



odd molly annual report 2010
short version

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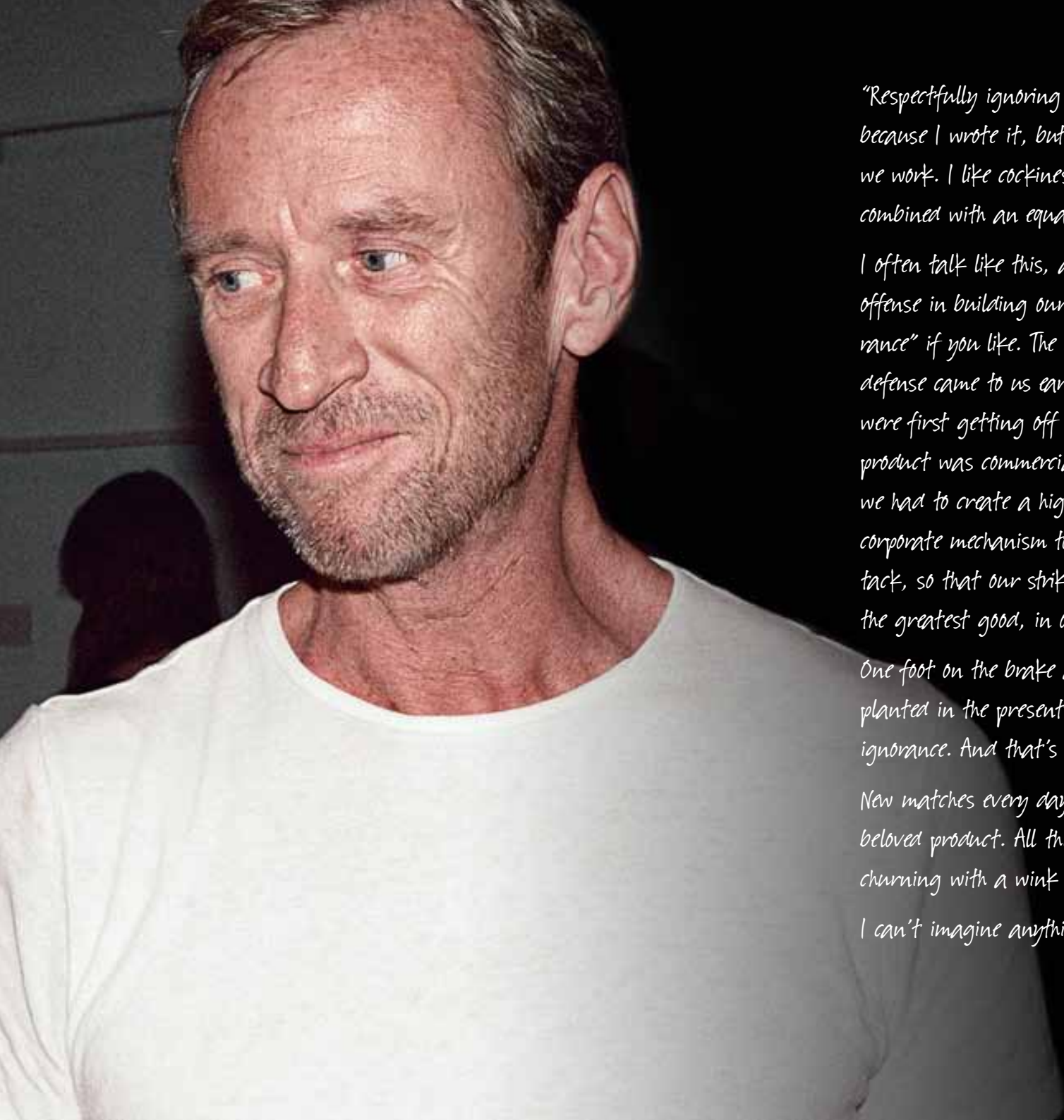
Odd Molly is a dream come true. And the most important thing to me is that we remain willing to go our own way and that everything we do is rooted in the same special feeling – the one you get when you wake up on a Sunday morning with nothing planned. That Sunday feeling is the core of Odd Molly's design work.

Our aim is to design clothes that make women feel great, and look it too. Clothes that are feminine, but with an attractive appeal all their own. We believe that women know what kind of clothing suits them, and our job is to design and provide them with a brilliant palette of choices. Or, putting it simply, really great looking clothes. :-)

As chief designer, I lead a fantastic team, but I am still the one ultimately responsible for making sure that "Molly" develops and challenges. By that I mean we have to encourage boundless creativity in our design work – but obviously think commercially as well. I believe that as long as we continue to surprise and surpass expectations with a personal feel in our clothing, we will win the hearts of our customers and be successful.

Karin





"Respectfully ignoring rules." I love that little aphorism. Not because I wrote it, but because it so perfectly sums up how we work. I like cockiness and a lack of fear, especially when combined with an equal amount of humility and sensibility. I often talk like this, and about being on the defense and offense in building our company. Call it "respect and ignorance" if you like. The dream of a professional, watertight defense came to us early on, when the brand and design were first getting off the ground. We understood that our product was commercially viable, so as quickly as possible we had to create a highly efficient, robust and profitable corporate mechanism to serve as a secure base for our attack, so that our strikers can keep their eye on where it does the greatest good, in our own special way.

One foot on the brake and one on the gas. One foot firmly planted in the present and one in the future. Respect and ignorance. And that's where we are.

New matches every day. A dream team. An exciting, living, beloved product. All this in a dynamic company that keeps churning with a wink and a smile.

I can't imagine anything else I'd rather be doing.

Per

Odd Molly in brief

Odd Molly's operations

Odd Molly is a Swedish company that designs, markets and sells fashion primarily through independent retailers around the world. Odd Molly's clothing is distinguished by beautiful design, qualitative values and sensuality. In 2010 Odd Molly's products were sold in 40 countries, including 29 through local representatives, in Europe, North America, the Middle East, Japan, Australia and New Zealand. The company has 57 employees in Stockholm, Copenhagen and Los Angeles as of December 31, 2010.

Odd Molly's journey

Since it was founded in 2002 Odd Molly has grown substantially with good profitability in Sweden and internationally. The Odd Molly share was listed on the First North marketplace in June 2007, and three years later it changed its listing to NASDAQ

OMX Stockholm. In 2009 Odd Molly opened its first store, and a year later opened one in Los Angeles and another in Copenhagen. In 2010 the first men's collection, called Post fire dew, was launched by Odd Molly's retailers, and the same year it opened two outlets in Kungsbacka and Barkarby.

Odd Molly's success factors

The company's profitable growth is the result of creative design, consistent branding and business acumen packaged in a business model that facilitates expansion with limited capital requirements and low inventory risk. Odd Molly sells its products, which are designed in-house, to outside retailers through independent agents and distributors. The operations reflect its growth ambitions and a strong corporate culture.

Odd Molly's goals and strategic direction

Odd Molly's goal is that all its contacts, 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 a continued geographic expansion, the addition of more retailers and channels, and branding initiatives. Odd Molly will continuously refine its collections and become an increasingly important partner to retailers.



The year in brief

2010 in brief

- Net sales increased by 8 percent to SEK 355.6 million (329.8).
- The gross profit margin rose to 56.6 percent (54.0)
- Operating profit amounted to SEK 50.7 million (59.2), corresponding to an operating margin of 14.3 percent (17.9). Excluding expenses of SEK 4.2 million for the listing change in June, operating profit was SEK 54.9 million and the operating margin was 15.4 percent.
- Net profit amounted to SEK 36.2 million (43.0). The net margin was 10.2 percent (13.1).
- Earnings per share amounted to SEK 6.30 (7.48).
- Cash and cash equivalents amounted to SEK 89 million (85) on December 31, 2010 and the equity/assets ratio was 80.7 percent (76.2).

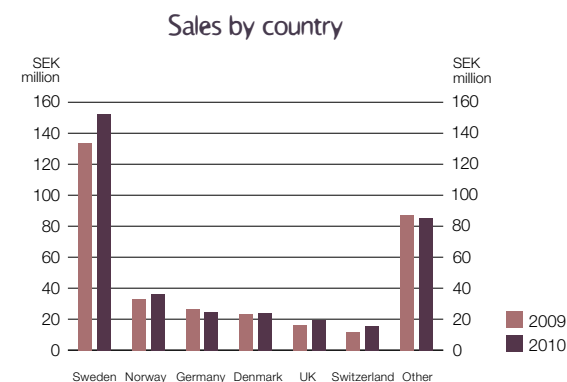
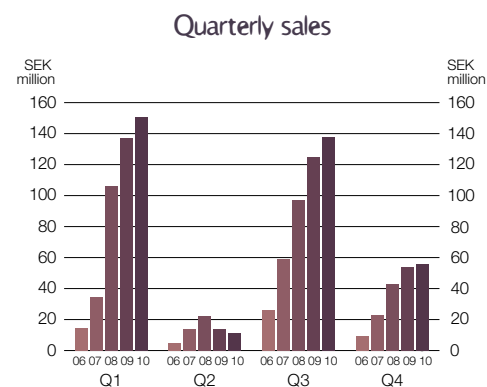
Seasonal fluctuations

Odd Molly currently has six collections per year: spring, summer, fall, winter and two pre-collections. Operations are highly seasonal. The first and third quarters are the strongest in terms of sales and earnings, since the entire spring/summer and fall collections are invoiced to retailers during these quarters. The second and fourth quarters are the weakest with the current seasonal pattern. To even out deliveries and create interest in the upcoming season, pre-collections are shipped prior to the spring and fall.

Financial history

	2010	2009	2008	2007	2006
Net sales, SEK thousand	355 551	329 809	267 653	130 260	54 477
Operating profit, EBIT, SEK thousand	50 668	59 179	67 509	18 457	4 932
Operating margin, EBIT, %	14,3	17,9	25,2	14,2	9,1
Return on capital employed, %	39,7	55,6	99,1	67,6	88,5
Return on equity, %	28,0	39,9	71,2	50,6	76,3
Equity/assets ratio, %	80,7	76,2	74,8	75,0	57,1
Equity per share, SEK	24,0	21,00	16,51	8,34	1,20
Earnings per share, SEK	6,30	7,48	8,66	2,39	0,67
Dividend per share, SEK	*4,50	3,50	3,00	0,00	0,00
Average number of employees	50	36	30	19	10
Net sales per employee, SEK thousand	7 111	9 086	8 997	6 856	5 448
Number of retailers	1 300	1 450	1 612	1 166	550
Number of markets	40	42	41	31	20
Number of company-owned stores	5	1	–	–	–

* Proposed dividend



Love, courage and integrity

Ten steps forward and one back. That pretty much sums up last year. We opened our first stores outside Sweden, in Los Angeles and Copenhagen. We started an outlet concept and opened two more stores in the Swedish market. We launched eyewear and our own men's collection in stores. And we stepped up to the "big list." At the same time we continued to design – and sell – our beautiful collections, and have learned from both our progress and our setbacks during the year.

In last year's comment, I concluded by saying that Odd Molly will continue to develop, dare and challenge – and that if everything we do goes well, there is a risk that we did too little. In 2010 we implemented the number of measures, but for the first time also suffered a setback in the form of the order value we announced for spring/summer 2011, when demand was lower than the previous year. For us this is an incentive to be even better and find the right balance between creative heights and sales breadth.

We finished the year with a sales increase of 8 percent to about SEK 356 million and operating profit of slightly over SEK 50 million. We are proud to continue to deliver good profits – despite that we made several aggressive investments for the future that in the short term will affect results – and of the initiative and financial strength within the company.

Many milestones

The year included many important milestones. One was the decision to switch listings from First North to NASDAQ OMX Stockholm – a move we completed in June, three years after our listing on First North. The listing change makes us accessible to more investors, and the process meant an upgrade of our routines and the way we work within the organization.

We are very proud to have opened two flagship stores during the spring: one on Robertson Boulevard in Los Angeles and a little gem on Svaertegade in central Copenhagen. Our own stores should be seen as a complementary distribution channel, where we can showcase the entire collection in a retail environment that extends and reinforces the feeling of the collection. The aim is to build the brand and support our retailers, but obviously also to contribute to sales.

With our own stores it was also natural, after nearly ten years as a brand, to take the next step and open outlets. Odd Molly outlets are now located in Freeport, outside Göteborg, and in Barkarby, outside Stock-

holm. The idea is to manage inventories better and avoid lengthy sales discounts in our concept stores.

Fall 2010 was the season when Odd Molly's men's collection, Post fire dew, entered its first stores with a sneak premiere. About the same time, in September, we took our first step to having our own runway show during New York Fashion Week. I am fantastically proud that we were able to be there and show that we are an established brand with international appeal.

Triumphs and concerns

Odd Molly has a good international platform, and several markets developed very strongly and showed promise, while others were less positive. In 2010 Sweden continued to perform strongly, as did Norway, Switzerland and the UK, while Southern European countries such as Italy and Spain were less successful. Promotional activities during the second half of the year for spring and summer 2011 did not quite reach our expectations, and for the first time in nearly ten years we saw a decline in the order value for an upcoming collection. There are still a number of bright spots, including Switzerland, Denmark, Finland, France and the Netherlands, but also countries where macroeconomic conditions have affected buyers. As I previously mentioned, our US venture is being re-examined, and we have taken a number of measures to improve our performance there. I must add, however, that we have not yet seen a turnaround, which I find disappointing.

The most important factor for profitable long-term growth – and what we are most easily able to impact – is how we put together our collections and manage our international sales work. The goal is to achieve growth outside Sweden and maintain demand and supply in the Swedish market. We are reviewing our strategic choices and the way we work in the sales network and our own organization – a team that is competent, creative and ambitious. While maintaining integrity and a goal to grow, we have to constantly evaluate our collaborations, keep our ear to the

ground and question our position: what does demand look like and what are our customers saying? We also have to increase our presence in stores to better understand retailers, and we are looking at how we can use and support our agents more effectively.

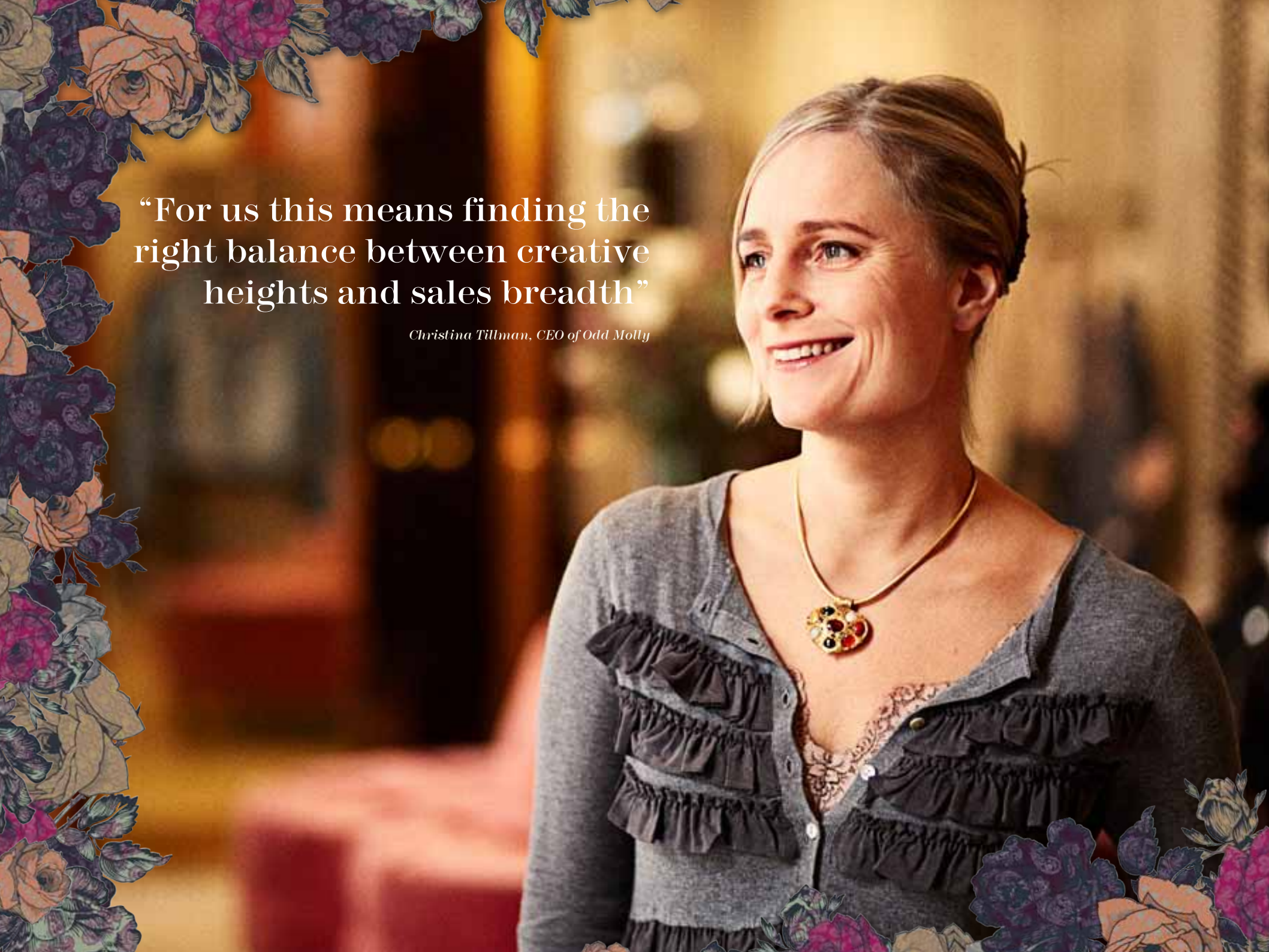
More opportunities

To create stable growth, we are trying to get back to a better defined product mix with a higher share of volume products. We have divided our product range into three different parts, introducing "Classic" – a limited line of best-selling pieces from previous collections, and what we call "Gold," pieces with a more distinctive design and lots of hand-sewn details. Our foundation is the extended Odd Molly collection, which is constantly refined without sacrificing that distinctive Odd Molly touch.

We have seen – and will continue to see – challenges in the form of rising commodity prices for cotton, silk and other materials at the same time that labor costs are increasing for our suppliers. We are monitoring developments carefully, and our aim is to handle this without it affecting our gross margins.

Love, courage and integrity. While it may sound like a film title, it's actually been our cornerstone since Odd Molly was started in 2002. Last year was much the same: we have hundreds of thousands of satisfied customers around the world who are living proof that we stand for something they want and love, we have taken several aggressive actions, and we were willing to implement our ideas in our own way. Now we are continuing to strengthen the brand and grow in the international market – primarily through sales by external retailers with the support of our own stores, complementary products and channels. The future is bright and we expect it to be eventful.

Christina Tillman, CEO

A woman with blonde hair tied back, smiling and looking off-camera to the right. She is wearing a grey cardigan over a black ruffled top and a necklace with a colorful pendant. The background is a warm, out-of-focus interior with bokeh lights. The image is framed by a decorative border of stylized roses and leaves on the left and bottom edges.

“For us this means finding the
right balance between creative
heights and sales breadth”

Christina Tillman, CEO of Odd Molly

The year in images



Post fire dew launched

The new menswear brand Post fire dew was launched by Odd Molly's retailers last fall. In August the first collection was shown during Stockholm Fashion Week at Berns in Stockholm.



Fashion Week New York

The spring collection for 2011 was presented at Odd Molly's annual fashion show, held last year at Mercedes Benz Fashion Week in New York. The show was accompanied by a live performance by Sean Lennon and Charlotte Kemp Muhl and the band Ghost of a Saber Tooth Tiger.



New stores in Los Angeles and Copenhagen

Odd Molly opened its first store outside Sweden: on Robertson Boulevard in Los Angeles. Among the well-known faces attending the grand opening in March were Mini Andén, Malin Åkerman, Kelly Osbourne, Heidi Klum and naturally the face of Odd Molly, Helena Christensen.

In June Odd Molly opened its first store in Denmark in the middle of Copenhagen's fashion district.

Outlets in Kungsbacka and Barkarby
Two outlets were opened during the year in Kungsbacka and Barkarby. A new retail design solution was developed for the outlets.



Listing on NASDAQ OMX Stockholm
On June 21 the Odd Molly share was listed on NASDAQ OMX Stockholm. The listing change gives more investors the opportunity to invest in the company and further underscores the quality of the brand, the company and the work we are doing.

Awards and distinctions
During the year Odd Molly received a number of awards and distinctions, including "Fashion Supplier of the Year, Young Fashion" by the Habit Fashion Awards 2010. The LA store was voted "Best New Store of the Year" by the readers of LA Magazine. Karin, Per and Christer were named "Founder of the Year" by the Founders Alliance, and CEO Christina Tillman was named "Influencer of the Year" by Management Events Sweden.



Business concept, goals and strategies

Distinctive design, consistent branding and a professional organization that strives forward. These are Odd Molly's most important success factors. In 2010 the company stayed aggressive by adding new collections, stores and alliances, all while staying true to the brand's soul.

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.

Goals

Odd Molly's overarching 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.

Odd Molly's financial goals are:

- a growth rate annually exceeding 20 percent on average in coming years
- to ensure an operating margin (EBIT) of over 12 percent over a business cycle
- an equity/assets ratio that over time is at least 40 percent.



Strategies

Odd Molly will expand geographically by launching the brand and establishing cooperations with retailers through independent agents and distributors. 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 will maintain a long-term approach to strengthening its brand and position in current markets, while continuously evaluating opportunities to expand to attractive new markets.

In 2010 Odd Molly's products were sold in 40 countries through 15 independent agents and five distributors.

Increase the number of retailers

Odd Molly will achieve an optimal number of retailers by carefully choosing retailers and selectively recruiting experienced agents and distributors.

In 2010 Odd Molly contracted a new agent in Greece and a distributor in Russia.

Complementary distribution channel in the form of wholly owned stores

Odd Molly will open its own stores to strengthen the brand and 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 and evaluated over time.

In 2010 stores were opened in strategic locations in Los Angeles and Copenhagen. At the same time the company opened two outlets in Sweden, outside Göteborg and Stockholm.

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.

The separate men's collection, Post fire dew, was launched in stores in Sweden and a few other selected countries in fall 2010. Odd Molly's skincare line was available during the year at 250 of Odd Molly's current retailers and a number of cosmetics stores. The eyewear collection was launched by Odd Molly's current retailers as well as a number of specialty stores through collaborations with licensees.

Broader marketing

Odd Molly will continue to invest in activities that build relationships and drive sales, targeting current and potential partners and customers.

In 2010 Odd Molly received considerable coverage by the trade and business press. Supermodel Helena Christensen, who was the face of Odd Molly during the spring, stood behind the camera for the fall campaign. For the first time Odd Molly held a fashion show during the prestigious Mercedes-Benz Fashion Week in New York.

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 needs and growth.

The number of employees increased from 40 to 57 in 2010, with new colleagues in newly opened stores as well as at the head office.

Business model

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

Local agents for geographically defined areas

The business model is based on Odd Molly selling its products internationally primarily through outside retailers. To get the right product mix to as many retailers with the right image as possible, Odd Molly works with agents, or in rare cases distributors. The agent has an exclusive right to sell Odd Molly's products in a geographically defined market. This means that 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 five distributors covering a combined 29 countries. To complement outside retailers and promote the brand, Odd Molly has also had its own stores since 2009.

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 agents and distributors. The agents are then allowed to borrow a sales collection from Odd Molly to sell to buyers and retailers in their market. Every agent has a showroom where Odd Molly's collections are shown and orders are taken for each collection. In addition, Odd Molly participates in a number of international trade shows.

Binding orders six months in advance

When all the orders have been received from agents, they are summed up and Odd Molly places them with selected manufacturers. As a result, Odd Molly produces only enough of each item to fill 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 revenues for each fiscal year can be predicted fairly accurately. A more efficient, Internet-based ordering system was introduced in 2010.

Efficient supply chain


As a rule, products are delivered by a contracted supplier to a third-party warehouse in Stockholm, where they are repackaged for shipment to each retailer. Odd Molly's contractual partner is the retailer; the agent receives a commission on the total sales value in their market. Once Odd Molly has sold the product to retailers, they assume the risk of sales to consumers. It works in much the same way in the US, where Odd Molly also has staff on location who know the market to monitor the supply chain.

Own stores, distributors and licensees as a complement

Odd Molly opened its first store in February 2009 in Stockholm. In 2010 one store was opened in Los Angeles and one in central Copenhagen. In addition, the company opened two outlets in Sweden to shorten sales discounts in its own stores and extend the sales periods for previous seasons' collections. 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.

In a few countries 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. Unlike cooperations with agents, where order volumes from retailers generate a commission, the distributor buys Odd Molly's products at a discount and assumes the risk for selling to retailers.

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

A woman with long, straight brown hair is seated, wearing a blue dress with a white and gold floral pattern. She is looking down at a pink fabric strip she is holding. Another person, wearing a black long-sleeved shirt, is standing behind her, styling her hair with a red comb. To the left, a rack of various patterned fabrics is visible. The background shows a workshop or studio environment with a sewing machine and other equipment.

*“And the prettiest one
of them all,
didn’t even know it”*

Odd Molly worldwide

Odd Molly hand-picks agents or distributors to represent the brand and chooses retailers in close consultation with them. The key criteria are their stores' position in the market, their commitment to the brand, and the other brands carried by the same stores and in the neighboring area.

Retailers and agents

In 2010 Odd Molly was represented by 15 agents and five distributors. Odd Molly's products are sold at the same time by around 1,300 retailers. The network is under continuous review to ensure that the brand is properly managed in each market.

Odd Molly is sold at a variety of retail outlets, ranging from discriminating boutiques around the world to trendy designer stores such as Sarah Coggles in London, Breuninger Exquisite Stuttgart, Ludwig Beck in Munich, and Bongenie Grieder in Zurich and Geneva, and well-known department stores such as Isetan and Beams in Tokyo, Galeries Lafayette in Berlin, Fred Segal in Los Angeles, El Corte Inglés in Lisbon and NK in Stockholm.

Markets

Odd Molly is a global brand active in the upper mid-price segment of the women's clothing market, which it defines as "within reach." In fall 2010 Odd Molly launched a menswear collection under the new brand name Post fire dew. The large part of Odd Molly's sales is currently in Western Europe and North America, but the brand is also represented in Australia and New Zealand as well as in Asia. The overarching aim is to increase Odd Molly's presence and sales in the current international market. The sales organization is being reassessed to create even better support for retailers and international partners.

Sweden is Odd Molly's first and largest market, where recent growth has primarily been through higher average orders. The strategy in Sweden is to be very selective in adding new retailers and to carefully evaluate current relationships.

Norway was Odd Molly's second largest market in 2010, followed by Germany, which has performed strongly in recent seasons. Odd Molly's six largest markets (Sweden, Norway, Germany, Denmark, the UK and Switzerland) accounted for about 76 percent (75) of total sales in 2010. Sweden had another strong year, as did the Norwegian, British and Swiss markets, which reported especially good growth during the year.

The average order from retailers in 2002 was about SEK 15,000. For spring/summer 2011 the average order from retailers was about SEK 124,000. The adjacent table lists Odd Molly's six largest markets in 2010.

Competitors

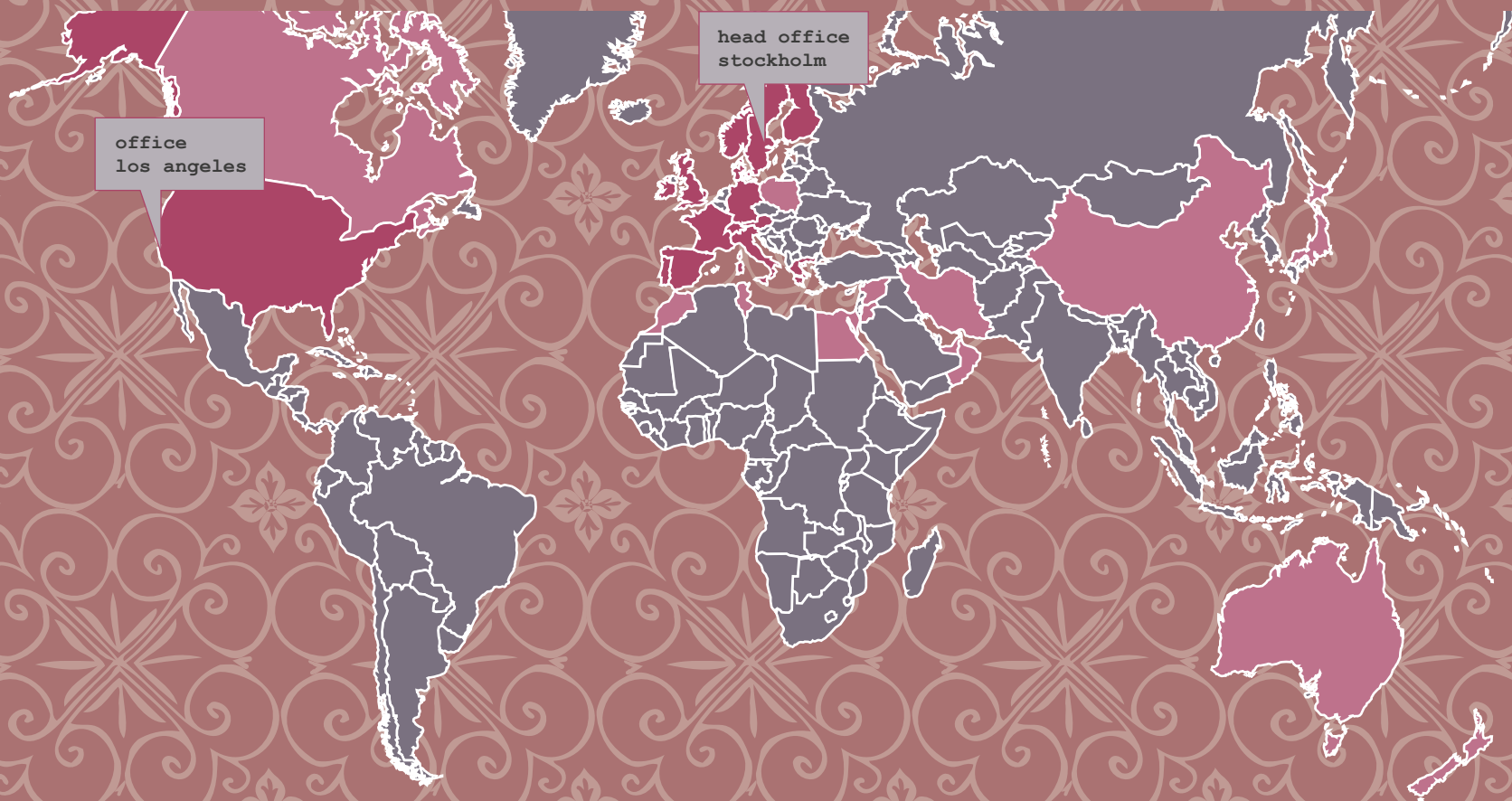
The women's apparel market is intensely competitive. Strong brands and original concepts have become increasingly important, since price sensitivity is considered lower in this market segment.

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

Since the beginning Odd Molly has protected and built on its special qualities, carving out a clearly defined niche in the fashion industry. As such, the company does not see any direct competitors in the market, but instead several players that compete for consumers' spending. In the Nordic market Odd Molly can be found in the same stores as Acne, Bruuns Bazaar, Dagmar, Day Birger Et Mikkelsen, Filippa K, Hunky Dory, Nolita, Rützou, Stella Nova, Tiger, Twist & Tango and Whyred.

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

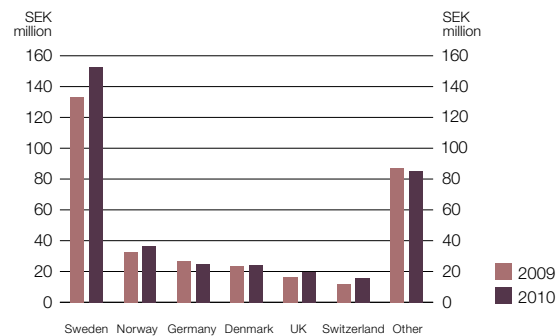
For the menswear collection, Post fire dew, competing brands include Filippa K, Gant, Lexington, Ljung, NN07, Nudie, Polo Ralph Lauren and Tiger.



Sales by country

SEK million	2010	2009
Sweden	152	133
Norway	36	32
Germany	24	27
Denmark	24	23
UK	19	16
Switzerland	16	12
Other	85	87
Total	356	330

Sales by country



Brand

A decisive factor in Odd Molly's successful growth is innovative branding. This includes a consistent, long-term effort to challenge current norms and find new ways to build the brand.

Brand

Branding at Odd Molly means doing things a little differently. Being seen and heard in unexpected places has been one of the reasons for the success in building the brand since the start. It is also important that there is credibility behind the brand and that the company carefully evaluates how it is represented. Company-owned stores also play a role in projecting the right brand image.

All employees and partners around the world share Odd Molly's core values, which are formulated in an Odd Molly manifesto. 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 Stockholm office.

Besides creative branding, measures taken to protect the brand worldwide are also important. Odd Molly works continuously to create and expand brand protection in every country where it is represented as well as in a number of other markets for strategic reasons. The company monitors any registrations of the Odd Molly name or copies of Odd Molly's unique design, and takes action in any cases it finds.

Target Group

Odd Molly's clothing is positioned in the upper mid-price segment, which Odd Molly defines as "within reach." Odd Molly's mission is to preserve the unique, sensuous and individualistic qualities that appeal to women around the world. The target group consists of women in a wide age range, with the core in the 25-50 age group.

The company sees its target group as women with varied interests who lead active, meaningful lives every day of the week.

The concept has created a special sense of community with a highly engaged, loyal circle of customers in many ages and countries.

Marketing

Odd Molly's marketing material is produced by a creative team in the Stockholm office, but adapted to local markets around the world in cooperation with each agent or distributor.

The purpose of Odd Molly's marketing activities is to build awareness of and strengthen the Odd Molly brand, and thereby drive sales of the company's products. Marketing is done through a number of channels, one of the most important of which is international shows. These shows provide the opportunity to sell to retailers, cultivate media sources and meet with potential agents and distributors.

Another important marketing channel to reach the media is PR. Odd Molly currently works with 13 PR agents in major markets in Europe and the US, who handle a variety of media activities, lend clothing samples to TV shows and fashion shoots, and arrange product placements. Odd Molly is also very active with PR centrally in contacts with the trade media, business press and shareholders.

Odd Molly holds shows annually in an international fashion city and runs ad campaigns in leading fashion magazines aimed at consumers, using supermodel Helena Christensen as the face of the company or as a photographer. Odd Molly's website is another important marketing and branding channel, where consumers can see each item within the entire collection. In 2011 Odd Molly will expand its presence in social media and develop its own e-commerce service.

*"At times i see better
with my eyes closed"*





Collections

The idea behind Odd Molly was to create clothing with a special, luxurious feel. Odd Molly's clothes stand out through their distinctive design, sumptuous materials and hand-sewn details. Every item has a visible product number – and often a poetic or clever message on it. Every season has a theme that runs through the entire collection.

Odd Molly's clothing has a design all its own – a unique style that brings to mind a Sunday morning. The design team, made up of eight people, is inspired by important issues facing women in various cultures around the world and has a great interest in people and fashion. Still, Odd Molly doesn't slavishly adhere to current fashion trends and instead interprets the times in which we live in a personal way. The goal is to design innovative collections in keeping with the soul of the brand, but which at the same time have commercial appeal.

The design often utilizes a wealth of details, many of which are hand-sewn. For example, fabrics, prints and embroideries are created from the ground up by Odd Molly's design team.

Since the company's start each collection has had a specific theme which is initially encapsulated by a symbol and an overall message. At this point the little white canvas label reading "celebrating yourselves – Odd Molly uncorporate" is a distinctive feature on the outside of each item. To further underscore 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.

Collections and promotions

Prior to each promotional period the design team presents the current theme to Odd Molly's agents and distributors. They receive a thorough review of the choice of materials, colors, models and details of the technical production of the collection. Odd Molly's chief designer summarizes the most important ideas behind each collection in a letter to all partners.

Six collections are produced each year, but are sold in two cycles: the spring and summer collections and the fall and winter collections, in addition to pre-collections. In terms of volume, the spring and fall collections are the largest, while the summer and winter collections are less extensive. Because of growing demand

from customers, the smaller pre-collections to the main collections have been sold in recent seasons to even out the product flow and create higher sales. They come before the scheduled collection and provide a taste of what will come in season.

The collections are divided by the design team into programs based on qualities, techniques, patterns or color combinations.

Prior to the promotional period, each agent borrows a sample collection to show to its customers: current as well as potential retailers. Certain collections are also presented at a major fashion show in an international city. To date fashion shows have been held in Stockholm, Hollywood, Copenhagen and New York, which have generated great interest around the fashion world.

In conjunction with shipments of each collection, retailers also receive display material and logos for their stores, all produced centrally by Odd Molly. With the chosen business model, the local agent normally maintains contact with retailers, although Odd Molly's aim is to work more closely with store employees around the world in order to maintain the right feel and ensure that the brand is handled correctly.

Collaborative production

The design team works closely with the purchasing and production department. Since its products include many hand-sewn details, Odd Molly also works closely with manufacturers and often utilizes each supplier's specific expertise. Marketing and sales are linked with the design team to get the message behind each collection out and to bring in feedback from the market. Customer service and store employees are also important sources of customers' thoughts and opinions. To assure the quality of the company's products, visits are regularly paid to Odd Molly's manufacturers around the world. With more detailed

products, larger collections, higher quantities and multiple suppliers, this work becomes even more important.

Product offering

Tops are the mainstay in Odd Molly's collections, which normally consist of around 600 products for spring/summer and fall/winter, respectively, including every color and item. The goal is to have a balanced mix of basics and more detailed, unique items to create both continuity and surprise.

With relatively broad-based collections, sales can be diversified within the same area with several retailers without having them compete for consumers with the same offerings. Another advantage of relatively large collections is that they contain products that suit both hot and cold climates and therefore can be sold in many different countries. Odd Molly's range is mainly produced in natural materials such as cotton, wool and silk, and often stitched at least partly by hand.

In 2011 the collection was more clearly divided up to create a better balance between the more detailed, design-oriented products that help to build the brand and higher volume products. This makes it easier to sell to various types of retailers. In addition to the Odd Molly collection, which serves as our base and is constantly fine-tuned, a special collection called Classic was launched for the fall/winter 2011 season with a limited line of best-selling products from previous collections. The introduction of Classic helps Odd Molly to meet strong demand while also creating continuity and harmony with the brand's origins. In addition, there is "Gold" pieces with a more distinctive design and lots of hand-sewn details.



Post fire dew men's collection

The separate menswear collection Post fire dew was launched in stores in fall 2010 in a few selected markets with a focus on Sweden. The launch strategy is to gradually build awareness of the brand, where the initial stage mainly involves creating references and interest from buyers. At this point the company has two employees who are totally focused on developing the men's collection with the support of the rest of the organization and the existing production and sales platform.

The collection includes around 60 pieces with a focus on jackets and tops. The look is timeless, casual and fashionable. Pieces are stitched in natural materials and are based on 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. Post fire dew is a brand for men who have good taste and appreciate fashion, but want it their way. As with the women's collection, the aim is to sell the products in selected branded stores, chains in the right price and fashion category, and better department stores. Post fire dew had its first runway show at Berns during Stockholm Fashion Week in August 2010 and its second show in February 2011.

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.



Complementary products

Skincare

In 2009 Odd Molly launched a skincare line developed through a licensing cooperation with the Swedish skincare and pharmaceutical company Clean Chemical Sweden AB (CCS).

The licensee, CCS, is responsible for product development of the skincare and body line, which is made from natural ingredients. Odd Molly's design and brand team is in charge of selecting the products, as well as their feel and scent, packaging and all sales and marketing material. The line includes body, hand and foot care products, bath and shower products, lip balm and sun protection products.

The launch of the skincare line has received extensive coverage in the lifestyle and fashion press, and several products have rated highly in tests, including Odd Molly's Kiwi Body Scrub, which was named best product by the magazine *Amelia* in 2010.

The aim is to eventually sell these products wherever Odd Molly is located in the world, provided that local laws and import restrictions allow.



Eyewear

Odd Molly has also entered into a licensing cooperation for optical frames and sunglasses with EGOptiska International AB (EGO), which was launched in 2011. The collection has been developed collaboratively by the licensee and Odd Molly's design team. Odd Molly is ultimately responsible for all marketing material and handles sales of sunglasses to its current retailers, while the licensee is responsible for sales to opticians and other professional eyewear retailers in the Nordic region.

Sales through EGO generate royalties for Odd Molly. The reception by the market has been positive, and the products are available from Synsam and in the SAS catalog.

The licensed product groups, which are expected to have a small but positive impact on Odd Molly's revenues and earnings, should mainly be seen as a brand-building complement.





A steady flow

The spring and summer collection

Planning of collection, design period

January

February

Sourcing, final design and production instructions for manufacturers

March

Production of prototypes

April

Production of sample collections

May

June

The fall and winter collection

Promotional meetings with agents and distributors
Promotional period begins

January

February

Final order quantities sent to manufacturers

March

Confirmation of pre-production samples

May

Production period (varies depending on manufacturer and quality)

June

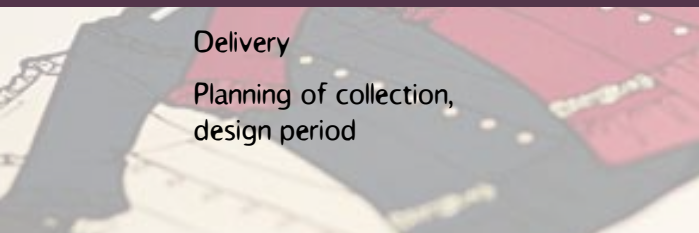


Promotional meetings
with agents and distri-
butors

Promotional period
begins

Juli

August



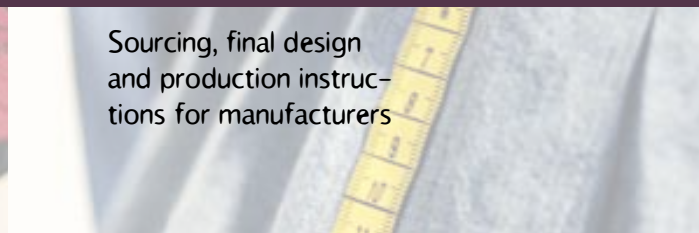
Delivery

Planning of collection,
design period



Final order quantities
sent to manufacturers

September



Sourcing, final design
and production instruc-
tions for manufacturers



Confirmation of pre-
production samples

October



Production period (va-
ries depending on ma-
nufacturer and quality)

November



Production of
prototypes



Delivery

December

Production of sample
collections

The Odd Molly 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, and its aim is that its information will be distinguished by quality, reliability, continuity and promptness.

Listing change to NASDAQ OMX Stockholm

On June 21, 2010 Odd Molly moved its share from First North to NASDAQ OMX Stockholm. The listing change allows more investors to invest in the share. The Odd Molly share was initially listed on First North on June 18, 2007. The sales price at the time was set at SEK 40 and the company gained slightly over 2,000 new shareholders.

Market capitalization and sales

The final price paid on December 31, 2010 was SEK 74.50 (144.00), giving Odd Molly a market capitalization of SEK 428.5 million (823.3). During the fiscal year the average turnover was about 49,800 shares per day (17,500). A total of 10.9 million Odd Molly shares (4.4) were traded at a value of SEK 74.2 million (70.9). The lowest price was SEK 71.00 (December 9, 2010) and the highest price was SEK 160 (January 7, 2010). In 2010 the share declined by 51.2 percent, compared with an increase of 229.5 percent in 2009. During the fiscal year 2010 the OMXSPI Index rose by 21.0 percent.

Share capital

At December 31, 2010 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 of 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.

Changes in share capital

År	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	100-to-1 split	109 890	111 000		111 000
2005	New share issue	11 000	122 000	11 000	122 000
2007	41-to-1 split	4 880 000	5 002 000		122 000
2007	Bonus issue		5 002 000	378 200	500 200
2007	New share issue	750 000	5 752 000	75 000	575 200

Share performance



Dividend policy

The Board of Directors of Odd Molly will recommend that the Annual General Meeting approve a dividend of SEK 4.50 (3.50) per share for the fiscal year 2010, corresponding to 71.5 percent (46.7) of net profit. The Board's goal is to annually recommend that the AGM resolve to pay a dividend corresponding to at least 40 percent of the company's profit to the shareholders. Before issuing its recommendation, the Board will consider whether there is the possibility to pay a dividend of this size. In its evaluation, the Board will consider a number of factors, including the company's operations, operating profit and financial position, current and anticipated liquidity needs, and expansion plans.

Largest shareholders as of December 31, 2010

Ten largest shareholders	No. of shares	No. of votes/ capital, %
Kattvik Financial Services	919 763	15.99
A.T.V Holding AB	904 850	15.73
M2 Capital Management AB	700 000	12.16
Jimfelt Ghatan, Karin	576 090	10.02
Holknekt, Per	300 000	5.22
Swedbank Robur Small Cap Fund Sweden	292 528	5.09
LivförsäkringsAB Skandia (publ)	217 048	3.77
AMF Small Cap Equity Fund	148 150	2.58
Robur Försäkring AB	104 782	1.82
SEB Life Ireland	100 000	1.74
Total, ten largest shareholders	4 263 211	74.12
Other	1 488 789	25.88
Total	5 752 000	100.00

Ownership structure at December 31, 2010

At December 31, 2009 Odd Molly had a total of 4,204 shareholders (3,901), according to Euroclear Sweden AB. Odd Molly's ten largest shareholders held shares corresponding to 74.1 percent (73.7) of the votes and capital in the company. Foreign ownership amounted to approximately 2.4 percent (3.0) at December 31, 2010.

Shareholder structure	No. of shareholders	%	No. of shares	%	Market value (SEK 000)
1 – 500	3 743	8.32	478 733	8.32	35 666
501 – 1 000	246	3.62	208 276	3.62	15 517
1 001 – 5 000	174	6.57	378 115	6.57	28 170
5 001 – 10 000	18	2.29	131 781	2.29	9 818
10 001 – 15 000	6	1.21	69 664	1.21	5 190
15 001 – 20 000	2	0.64	37 048	0.64	2 760
20 001 –	15	77.34	4 448 383	77.34	331 405
Total	4 204	100	5 752 000	100.00	428 524

Key data per share

	2010	2009	2008	2007	2006
Equity per share, SEK	24.00	21.00	16.51	8.34	1.20
Earnings per share, SEK	6.30	7.48	8.66	2.39	0.67
Dividend per share, SEK	*4.50	3.50	3.00	0.00	0.00
Utestående antal aktier på balansdagen	5 752 000	5 752 000	5 752 000	5 752 000	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, 2010 –December 31, 2010.

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 subsidiaries Odd Molly, Inc., which is registered in Delaware, in the U.S, and Odd Molly Denmark ApS, in Denmark. The principal operations are conducted by Odd Molly International AB, while Odd Molly Inc. conducts Odd Molly's operations in the US from Los Angeles and Odd Molly Denmark ApS conducts retail operations in the Danish market.

Odd Molly share and ownership structure

On June 21, 2010 Odd Molly moved its share from First North to NASDAQ OMX Stockholm. The listing change allows more investors to invest in the share. The Odd Molly share was initially listed on First North on June 18, 2007. The sales price at the time was set at SEK 40 and the company gained slightly over 2,000 new shareholders.

The total number of shares in Odd Molly is 5,752,000, distributed among one class of share.

At December 31, 2010 Odd Molly had around 4,204 shareholders, 98 percent of whom were registered in Sweden. About 46 percent of shareholders were men, 48 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 32.

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 beautiful, personal and sensuous design combined with high quality and a distinctive profile.

As a rule, Odd Molly is represented by outside agents or distributors around the world, who are responsible for geographically defined markets. The business model facilitates expansion with limited operational risk and tied-up capital, while retaining control of the concept and brand. To complement the independent retailers, Odd Molly opened its first concept store in February 2009 on Humlegårdsgatan, in Stockholm. In 2010 two additional company-owned concept stores and two outlets were opened.

Significant events during the year

Odd Molly opened two concept stores during the first half-year: one of Los Angeles, in the US, and one in Copenhagen, Denmark. In addition, the Group opened two outlets in Sweden, one in June and one of December.

In 2010 Odd Molly signed a local representation agreement with a distributor in Russia. Odd Molly launched its eyewear line in spring 2010.

Odd Molly's menswear line, Post fire dew, was launched in stores during the fall. The collection was presented at a major fashion show at Berns during Stockholm Fashion Week in August.

In September Odd Molly held its fifth international fashion show, this time in New York during Mercedes-Benz Fashion Week.

Sales and revenue 2010

Parent Company

Sales in North America are handled through wholly owned subsidiary Odd Molly Inc. Odd Molly also has a subsidiary in Denmark, Odd Molly Denmark ApS, which is responsible for retail operations in the Danish market. All sales are otherwise handled through the Parent Company, Odd Molly International AB.

The Parent Company reported net sales for the year of SEK 341.5 million (315.6) with operating profit of SEK 55.7 million (61.4). The Parent Company's shareholders' equity amounted to SEK 104.4 million (110.1). Cash and cash equivalents amounted to SEK 86.7 million (83.3).

Write-down of carrying amount of shares in subsidiary

On December 31, 2010 the Parent Company paid a shareholder contribution to the US subsidiary by converting its receivable of SEK 17.1 million. The shareholder contribution increases the carrying amount of the shares in the US subsidiary by an equal amount. After a number of years of investments to build demand in the US market, the Board of Directors has decided to write down the amount in question. This write-down in no way changes the company's strategy to continue investing in the US market. The expectation is still that it will take time for a new brand like Odd Molly to establish a strong position in the US.

Group

Net sales

The sales trend remained stable and net sales amounted to SEK 355.6 million (329.8), an increase of 8 percent compared with 2009. The previously published order value for 2010 was SEK 365 million. The difference between the final outcome and the order value is partly due to exchange rates and partly to the strict credit controls maintained prior to delivery.



In 2010 Odd Molly's products were sold in 40 countries, 29 of which through local representatives via 15 independent agents and five distributors. Products were sold without representatives in 11 countries. Odd Molly's six largest markets (Sweden, Norway, Germany, Denmark, the UK and Switzerland) accounted for approximately 76 percent (75) of total sales in 2010.

Earnings

The gross profit margin was 56.6 percent (54.0). Operating profit amounted to SEK 50.7 million (59.2), corresponding to an operating margin of 14.3 percent (17.9).

Other external expenses amounted to SEK 108.7 million (92.1), corresponding to 30.6 percent (27.9) of sales, and included one-off expenses of around SEK 4.2 million for the listing change to NASDAQ OMX Stockholm. Personnel expenses amounted to SEK 33.9 million (25.8), which represents a slightly higher share of sales than the previous year (9.5 percent in 2010 against 7.8 percent in 2009). The increase in personnel expenses is related to the new stores as well as new employees elsewhere in the organization. Other operating expenses of SEK 5.4 million (0.3) were charged against earnings and largely consist of a negative currency effect resulting when accounts receivable and liquid assets in foreign currency were revalued after the Swedish krona appreciated during the second half of 2010.

Operating expenses can be divided into six principal items: cost of goods, including freight and customs duties; commissions to local agents; marketing and PR, including trade show costs; distribution to retailers, personnel costs and other costs. The first two and distribution costs essentially vary directly in relation to sales, while marketing and PR are related to growth, although revenue from them is not generated until 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 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 6.30 (7.48).

Seasonal fluctuations

Odd Molly has six collections per year (spring, summer, fall, winter and two pre-collections), 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 considerably weaker. This means that it is better to follow the company's operations, sales and profits on a semiannual basis. Odd Molly ships its spring collection between January 15 and February 28, the summer collection between March 15 and April 15, the fall collection between August 1 and September 15, and the winter collection in October, which means that the spring collection is delivered and invoiced in the first quarter, the summer collection in the first and second quarters, the fall collection in 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 late June or early July.

Financial position

The company's total assets amounted to SEK 171.0 million (158.5) on December 31, 2010. Shareholders' equity totaled SEK 138.1 million on the same date, compared with SEK 120.8 million on December 31, 2009. The equity/assets ratio was 81 percent (76). Cash and cash equivalents amounted to SEK 89.2 million (85) on December 31, 2010.

Accounts receivable amounted to SEK 38.4 million (31.9) on December 31, 2010. As a share of sales for the full-year, accounts receivable rose from 9.7 percent in 2009 to 10.8 percent in 2010. The pre-spring shipment delivered to retailers in December increased from SEK 17 million in December 2009 to SEK 26 million in December 2010 and is an important reason for the increased accounts receivable at year-end. To minimize the risk of losses on accounts receivable, customers' credit ratings are continuously monitored. In 2010 realized customer losses corresponded to 0.4 percent (0.2) of sales.

Inventories amounted to SEK 23.2 million on December 31, 2010, against SEK 24.8 million at year-end 2009. As a ratio of sales for the full-year 2010, inventory amounted to 6.5 percent, compared with 7.5 percent in the previous year. Inventory consisted of spring merchandise awaiting shipment to retailers, stock in company-owned stores, sales collections and remaining merchandise after the season.

Investments and cash flow

The company's investments mainly comprise retail locations, equipment and further development of IT systems. Total investments for 2010 amounted to SEK 6.6 million (5.8) and mainly comprised store fixtures and IT systems.


Cash flow from operating activities amounted to SEK 31.0 million during the year, compared with SEK 29.9 million in 2009. The dividend payment in 2010 amounted to SEK 20.1 million (17.3). Total cash flow amounted to SEK 4.3 million (6.9) for the full-year 2010.

Employees

To pave the way for its rapid expansion and ensure high quality in every respect, the company hired 17 new employees in 2010 and now has a total of 57 (including six in the US). Of the 57 employees, nine are men and 48 women. The average number of employees in 2010 was 50 (36). New employees include staff for the newly opened stores as well as in design, production, administration and PR.

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. Since 2009 Odd Molly has been a member 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. For more information on Odd Molly's corporate responsibility work, see page 28.

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 to date, there are no guarantees that the company will continue to pace 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 its suppliers to provide goods. The company uses a number of 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 are especially susceptible 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, 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 discount 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.

Economy

Economic conditions can raise or lower demand for Odd Molly's products.

Business risks

Ability to manage growth

Odd Molly's operations have undergone rapid organic growth to date, 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 offer 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 launched a new men's collection. There is no guarantee that the investment will succeed, which could then negatively affect the company's growth opportunities.

Dependence on key persons and employees

Odd Molly's future success is highly dependent on the knowledge, experience and commitment of its management and other key employees. Odd Molly has reached employment agreements with key persons on what the company considers market terms. Odd Molly regards its entire staff as an important asset and consequently works to maintain the right 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 damages. 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.

Changes in demand

Odd Molly is highly dependent on customer preferences for design, quality and price. A miscalculation of customer preferences could cause demand for Odd Molly's products to decline or disappear entirely, which in turn could adversely affect the company's operations, results and financial position.

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

For a description of the Group's management of financial risks, see Note 25 Financial risk management.

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. For more information on the company's governance, see the Corporate governance report on page 61.

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 low 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 2011

In October Odd Molly announced its order value for the spring and summer 2011 collections. The order value amounted to SEK 165 million, compared with SEK 180 million for the same collections last year. For the first half of 2011 the order value therefore amounted to SEK 139 million (163), excluding pre-spring merchandise valued at SEK 26 million (17), which was booked in the fourth quarter 2010. The first half-year includes the pre-fall shipment, the order value of which will be announced in April.

Proposed disposition of profit

The Board of Directors of Odd Molly will recommend to the Annual General Meeting a dividend of SEK 4.50 per share (3.50) for the 2010 fiscal year, corresponding to 71.5 percent (46.7) of net profit. The Board intends to annually test whether there is an opportunity to issue a dividend. The Board's goal is to annually recommend that the AGM resolve to pay a dividend corresponding to at least 40 percent of the company's profit to the shareholders. Before issuing its recommendation, the Board will consider whether there is the possibility to pay a dividend of this size. In its evaluation, the Board will consider a number of factors, including the company's operations, operating profit and financial position, current and anticipated liquidity needs, and expansion plans.

Proposed disposition of the company's profit

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

Share premium reserve	26 010
Fair value reserve	806
Profit brought forward	62 068
Net profit for the year	13 287
Total	102 170

The Board proposes that the funds be appropriated as follows:

Dividend to the shareholders (5,752,000 shares x SEK 4.50 per share)	25 884
To be carried forward	76 286
Total	102 170

Condensed financial information – Group

SEK in thousands	2010	2009	2008	2007	2006	2005	2004
Results							
Net sales	355 551	329 809	267 653	130 260	54 477	21 151	10 271
Operating profit, EBIT	50 668	59 179	67 509	18 457	4 932	890	–290
Net profit for the year	36 226	43 047	49 829	12 922	3 358	600	–552
Margins							
Gross profit margin, %	56.6	54.0	58.4	57.2	54.9	51.1	
Operating margin, EBIT, %	14.3	17.9	25.2	14.2	9.1	4.2	–2.8
Profit margin, %	14.5	18.2	25.9	14.4	8.6	3.1	–5.4
Profitability							
Return on capital employed, %	39.7	55.6	99.1	67.6	88.5	33.1	–21.1
Profit margin, %	28.0	39.9	71.2	50.6	76.3	41.9	–155.5
Financial position							
Total assets	171 012	158 461	126 905	60 082	10 512	4 702	2 386
Shareholders' equity	138 066	120 819	94 949	45 079	6 046	2 754	112
Equity/assets ratio, %	80.7	76.2	74.8	75.0	57.1	57.7	4.7
Per share*							
Equity per share, SEK	24.00	21.00	16.51	8.34	1.20	0.54	0.02
Earnings per share, SE	6.30	7.48	8.66	2.39	0.67	0.12	–0.11
Dividend per share, SEK	**4.50	3.50	3.00	0.00	0.00	0.00	0.00
Employees							
Average number of employees	50	36	30	19	10	5	3
Net sales per employee	7 111	9 086	8 997	6 856	5 448	4 230	3 424

* Based on weighted average before and after dilution.

** Refers to proposed dividend for 2011.

Consolidated statement of comprehensive income

SEK in thousands	Note	2010	2009
Net sales	1	355 551	329 809
Other operating revenues	2	848	530
		356 399	330 339
Operating expenses			
Goods for resale		-154 436	-151 744
Other external expenses	3,4	-108 662	-92 075
Personnel expenses	5	-33 886	-25 753
Depreciation/amortization of tangible and intangible fixed assets	6	-3 348	-1 322
Other operating expenses	7	-5 399	-266
Operating profit		50 668	59 179
Result from financial items			
Interest income and similar income items	8	734	852
Interest expenses and similar expense items		-	-31
Profit after financial items		51 401	60 000
Taxes	10	-15 176	-16 953
Net profit for the year attributable to Parent Company's shareholders		36 226	43 047
Other total comprehensive income*			
Translation difference		342	152
Reclassified to operating profit		-876	-56
Change in fair value of securities		1 977	-24
Tax effect of change in fair value of securities		-290	6
Total comprehensive income for the year attributable to Parent Company's shareholders		37 379	43 125
Earnings per share			
Earnings per share before and after dilution (SEK)**	11	6,30	7,48
Proposed dividend per share (SEK)		4,50	3,50
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 Consolidated statement of changes in equity.

Consolidated balance sheet

<i>SEK in thousands</i>	<i>Note</i>	<i>Dec. 31, 2010</i>	<i>Dec. 31, 2009</i>
ASSETS			
Fixed assets			
<i>Intangible fixed assets</i>			
Tenancy rights and similar rights	1, 12	653	898
Other intangible fixed assets	1, 12	2 116	2 103
		2 770	3 002
<i>Tangible fixed assets</i>			
Equipment, tools, fixtures and fittings	1, 13	8 051	4 929
		8 051	4 929
Total fixed assets		10 821	7 930
Current assets			
<i>Inventories, etc.</i>			
Finished products and goods for resale	16	23 175	24 790
		23 175	24 790
<i>Current receivables</i>			
Accounts receivable	17	38 388	31 891
Derivatives	18	1 093	423
Other receivables		3 336	3 116
Prepaid expenses and accrued income	19	4 995	5 276
		47 812	40 706
Cash and bank balances			
		89 204	85 035
Total current assets		160 191	150 531
TOTAL ASSETS		171 012	158 461

<i>SEK in thousands</i>	<i>Note</i>	<i>Dec. 31, 2010</i>	<i>Dec. 31, 2009</i>
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital (5,752,000 shares)		575	575
Other paid-in capital		26 010	26 010
Reserves		1 190	97
Retained earnings		110 291	94 137
Total shareholders' equity		138 066	120 819
Long-term liabilities and provisions			
Provisions for deferred tax	21	8 455	4 637
		8 455	4 637
Current liabilities			
Advances from customers		182	274
Accounts payable		5 839	5 318
Derivatives	18	–	447
Current tax liabilities		2 607	12 569
Other liabilities		4 737	3 945
Accrued expenses and deferred income	23	11 125	10 454
		24 490	33 006
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		171 012	158 461
<i>Pledged assets and contingent liabilities</i>			
Pledged assets	22	2 500	2 500
Contingent liabilities		none	none

Consolidated statement of cash flows

SEK in thousands	2010	2009
Operating activities		
Operating profit	50 668	59 179
<i>Adjustments for items not included in cash flow:</i>		
Depreciation/amortization and impairment losses	3 348	1 322
Exchange rate gains/losses	1 974	338
Capital gains/losses on equipment sales	–	17
Interest received	734	852
Interest paid	–	–31
	56 723	61 677
Income tax paid	–21 320	–17 103
Cash flow from operating activities		
before changes in working capital	35 403	44 574
Cash flow from changes in working capital		
Increase (-)/Decrease(+) in inventories	1 348	–6 522
Increase (-)/Decrease(+) in current receivables	–7 444	–14 489

	2010	2009
Increase (+)/Decrease(-) in current liabilities	1 730	6 386
Cash flow from operating activities	31 038	29 949
Investing activities		
Acquisition of intangible fixed assets	–596	–1 564
Acquisition of tangible fixed assets	–5 992	–4 216
Cash flow from investing activities	–6 588	–5 780
Financing activities		
Dividend paid	–20 132	–17 256
Cash flow from financing activities	–20 132	–17 256
Cash flow for the year	4 318	6 913
Cash and cash equivalents at beginning of the year	85 035	78 285
Exchange rate difference in cash and cash equivalents	–149	–164
Cash and cash equivalents at year-end	89 204	85 035

Condensed statement of changes in consolidated equity

SEK in thousands	Share capital	Other paid-in capital	Translation differences	Fair value reserve	Retained earnings	Total share-holders equity
Opening shareholders' equity at January 1, 2009	575	26 010	–22	41	68 345	94 949
Dividend					–17 256	–17 256
Other comprehensive income	–	–	151	–73	43 047	43 125
Closing shareholders' equity at December 31, 2009	575	26 010	129	–32	94 137	120 819
Opening shareholders' equity at January 1, 2010	575	26 010	121	–24	94 137	120 819
Dividend					–20 132	–20 132
Other comprehensive income	–	–	263	830	36 286	37 379
Closing shareholders' equity at December 31, 2010	575	26 010	384	806	110 291	138 066

Odd Molly's share capital amounted to SEK 575,200 at year-end, distributed among 5,752,000 shares with a quota value of SEK 0.1. Each share carries one vote and the same entitlement to share in the company's assets and earnings. Odd Molly's operations are financed in their entirety with shareholders' equity. The Board of Directors of Odd Molly has established a goal that the equity/assets ratio will be at least 40 percent.




WHO IS ODD MOLLY?

The story behind the name Odd Molly comes directly from the reality of the 80s, when one of Odd Molly's founders, Per Holmnekt, was a professional skateboarder in the US.

The world elite at the 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 win them over. And of course she was the one all the guys liked the most – an Odd Molly.



odd molly
letting my heart do the thinking

for more info go to
oddmolly.com