible fixed assets	-1,322	-699
Other operating expenses	-266	-15
Operating profit	59,179	67,509
Result from financial items		
Interest income and similar income items	852	1,904
Interest expenses and similar expense items	-31	-39
Profit after financial items	60,000	69,373
Taxes	-16,953	-19,545
NET PROFIT FOR THE YEAR	43,047	49,829
Other total comprehensive income*		
Translation difference	152	8
Reclassified as operating profit	-56	-75
Change in fair value of securities	-24	45
Tax effect of change in fair value of securities	6	-12
Total comprehensive income for the year	43,125	49,795
Earnings per share		
Earnings per share before and after dilution (SEK)**	7.48	8.66
Proposed dividend per share (SEK)	3.50	3.00
Number of shares at year-end	5,752,000	5,752,000
Average number of shares before and after dilution	5,752,000	5,752,000

* In accordance with revised IAS1, all changes in equity that are not the result of transactions with owners are recognized in the consolidated statement of comprehensive income.

** For calculation, see also the Statement of changes in consolidated equity.

Consolidated balance sheet

SEK in thousands

	Dec. 31, 2009	Dec. 31, 2008	Jan. 1, 2008
ASSETS			
Fixed assets			
<i>Intangible fixed assets</i>			
Tenancy rights and similar rights	898	1,143	–
Other intangible fixed assets	2,103	790	764
	3,002	1,933	764
<i>Tangible fixed assets</i>			
Equipment, tools, fixtures and fittings	4,929	1,706	881
	4,929	1,706	881
<i>Financial fixed assets</i>	–	–	60
Total fixed assets	7,930	3,639	1,705
Current assets			
<i>Inventories, etc.</i>			
Finished products and goods for resale	24,790	18,505	13,717
	24,790	18,505	13,717
<i>Current receivables</i>			
Accounts receivable	31,891	23,758	12,448
Derivatives	423	45	75
Other receivables	3,116	468	–
Prepaid expenses and accrued income	5,276	2,251	1,885
	40,706	26,521	14,894
Cash and bank balances	85,035	78,285	29,840
Total current assets	150,531	123,311	58,451
TOTAL ASSETS	158,461	126,950	60,156

Consolidated balance sheet

SEK in thousands

	Dec. 31, 2009	Dec. 31, 2008	Jan. 1, 2008
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital (5,752,000 shares)	575	575	575
Other paid-in capital	26,010	26,010	26,010
Reserves	97	19	53
Retained earnings	94,137	68,345	18,516
Total shareholders' equity	120,819	94,949	45,154
Long-term liabilities and provisions			
Provisions for deferred tax	4,637	4,644	16
	4,637	4,644	16
Current liabilities			
Liabilities to credit institutions	–	–	71
Advances from customers	274	–	18
Accounts payable	5,318	5,458	3,789
Derivatives	447	–	–
Current tax liabilities	12,569	12,732	3,689
Other liabilities	3,945	1,597	2,139
Accrued expenses and deferred income	10,454	7,571	5,280
	33,006	27,358	14,987
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	158,461	126,950	60,156
<i>Pledged assets and contingent liabilities - Group</i>			
Pledged assets	2,500	2,500	2,500
Contingent liabilities	None	None	None

Cash flow statement

SEK in thousands

	Group		Parent	
	2009	2008	2009	2008
Operating activities				
Operating profit	59,179	67,509	61,368	66,103
<i>Adjustments for items not included in cash flow</i>				
Depreciation/amortization and impairment losses	1,322	699	1,275	660
Exchange rate gains/losses	338	-349	-	-
Capital gains/losses on equipment sales	17	15	17	15
Interest received	852	1 904	975	1,885
Interest paid	-31	-39	-29	-39
	61,677	69,738	63,606	68,624
Income tax paid	-17,103	-5,888	-16,959	-5,827
Cash flow from operating activities before changes in working capital	44,574	63,850	46,647	62,797
Cash flow from changes in working capital				
Increase (-)/Decrease(+) in inventories	-6,522	-4,364	-5,440	-4,550
Increase (-)/Decrease(+) in current receivables	-14,489	-11,263	-11,692	-8,075
Increase (+)/Decrease(-) in current liabilities	6,386	2,426	4,761	3,697
Cash flow from operating activities	29,949	50,648	34,276	53,869
Investing activities				
Acquisition of intangible fixed assets	-1,564	-1,472	-1,802	-1,473
Acquisition of tangible fixed assets	-4,216	-1,203	-1,564	-1,152
Investments in financial assets	-	-	-5,764	-2,342
Acquisition/divestment of financial assets	-	60	-	-
Cash flow from investing activities	-5,780	-2,616	-9,130	-4,967
Financing activities				
Amortization of debt	-	-71	-	-71
Dividend paid	-17,256	-	-17 256	-
Cash flow from financing activities	-17,256	-71	-17,256	-71
Cash flow for the year	6,913	47,961	7,890	48,831
Cash and cash equivalents at beginning of the year	78,285	29,840	75,465	26,634
Exchange rate difference in cash and cash equivalents	-164	484	- 24	-
Cash and cash equivalents at year-end	85,035	78,285	83,332	75,465

The top of the page is decorated with a collage of various fabric scraps and a Polaroid photograph. The fabrics feature different patterns, including stripes, polka dots, and floral designs. The Polaroid photo shows a person's face. The text is centered on a white background.

WHO IS ODD MOLLY?

The story about the brand name odd molly comes directly from the reality of the 80s when one of the Odd Molly founders, Per Holknekt, was a professional skateboarder in the U.S.

The world elite at that time attracted a lot of female fans, and most of them did whatever they could to gain the guys attention.

All but one, she stayed herself and let laughter, heart, willfulness and charm lead the way. And of course she was the one all the guys wanted – an odd molly.

"letting my heart do the thinking"

oادمolly.com