




odd molly annual report 2011

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**Odd Molly isn't an invented concept.
Odd Molly is for real.**

We met 10 years ago and understood immediately that we had a magical connection and an idea worth building a company on. We saw something in our meeting that was missing in fashion heaven and liked the idea of complementing the market, not just competing. Today, 10 years later, we know we were right.

Our personal commitment to an aesthetic design and feeling hasn't changed. We will always give our pens free reign in respectful ignorance of what trends say we should do. We will always stand up for women as a phenomenon far beyond what today's superficial values make her out to be. These two things are deeply rooted in Odd Molly's soul, simply because we are company built on people, on humanity and commitment.

Our message, and our design's, is for real. It's wildly beautiful, it's heartfelt and it's needed. In the past, today and in the future.

And, yes, we will always argue affectionately, challenge conventions and at the same time enjoy a little friendly laugh.

Everyone is an ideal.
You are perfect because you are not.
Vive la difference!

Karin and Per



ODD MOLLY MANIFEST

a designer collaboration of heart, mind & eye, for the love of feeling good

- * **ODD MOLLY IS A FASHION DESIGNER BUSINESS ***
(dedicated to designing no-compromise clothes to fall in love with)
- * **ODD MOLLY IS AN INDUSTRIAL PARTNER ***
(we will become and remain an integral part of the intl fashion industry)
- * **ODD MOLLY DESIGNS MUST LOOK AND FEEL GOOD ***
(regardless of trends)
- * **ODD MOLLY IS A REALITY BASED COMPANY ***
(observing and highlighting everyday human issues)
- * **ODD MOLLY CELEBRATES YOURSELVES ***
(we firmly believe in the you in you)
- * **ODD MOLLY DOES NOT FOLLOW ***
(yet does not necessarily intend to lead)
- * **ODD MOLLY IS A UNIVERSAL BRAND ***
(like a nomad, always at home no matter where)
- * **ODD MOLLY IS ABOUT COURAGE AND INITIATIVE ***
(we never wait for others to try before we do)
- * **ODD MOLLY INTENSIONS ARE HONEST & HEARTLY ***
(but like most people we do make educating mistakes)
- * **ODD MOLLY ARE VERY SERIOUS IN WHAT WE DO ***
(however we do not take ourselves very seriously)
- * **ODD MOLLY IS A FRIENDSHIP ***
(and all that understand, or wish to understand, are welcome aboard)

"you are perfect because you are not"





odd molly in brief

*** ODD MOLLY IS ABOUT COURAGE AND INITIATIVE ***
(we never wait for others to try before we do)

Odd Molly is a Swedish company that designs, markets and sells fashion for global market. The company was founded in 2002 and ten years later Odd Molly's clothing is sold in 39 countries in Europe, North America, the Middle East, Japan, Australia and New Zealand.

Odd Molly's clothing is sold mainly through external retailers, via agents and distributors, but also through its own sales channels. In 2009 Odd Molly opened its first store and today has stores in Stockholm and Copenhagen as well as two outlets in Sweden. In fall 2011 Odd Molly launched its own web shop and developed a shop-in-shop concept.

Odd Molly is listed on NASDAQ OMX Stockholm and has around 3,650 shareholders. At year-end 2011 there were a total of 58 employees in Stockholm, Göteborg, Copenhagen and Los Angeles.

Odd Molly's vision is to play a distinct and long-lasting role in the international fashion industry. The company will profitably grow by continuing to create captivating collections, utilizing its geographical platform and developing its presence in new and existing sales channels. The corporate culture places a premium on high quality, creativity and accountability based on an understanding of Odd Molly's customer and operating environment.

2011 was a tough year that reflected the difficult market conditions Odd Molly faces. Net sales decreased from the previous year, but were in line with the earlier announced order value. The gross margin remained stable at a high level, while operating profit for the full-year was charged with expenses of about SEK 7 million to close the US store and discontinue the men's collection.

2011 – numbers

- × Net sales amounted to SEK 292.3 million (355.6).
- × The gross profit margin was 56.0 percent (56.6).
- × Operating profit amounted to SEK 20.1 million (50.7), corresponding to an operating margin of 6.9 percent (14.3).
- × Excluding one-time expenses to shut down the Los Angeles store and discontinue Post Fire Dew, operating profit amounted to SEK 27.0 million, corresponding to an operating margin of 9.2 percent.
- × Net profit was SEK 14.2 million (36.2). The net margin was 7.3 percent (10.2).
- × Earnings per share amounted to SEK 2.48 (6.30).
- × Cash and cash equivalents amounted to SEK 80.7 million (89.2) on December 31, 2011 and the equity/assets ratio was 76.8 percent (80.7).

2011 – events

- × Decision to streamline operations is made in September.
 - The store in Los Angeles is shut down.
 - The men's collection, Post Fire Dew, is discontinued.
- × Warrant program for the CEO and Vice President is approved by the Extraordinary General Meeting in November.
- × Anna Attemark takes over as the new CEO and Jennie Högstedt Björk as Vice President and Category Manager in December.
- × Odd Molly launches its own web shop.

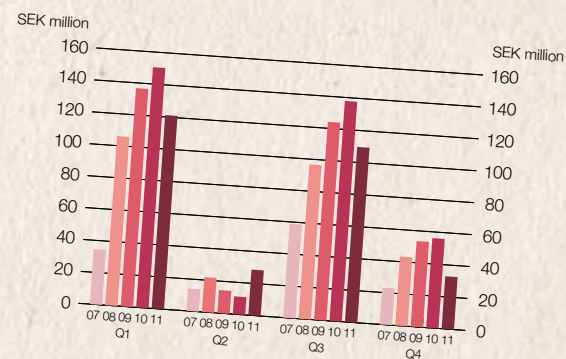
Financial history

	2011	2010	2009	2008	2007
Net sales, SEK thousand	292,275	355,551	329,809	267,653	130,260
Operating profit, EBIT, SEK thousand	20,074	50,668	59,179	67,509	18,457
Operating margin, EBIT, %	6.9	14.3	17.9	25.2	14.2
Return on capital employed, %	16.2	39.7	55.6	99.1	67.6
Return on equity, %	10.7	28.0	39.9	71.2	50.6
Equity/assets ratio, %	76.8	80.7	76.2	74.8	75.0
Equity per share, SEK	22.08	24.0	21.00	16.51	8.34
Earnings per share, SEK	2.48	6.30	7.48	8.66	2.39
Dividend per share, SEK	*3.00	4.50	3.50	3.00	0.00
Average number of employees	57	50	36	30	19
Net sales per employee, SEK thousand	5,142	7,111	9,086	8,997	6,856
Number of markets	39	40	42	41	31
Number of company-owned stores	**5	5	1	-	-

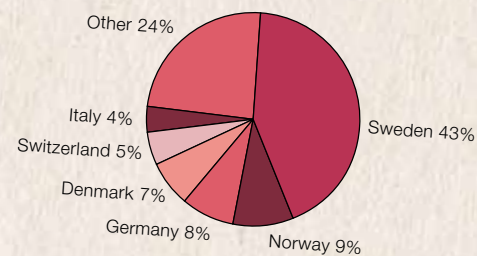
* Proposed dividend.

** Two flagship stores in Stockholm and Copenhagen, two outlets outside Göteborg and Stockholm, and a web shop.

Quarterly sales



Sales by country





**“There is fantastic potential
in our fine products, strong
brand and skilled people.”**

Anna Attemark, CEO of Odd Molly



Strong position - with challenges and opportunities ahead of us

A strong corporate culture is a common denominator of all successful companies, regardless of their size or business. Understanding Odd Molly's values has therefore been especially important to me since just before Christmas, when I took over the helm of a company that had grown substantially during its first decade, but which had also reached its first bump in the road. During the short time I have been with the company I have focused on understanding Odd Molly's opportunities and challenges, strengths and weaknesses. Who is our customer? What creates value? And, not least, what is the company's soul?

I see it as my role to develop, but also to preserve. In concrete terms this means reversing the sales trend as soon as possible and creating profitable long-term growth.

Starting point

In its ten years on the market, Odd Molly has produced fantastic sales and built a strong brand. After several efforts to broaden the product line, the company decided in fall 2011 to streamline operations and focus on the women's collection and Odd Molly's most important markets. This was a wise decision, in my opinion, and puts us in position to get us over the hump.

After many years in the fashion industry, I know that every season and every collection is a new challenge - and opportunity. Declining order values in recent seasons make the challenge that much greater. It takes time to reverse a negative trend, but

it can be done. My feeling is that we have to have patience and begin at the beginning, with our customer, while remaining true to our brand and creating a balance in the collections in terms of pricing, category structure and volumes. We are very strong today in certain product groups, while others are still in their infancy. There are great opportunities here for development. We have to be willing to differentiate, eliminate and take greater responsibility for guiding our customers, both retailers and consumers, in their purchases.

Potential

Odd Molly creates designs for women who want to feel good inside and out. We create designs that let you be yourself, that you can feel happy about and look beautiful wearing. Clearly we have an interesting position on the fashion map, and we want to strengthen it.

Odd Molly has fantastic potential in its fine products, strong brand and skilled people. The brand is represented by a large number of retailers, and we have begun to take control over sales through our own channels: stores, shop-in-shops and e-commerce. I see a big opportunity here to actively drive sales. The web shop has performed very well since its launch last fall, and we are gradually opening it to more markets. With greater control over sales, we have more flexibility and at the same time a better understanding of our end consumer. It gives us an ear to the

ground, which is a big asset in all business development. The foundation for sales of Odd Molly's merchandise, however, will remain selected external retailers.

Outlook

Right now we are working intensely to plan upcoming collections. My first fashion show as CEO of Odd Molly was when we launched the fall and winter collection and celebrated our 10th anniversary at Berns in February. On stage I saw models that radiated joy, well-being and self-esteem in clothing that was attractive, colorful and unique. That's how we want Odd Molly to be: as a product and a company.

Odd Molly has carved out a distinctive position in the market and will continue to stand for a unique expression and beautiful design with a clear understanding of our target audience. The market is tough, and the order value for the first half-year is significantly lower than the previous year. We will remain creative, daring and curious, but we also have to figure out how to be more efficient. The goal is to build a stable business that can grow conceptually and geographically over the long term. We are working hard to reverse this sales trend through a better product range, targeted sales activities and increased control in our own sales channels. I am very optimistic - and realistic.

Anna Attemark, CEO of Odd Molly

*Anna Attemark
CEO of Odd Molly*

Odd molly in images



Fashion show at Berns during Stockholm Fashion Week

In August Odd Molly showed its spring and summer 2012 collection at Berns in Stockholm during Mercedes Benz Fashion Week. The show ended with the models strolling through neighboring Berzelii Park to the delight of the public.

Web shop opened

During the year Odd Molly opened its own web shop – Odd Molly Boutique Online – which serves as a new sales channel for the entire product line. At this point the web shop is available to customers within the EU.



Retail concept of the year

Odd Molly's stores have received attention for their original style, distinctive solutions and well thought-out details that showcase the clothing and the brand. During the fall Odd Molly was awarded "Design Concept of the Year" in the fashion magazine Habit's annual fashion issue.





New CEO

In December 2011 Anna Attemark took over as CEO of Odd Molly. Most recently from H&M's purchasing department, she brings many years of experience and extensive knowledge of leadership, business development and the inner workings of the global fashion industry.



Shop-in-shop

In 2011 a shop-in-shop concept was developed. The concept, a flexible, turnkey solution with Odd Molly's distinctive flair, will be launched in spring 2012.



Odd Molly joins with Charlotte Kemp Muhl

Odd Molly's spring/summer 2012 collection is being launched in collaboration with US model and musician Charlotte Kemp Muhl. Photographs of the campaign were taken in New York in June.

odd molly's business concept, goals and strategies

*** ODD MOLLY IS A FASHION DESIGNER BUSINESS ***
(dedicated to designing no-compromise clothes to fall in love with)

Business concept

Odd Molly's business concept is to design, market and sell fashion primarily through external 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 and long-lasting 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 were revised in June 2010 as follows:

- ✗ A growth rate annually exceeding 20 percent on average in coming years
- ✗ 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 profitably grow by continuing to create captivating clothing collections, utilizing its geographical platform and developing its existing and new sales channels. The work will be based on a quality-conscious, responsible and inspiring corporate culture. Odd Molly's strategic work has the following priorities.

Balanced collections

Odd Molly will design beautiful clothing for women and create collections with a good balance between volume, price and fashion.

Broad geographical platform

Odd Molly will continue to build the long-term strength of its brand in current markets, while evaluating opportunities to expand to attractive new markets. The main focus is on increasing sales and control in markets where Odd Molly has the best opportunities to attain a strong long-term market position.

More sales channels

Odd Molly will increase the number of retailers in an optimal way by continuing to carefully choose retailers and selectively recruiting experienced agents and distributors. To strengthen the brand and drive sales, Odd Molly will open its own stores. Moreover, it will expand its e-commerce to achieve broader distribution as well as establish shop-in-shops in selected retailers.

Innovative marketing

Odd Molly will continue to invest in relationship-building, sales-driving activities targeted at current and potential partners and customers – with a clear understanding of the end consumer.

Corporate responsibility

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. A consideration of stakeholders cuts across the entire company.



odd molly's business model

*** ODD MOLLY IS AN INDUSTRIAL PARTNER ***
(we will become and remain an integral part of the intl fashion industry)

Odd Molly sells its products primarily through external retailers around the world. The business model that Odd Molly has chosen is to work through agents with a clear understanding of the local market, the competition and particular conditions. In this way, Odd Molly can achieve an optimal mix of retailers with the right image and brands, without major capital investment. The agent, or in exceptional cases the distributor, in turn has the exclusive right to sell Odd Molly's products in a geographically defined market.

At year-end Odd Molly had 15 agents and five distributors with sales in 29 countries. During the year Odd Molly's products were sold in another ten countries, but without local representation by a sales agent. To complement external retailers and build the brand, Odd Molly also has its own stores – both physical and online.

Representing Odd Molly

With broad geographical coverage and a network of external partners, it is important to maintain a close dialogue to ensure that the brand is projecting the right image. Each season begins with a sales meeting where the new collection is shown to all agents and distributors. Employees from Odd Molly present their thoughts behind the collection: inspirations, fabrics and suggested combinations. The agents are then allowed to borrow a collection from Odd Molly for sales work in their respective markets. Each agent has a showroom where Odd Molly's collections are shown to buyers and retailers. Odd Molly at the same time shows its clothing at international shows, often together with the agents, but with its own employees in attendance.

Some collections are also presented at a major fashion show in an international fashion capital. To date fashion shows have been held in Stockholm, Hollywood (Los Angeles), Copenhagen and New York, which strengthens sales efforts by agents.

When Odd Molly has received all the orders from agents and distributors, it can plan production with its selected manufacturers. In this way, Odd Molly produces only enough of each item to fill its binding orders, allowing it to maintain a balance in its inventory and internal resource capacity. Fixed orders and long lead times between initial order and delivery also mean that revenue for each financial year can be predicted fairly accurately.

When the merchandise is ready, it is generally delivered by a contracted supplier to a third-party warehouse in Stockholm, where it is repackaged for shipment to the retailers. Odd Molly's contractual partner for each order is the individual retailer, while the agent receives a commission based on total sales in their market. Once Odd Molly has sold the products to retailers, they assume the risk of selling to consumers. It works in much the same way in the US, where Odd Molly also has a staff familiar with conditions in the American market to monitor the supply chain.

In the few markets where Odd Molly is represented by a distributor, the sale is instead to the distributor, which assumes the risk associated with the purchased merchandise, inventory and sales. In this case the distributor buys the collection from Odd Molly, at a discounted price, and assumes responsibility for delivering to retailers and invoicing them.

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 external retailers.

In connection with a shipment, each retailer also receives signage and logos to decorate stores, all of which is produced centrally by Odd Molly. With this business model, the local agent normally maintains contact with the retailers, although Odd Molly hopes to work more closely with store employees around the world to maintain the right feeling and correctly display the brand. The sales organization was reorganized in 2011 to better focus on Odd Molly's key customer relations.

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

Selling Odd Molly ourselves

Odd Molly has two of its own flagship stores in central Stockholm and Copenhagen. The two outlets, outside Göteborg and Stockholm, allow Odd Molly's downtown stores to reduce the length of sales and keep their merchandise fresh. The outlets at the same time provide an opportunity to extend the sales period for previous seasons' collections.

In August 2011 Odd Molly launched its own web shop, where the whole collection is sold directly to consumers. The launch in the Swedish market has gone well and demand is growing. A few months after its opening the web shop began accepting customers throughout the EU, with more growth expected. The aim is that this new sales channel will complement the current stores, the Group's own and external, and eventually generate higher revenue. All merchandise is distributed from the warehouse in Sweden.

A shop-in-shop solution was launched in spring 2012 in Uppsala, where Odd Molly has developed a flexible retail solution with a distinctive brand expression.



odd molly around the world

*** ODD MOLLY IS A UNIVERSAL BRAND ***
(like a nomad, always at home no matter where)

In 2011 Odd Molly's clothing was sold in a total of 39 countries and it had local representatives in 28 countries through 15 independent agents and five distributors. Odd Molly's products are sold at the same time by around 1,300 retailers. The network is continuously adapted to ensure that the brand is properly managed in each market.

Selling Odd Molly

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." 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 the Middle East, Russia and Asia. Odd Molly is sold in everything from exclusive boutiques around the world to trendy designer shops and well-known department stores. The overarching aim is to grow Odd Molly's presence and sales in its established international market.

Sweden is Odd Molly's first and largest market. The strategy in Sweden is to be highly selective in adding new retailers and instead work more closely with current retailers and create growth through a higher sales volume.

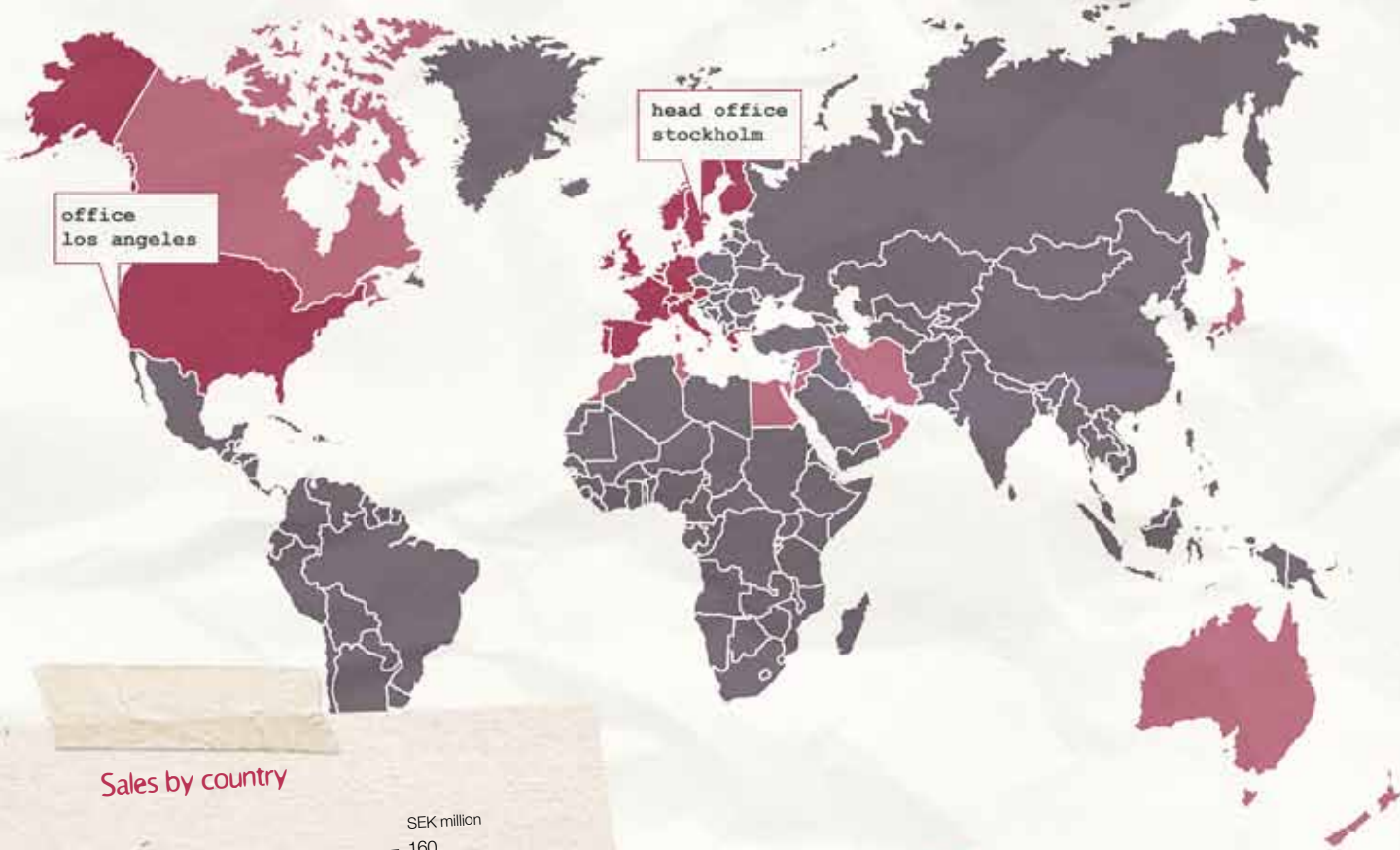
Odd Molly's six largest markets (Sweden, Norway, Germany, Denmark, Switzerland and Italy) accounted for about 77 percent (76) of total sales in 2011. The adjacent figure shows Odd Molly's six largest markets in 2011.

Choosing Odd Molly

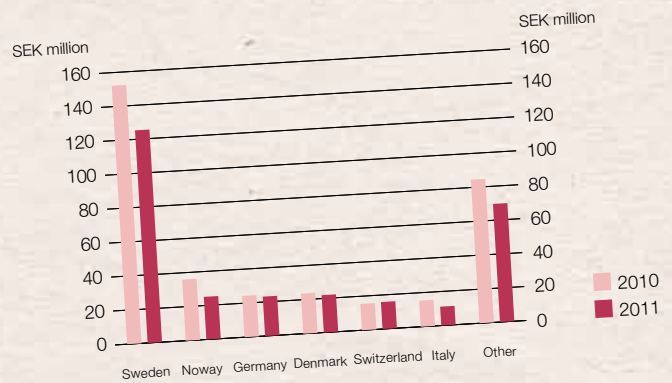
The apparel market is intensely competitive. Moreover, the last year has been distinguished by tough market conditions, with declining sales across the industry in Sweden and economic difficulties in many of Odd Molly's markets, which makes it even more important to offer the right merchandise and understand the customer. Strong brands and distinctive concepts have grown in importance, 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 what perhaps sets Odd Molly apart: its unique design and high quality. This makes the ability to build strong customer loyalty and continuous product development important success factors.

Since the beginning Odd Molly has protected and strengthened its special qualities, carving out a defined niche in the fashion industry. Conscientious efforts are made to maintain the Odd Molly identity and to always return to the brand's original concept. From this perspective, Odd Molly is its own biggest competitor, although it naturally competes with several other companies for the same consumer spending.



Sales by country



our man in portugal

In Portugal, Odd Molly has chosen to work with a purchasing agent that provides contacts with the best manufacturers in the country, a business managed by Ilidio. Portugal has a unique tradition in men's shirts, for example, that can't be found anywhere else in the world. The quality produced here feels very much like Odd Molly.

"As an agent, we are responsible for overseeing the whole textile production process for our customers. This means everything from developing materials, accessories and patterns to manufacturing and quality control. Our aim is to be part of our customers' business, and this fits perfectly with Odd Molly's way of seeing its collaborations," says Ilidio.

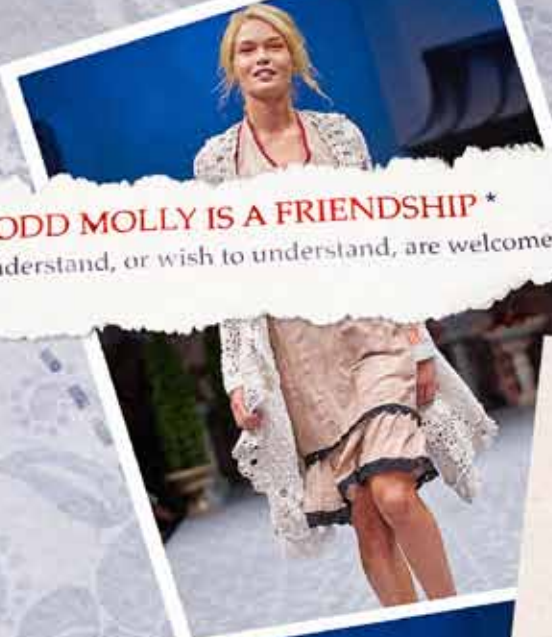
Ilidio's company works with all types of products from wovens to knits and strictly with the most reliable producers in Portugal. The country also has some of the world's finest laundries.

"Odd Molly has been part of our lives for ten years. We met Odd Molly at a trade show in Copenhagen, when the brand was in its infancy. Naturally, there was a big risk, but they were different than other brands. The first conversation with Karin and Per stood out. Their idea was bold, their products were fantastic and they really knew what they wanted."

The relationship has blossomed since the first collection, and is built on continuous dialogue and strong commitment.


"In my eyes, Odd Molly isn't just a company. It is a group of people who live the brand, know their partners and are very easy to do business with. I have a clear memory of a seamstress at her sewing machine, when we were sewing up samples of Odd Molly's merchandise, who said she didn't find work boring, since the end result was such a beautiful piece of clothing."

Odd Molly has grown substantially, so naturally the demands it makes have changed along the way. This includes Fair Wear Foundation practices and the introduction of the EU's chemical regulation, REACH. These issues are important to the consumer, but even more important to the entire supply chain. Ilidio and his coworkers are constantly making sure that the selected Portuguese suppliers follow the rules.



*** ODD MOLLY IS A FRIENDSHIP ***

(and all that understand, or wish to understand, are welcome aboard)



handpicked in morocco

Odd Molly has a close cooperation with a family-owned company in Morocco that specializes in manufacturing knits and crochets. The family originally comes from India, and its 200 employees work partly by hand, but mostly with machines imported from Germany and yarns from Italy.

"We began working with Odd Molly in 2005, and the business has grown every year," says Sanjay, who runs the family business together with his cousin. "What makes Odd Molly one of our favorite customers is the level of creativity. Its products require us to take our production to another level. Each season means new techniques, new yarns, new crochet hooks and fascinating new ideas. In the last two years we have invested in eight new machines to keep pace with Odd Molly's technically demanding products."

Sanjay's factory and Odd Molly are constantly working together, with several collections at various stages.

"We see Odd Molly as a partner more than a customer, and because of that we give more of our time, energy and commitment to make sure they are satisfied. We are mutually dependent on each other. We receive interesting and challenging orders, and we promise to do our best to deliver a quality product on time."

What sets producing a garment from Odd Molly apart, according to Sanjay, is the feeling of something unique, creative and design-driven.

"The degree of complexity in the knitting and crocheting challenges us every season," he adds. "At times when we've thought we had reached the absolute maximum our machines could tolerate, we've been proven wrong. Today we can combine a more small-scale way of working with industrial production."

odd molly's brand

* ODD MOLLY CELEBRATES YOURSELVES *
(we firmly believe in the you in you)

A decisive factor in Odd Molly's success is consistent branding – built on inconsistency and surprise. Odd Molly maintains a long-term focus, but never forgets to challenge norms and find new ways to develop and communicate the brand. At the same time it is important that there is an integrity and relevance to contexts where the brand is represented.

Building the Odd Molly brand

For an international business like Odd Molly, it is critical to project the right image of the brand at every level. The company's own stores, including the web shop, play a key role in this respect, as does everyone who represents Odd Molly. All employees and partners around the world are informed of 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 important components in the international branding work.

At least twice a year employees from Odd Molly and all brand representatives meet to view the new collection, share impressions and discuss for the brand's philosophy: "love, courage and integrity." Local agents and distributors are then responsible for day-to-day brand management in their respective markets, with support from the Stockholm office and contracted international PR agents.

In addition to creative branding, the work done to protect the brand worldwide is also important. Odd Molly works continuously to create and expand brand protection in markets where it is represented and in 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 when it occurs.

Wearing Odd Molly

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. One of the ideas behind Odd Molly was to create clothing "for the love of feeling good."

Odd Molly has created a sense of belonging and community among its target group: women in a broad age range. Odd Molly's target group is best described as women of many ages from a variety of cultures – often with an active lifestyle they combine with moments of relaxation. Women with passion and heart, who like to feel good inside and out. Odd Molly's clothing celebrates women as they are: "You are perfect because you are not."

Showcasing Odd Molly

Odd Molly's marketing activities are designed to build awareness and strengthen the Odd Molly brand, which in the long run will generate increased sales of the company's products. All marketing material is produced internally, but is adapted to local markets around the world in cooperation with each agent or distributor.

Marketing is done through a number of channels, one of the most important of which is international fashion shows, which provide an opportunity to sell to retailers, cultivate media sources and meet potential agents and distributors. The channel where Odd Molly is increasing its presence the most is social media, where it is working actively to find the right forums in the social world.

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



NO "crazy"
and HOOT!!
are the STAR of the casual
friend!! who gotta med
publizen
Show it
vramba
Have FUN today and ROCK the show!!

Odd Molly holds fashion shows annually in an international fashion capital and has run ad campaigns in leading fashion magazines aimed at consumers using models such as Helena Christensen, Daisy Lowe and Charlotte Kemp Muhl.

In addition, Odd Molly's stores and web site are obviously important marketing and branding channels, where consumers can view every article in the entire current collection and as of fall 2011 can order merchandise directly from the web shop. They also provide Odd Molly the opportunity to improve customer relations through targeted campaigns. Customers who register on Odd Molly's online shop receive regular updates on merchandise and certain benefits compared with other customers, such as access to presales and advance notice when new products are in stock.



odd molly's design

*** ODD MOLLY DOES NOT FOLLOW ***
(yet does not necessarily intend to lead)

Odd Molly's clothing has a design all its own – a unique style that brings to mind a Sunday morning, the day of the week many people find the most enjoyable, free from obligations and demands. The design team, consisting of eight people, gets its inspiration from important issues facing women from various cultures around the world and has a great interest in people and fashion. Still, Odd Molly doesn't kowtow to current trends, instead expressing the times in which we live in a personal way. The goal is to design innovative collections that reflect the soul of the brand and at the same time have commercial appeal.

The designs often incorporate a wealth of details, many 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, every collection has had a specific theme encapsulated by a unifying message. To further underscore the feeling and theme of each collection, small messages are printed on the in- or outside of each item, sometimes together with a visible product number.



Creating Odd Molly

Before orders are taken for each collection, 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 technical details of the collection. Odd Molly's chief designer summarizes the most important ideas behind each collection in a letter to all partners. Key items and suggested combinations are now presented as well.

Six collections are produced each year, but are sold in two cycles: pre-spring and the spring and summer collections, followed by pre-fall and the fall and winter collections. The biggest collections in terms of volume are spring and fall, while the summer and winter collections are less extensive. Due to growing demand from customers, limited pre-collections to the main collections have been sold in recent seasons to even out the product flow and provide an opportunity for additional sales.

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

Producing Odd Molly

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 coordinated with the design team to communicate the collection's message and get feedback from the market. Customer service and store employees are also important sources of customers' thoughts and opinions. To assure the quality of its products, Odd Molly regularly visits its manufacturers around the world. With more detailed products, larger collections, higher quantities and more suppliers, this work becomes even more important.

Being Odd Molly

Tops are the mainstay in Odd Molly's collections, which normally consist of around 750 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.

Odd Molly's products are produced mainly from natural materials such as cotton, wool and silk, and are often stitched partly by hand.

The collection was more clearly segmented in 2011 to create a better balance between the more detailed, distinctive designs and high-volume products. Among other things, this makes it easier to market to different types of retailers.



Complementing Odd Molly

Skincare

In 2009 Odd Molly launched its own line of skincare products, which are manufactured under license. The licensee is responsible for product development of the skincare and body line, while Odd Molly's design and brand team is in charge of selecting the products, their feel and sense, packaging and all sales and marketing materials. The line includes body, hand and foot care products as well as shower products, lip balm and sun protection.

Eyewear

Odd Molly also entered into a licensing cooperation for eyeglass frames and sunglasses in spring 2010. The collection has been developed collaboratively by the licensee and Odd Molly's design team. Odd Molly is ultimately responsible for all marketing materials and handles sales of sunglasses to current retailers, while the licensee is responsible for sales to opticians and other professional eyewear retailers in the Nordic region. The products are sold by, among others, Synsam and in SAS airline catalog.



odd molly's share

*** ODD MOLLY IS A REALITY BASED COMPANY ***
(observing and highlighting everyday human issues)

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 respects its relationships with shareholders and the rest of the capital market, and its aim is that the information it provides will be distinguished by quality, reliability, continuity and promptness.

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 added slightly over 2,000 new shareholders.

Market capitalization and turnover

The final price paid on December 31, 2011 was SEK 31.40 (74.50), giving Odd Molly a market capitalization of SEK 180.6 million (428.5). During the financial year the average turnover was about 6,333 shares per day (49,800). A total of 1.6 million Odd Molly shares (10.9) were traded at a value of SEK 81.6 million (353.0). The lowest price paid was SEK 29.50 (December 20, 2011) and the highest price was SEK 78.25 (January 20, 2011). In 2011 the share declined by 58.4 percent, compared with a decrease of 51.2 percent in 2010. During the financial year 2011 the OMXSPI Index fell by 18.3 percent.

Share capital

At December 31, 2011 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 amount 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 they hold without restrictions on their voting rights. The shares can be freely transferred.

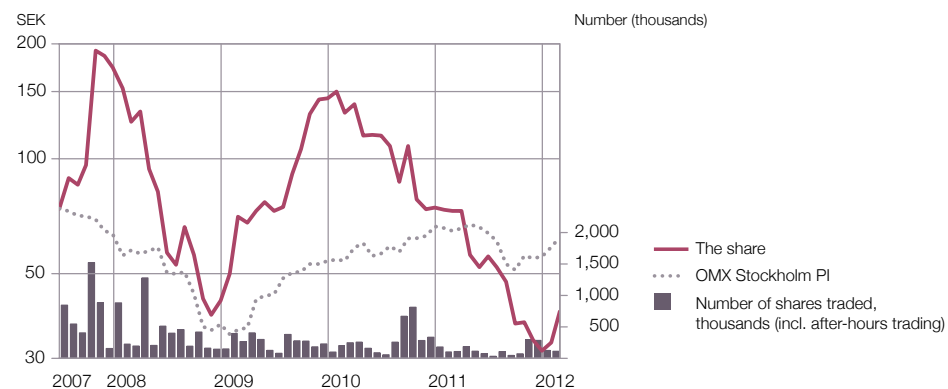
Share-based incentive program

Odd Molly has one outstanding incentive program based on warrants in Odd Molly International AB. The program, which was established by the Extraordinary General Meeting on November 25, 2011 based on the proposal of Odd Molly's Board of Directors, issued 300,000 warrants to Odd Molly International AB for transfer to the incoming CEO and Vice President. For more information on the program, see page 30 and oddmolly.com.

Changes in share capital

Year	Transaction	Increase in no. of shares	Total no. of shares	Increase in 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 3.00 (4.50) per share for the financial year 2011. 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, expansion plans and other significant factors.

Largest shareholders as of December 31, 2011

Ten largest shareholders	No. of shares	No. of votes/ capital, %
Kattvik Financial Services	1 039,763	18.08
M2 Capital Management AB	900,000	15.64
A.T.V Holding AB	864,471	15.03
Jimfelt Ghatan, Karin	537,921	9.35
Swedbank Robur Small Cap Fund Sweden	292,528	5.09
New Moon Förvaltning AB	152,867	2.66
AMF Small Cap Fund	148,150	2.58
NTC TR Guernsey Treaty Client	144,093	2.51
SEB Life Ireland	100,000	1.74
Holknekt, Per	74,300	1.29
Total, ten largest shareholders	4,254,093	73.97
Other	1,497,907	26.03
Total	5,752,000	100.00

Ownership structure as of December 31, 2011

On December 31, 2011 Odd Molly had 3,650 shareholders (4,204), according to Euroclear Sweden AB. Odd Molly's ten largest shareholders held shares corresponding to 74.0 percent (74.1) of the votes and capital in the company. Foreign ownership amounted to about 7.9 percent (3.9) at December 31, 2011.

Sharholder structure	No. of shareholders	%	No. of shares	%	Market value (SEK 000)
1 – 500	3,259	7.17	412,613	7.17	12,956
501 – 1,000	210	3.03	174,280	3.03	5,472
1,001 – 5,000	131	5.10	293,554	5.10	9,218
5,001 – 10,000	22	2.71	156,016	2.71	4,899
10,001 – 15,000	7	1.55	89,187	1.55	2,800
15,001 – 20,000	1	0.30	16,990	0.30	533
20,001 –	20	80.13	4 609,360	80.13	144,734
Total	3,650	100.00	5 752,000	100.00	180,613

Key data per share

	2011	2010	2009	2008	2007
Equity per share, SEK	22.08	24.00	21.00	16.51	8.34
Earnings per share, SEK	2.48	6.30	7.48	8.66	2.39
Dividend per share, SEK	*3.00	4.50	3.50	3.00	0.00
Outstanding number of shares					
on the closing day	5,752,000	5,752,000	5,752,000	5,752,000	5,752,000

* Proposed dividend



Board of Directors' report

The Board of Directors and CEO of Odd Molly International AB (publ), corporate registration number 556627-6241, hereby present the annual report and consolidated accounts for the financial year January 1–December 31, 2011.

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 US, 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

Odd Molly's initial listing was on First North on June 18, 2007, and on June 21, 2010 the Odd Molly share moved its listing to NASDAQ OMX Stockholm.

The total number of shares in Odd Molly is 5,752,000, distributed among one class of share. On December 31, 2011 Odd Molly had 3,650 shareholders, around 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, whose holdings amounted to 58 percent, were Kattvik Financial Services AB, M2 Capital Management AB, ATV Holding AB and Karin Jimfelt-Ghatan. For more information, see the section on Odd Molly's share on page 28.

Odd Molly has one outstanding incentive program based on warrants in Odd Molly International AB. The program, which was established by the Extraordinary General Meeting on November 25, 2011 based on the proposal of Odd Molly's Board of Directors, issued 300,000 warrants to Odd Molly International AB for transfer to the incoming CEO and Vice President.

Operations

Odd Molly is a Swedish company that designs, markets and sells fashion mainly through external retailers worldwide. Its 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 external agents or distributors around the world, which are responsible for geographically defined markets. The business model facilitates expansion with limited operational risk and tied-up capital, while retaining control over the concept and brand. To complement the external retailers, Odd Molly opened its first concept store in February 2009 on Humlegårdsgatan, in Stockholm. In 2010 Odd Molly opened two additional company-owned concept stores, in Copenhagen and Los Angeles, and two outlets in Kungsbacka and Barkarby. In 2011 a decision was made to close the store in Los Angeles. A web shop – Odd Molly Boutique Online – was launched in fall 2011.

Significant events during the year

Management changes

In June 2011 a decision was made to name a new CEO of Odd Molly when Christina Tillman announced her desire to step down after nearly seven years as CEO. The new CEO of Odd Molly is Anna Attemark. She was most recently development manager in H&M's purchasing department and is expected to add extensive experience and great knowledge of leadership, business development and the workings of the global fashion industry.

In December 2011 Anna Attemark took over as the new CEO of Odd Molly. At the same time Jennie Högstedt Björk took over as Vice President and Category Manager.

Streamlining operations

In connection with the release of the order value for the spring and summer 2012 collection, Odd Molly announced in October 2011 that a number of measures will be taken to fully focus on developing the core business and the company's main markets. Among other things, the company's US concept store is being closed and the men's collection, Post fire dew, has been discontinued, which together are expected to result in cost savings of about SEK 10 million on an annual basis.

Establishment of warrant program

The Extraordinary General Meeting on November 25, 2011 resolved to introduce a warrant program. The general meeting resolved to issue 300,000 warrants, each entitling the holder to subscribe for one (1) new share in Odd Molly International AB. The subscription price corresponded to 120 percent of the average last price paid on NASDAQ OMX Stockholm during period November 10, 2011 through November 24, 2011. The warrants were exercisable at market value from November 28 through December 5, 2011 by Odd Molly's incoming CEO, Anna Attemark (not more than 150,000 warrants), and incoming Vice President, Jennie Högstedt Björk (not more than 150,000 warrants). The warrants were fully subscribed.

If the warrants are fully exercised, Odd Molly's share capital will increase by not more than SEK 30,000, corresponding to a dilution of approximately 4.96 percent of the total number of shares and votes in Odd Molly.

Sales and revenue 2011

Parent Company

Sales in the US 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 280.4 million (341.5) with operating profit of SEK 21.5 million (55.7). The Parent Company's shareholders' equity amounted to SEK 89.7 million (104.4). Cash and cash equivalents amounted to SEK 78.6 million (86.7).

Group

Net sales

Net sales amounted to SEK 292.3 million (355.6), a decrease of about 18 percent compared with the previous year but in line with the previously announced order value. Sales include the company's own concept stores in Stockholm, Copenhagen and the recently closed store in Los Angeles, as well as the two outlets and the web store opened during the third quarter. The previously published order value for 2011 was SEK 294 million. The difference compared with the final outcome is partly due to exchange rates and partly to the strict credit controls maintained prior to delivery.

In 2011 Odd Molly's merchandise was sold in 39 countries, 28 of which were 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, Switzerland and Italy) accounted for approximately 77 percent (76) of total sales in 2011.

Earnings

The gross profit margin was 56.0 percent (56.6). A one-time inventory write-off of about SEK 4 million adversely affected the gross profit margin. Excluding the effect of the write-off, the gross margin was 57.4 percent.

Operating profit amounted to SEK 20.1 million (50.7), corresponding to an operating margin of 6.9 percent (14.3). Expenses of SEK 6.9 million to shut down the Los Angeles store, discontinue the men's collection and write off inventory were charged against profit for the period. In addition, other inventory was written down by SEK 2 million.

Other external expenses, largely consisting of agent commissions, marketing, product distribution, rents and other expenses for stores and offices, amounted to SEK 99.9 million (108.6) during the year, corresponding to 34.2 percent (30.6) of sales. The 2010 figure included expenses of SEK 4.2 million for the listing change to NASDAQ OMX Stockholm in other external expenses.

Personnel expenses amounted to SEK 38.8 million (33.9), or 13.3 percent of net sales, compared with 9.5 percent in the previous year. An increased number of stores and scheduled hirings elsewhere in the organization were the main reasons for the higher costs compared with the previous year.

Other operating expenses of SEK 1.3 million (5.4) were charged against profit and included a net currency loss.

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 tied to growth, but revenue from them is not generated until subsequent years. Other costs consist mainly of central costs for the head office's organization and 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.

Net profit amounted to SEK 14.2 million (36.2). The number of shares outstanding at year-end was 5,752,000. Earnings per share amounted to SEK 2.48 (6.30), based on the average number of shares for the period.

Seasonal fluctuations

Odd Molly has six collections per year (spring, summer, fall, winter and two pre-collections, pre-spring and pre-fall), of which spring and fall have historically generated the highest sales. Odd Molly's operations are highly seasonal; the first and third quarters are strong, while the second and fourth quarters are considerably weaker. Consequently, it is better to follow the company's operations, sales and profits on a semiannual basis. To even out deliveries and boost sales, Odd Molly has added two additional shipments: pre-spring in early December and pre-fall in early July (late June as of 2011).

Financial position

The company's total assets amounted to SEK 165.3 million (171.0) on December 31, 2011. Shareholders' equity amounted to SEK 127.0 million on the same date, compared with SEK 138.1 million on December 31, 2011. The equity/assets ratio was 76.8 percent (80.7) at the end of the period. Cash and cash equivalents amounted to SEK 80.7 million (89.2) on December 31, 2011. The company has no long-term liabilities.

Accounts receivable amounted to SEK 28.1 million (38.4) on December 31, 2011. As a share of full-year sales, total receivables decreased from 10.8 percent in 2010 to 9.6 percent in 2011. The age of the receivables has increased slightly with a higher share of older receivables than before. To minimize the risk of losses, customers' credit ratings are continuously monitored. In 2011 realized customer losses corresponded to 0.6 percent (0.4) of sales.

Inventories amounted to SEK 27.8 million on December 31, 2011, against SEK 23.2 million a year earlier. As a share of sales for the full-year 2011, inventory amounted to 9.5 percent, compared with 6.5 percent in the previous year. The main reason for the higher level was an earlier delivery of spring merchandise, valued at about SEK 4 million, compared with the previous year. The value of the inventory was written down by SEK 4 million, of which SEK 2 million relates to a write-down of the men's collection, which was discontinued during the year.

Investments and cash flow

The company's investments mainly comprise equipment, further development of IT systems and the new web shop. Total investments for the full-year 2011 amounted to SEK 1.8 million (6.6), which is explained by the fact that four stores were opened in 2010.

Cash flow from operating activities amounted to SEK 18.7 million during the year, compared with SEK 31.0 in 2010. The dividend payment in 2011 was SEK 25.9 million (20.1). Total cash flow amounted to SEK -8.5 million (4.3) for the full-year 2011.



Remuneration guidelines for the CEO and other senior executives

The Annual General Meeting on April 14, 2011 resolved that the remuneration for the CEO and other senior executives will comprise a base salary, variable remuneration (where applicable) and other benefits, including a pension.

Total remuneration will be market based and competitive in relation to each individual's responsibility and authority. Variable salary will be paid in cash, based on performance in relation to predefined, measurable targets, and will be maximized in relation to the target salary. Variable remuneration can never exceed base salary. If terminated by the company, the period of notice will not extend beyond twelve months. Severance will not be paid. Pension benefits will be either defined benefit or defined contribution, or a combination of the two, entitling senior executives to receive a pension from age 65. The Board of Directors may deviate from these guidelines only in exceptional cases where special reasons exist.

The Board of Directors has proposed to the 2012 Annual General Meeting that the remuneration principles for the CEO and other senior executives remain unchanged in 2012.

Employees

At year-end Odd Molly had 58 employees (57), including 2 in the US and 3 in Denmark. Of the 58 employees, 7 were men and 51 women. The average number of employees in 2011 was 58 (56).

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 24.

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 are considered to have a significant 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 considerable capital, allowing them 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 keep pace with 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 merchandise. The company uses a number of suppliers in different countries, however, and thus is not dependent on any single supplier for its operations. For Odd Molly, it is essential that goods are delivered on time. The loss of one or more suppliers or delay or loss of shipments 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, where working conditions and environmental regulations differ in many respects from the countries where the products are sold. Consumer products companies with suppliers in developing countries can be susceptible to criticism of working conditions, product quality and environmental impacts. Negative exposure on such issues could affect trust in the company's brand and lead to lower demand for its products, thereby impacting the company's 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 as far as 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 of the measures it has taken the company 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 products from countries outside the EU. As a way to strengthen certain industries in Europe, the EU has in certain instances introduced import restrictions on goods such as clothing, which can affect purchasing costs. Since Odd Molly's product range maintains a high quality and therefore commands a higher price, the potential impact is relatively limited compared with companies in the discount segment. 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 routines 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 the management and on 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 their 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 affect the company's growth opportunities as well as its operations, results and financial position.

Odd Molly sells to external retailers through agents and distributors with exclusive rights to their respective markets. Marketing and sales results depend in large part on the knowledge, experience and commitment of these agents and distributors. To retain strong partners in the long term, Odd Molly considers it important to offer competitive terms and build strong relationships. 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 continuously evaluates 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 any expansion.

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 signed employment agreements with key persons on what the company considers competitive terms. Odd Molly regards its entire staff as an important asset and works continuously 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 qualified staff in the future. If any of the company's key employees resigns, it could have a negative effect 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, customers' trust 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 monitors its protection. However, there is no guarantee that the measures Odd Molly takes 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 others 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 the company's reputation and significantly affect its operations, results and financial position.

Changes in demand

Odd Molly is highly dependent on customer preferences in terms of 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 unified 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 consistent 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 pertaining to 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.



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Financial risks

For a description of the Group's management of financial risks, see Note 26 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 58.

Future outlook

The main reason for Odd Molly's historically profitable growth and the foundation for its future development, aside from creative design and consistent, long-term branding, is its business model. Through its design, the business model facilitates further expansion with limited capital requirements and little risk of large or obsolete inventory. The long lead time between order and delivery means that sales for a particular financial 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 2012

In October 2011 Odd Molly announced its order value for the spring and summer 2012 collection. The order value amounted to SEK 114 million, compared with SEK 165 million for the same collection in the previous year. The decrease is partly due to weak consumer spending in several of Odd Molly's most important markets. For the first half of 2012 the order value amounted to SEK 97.5 million (138.5), excluding pre-spring merchandise valued at SEK 16.5 million (26), which was delivered in the fourth quarter 2011. The first half-year 2012 will include a scheduled pre-fall shipment during the second quarter in addition to the above order value. The order value for this shipment will be announced in connection with the publication of the order value in April 2012.

Important events after the conclusion of the financial year

No significant events have occurred from the conclusion of the financial year until the date of the annual report's release, March 19, 2012.

Proposed disposition of profit

The Board of Directors 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, expansion plans and other significant factors. The Board of Directors of Odd Molly will recommend to the Annual General Meeting a dividend of SEK 3.00 per share (4.50) for the 2011 financial year.

Proposed disposition of the company's profit

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

Share premium reserve	26,418
Fair value reserve	962
Profit brought forward	49,471
Net profit for the year	10,636
Total	87,486

The Board proposes that the funds be appropriated as follows:

Dividend to the shareholders (5,752,000 shares x SEK 3.00 per share)	17,256
To be carried forward	70,230
Total	87,486

Condensed financial information - Group

SEK in thousands	2011	2010	2009	2008	2007	2006	2005	2004
Results								
Net sales	292,275	355,551	329,809	267,653	130,260	54,477	21,151	10,271
Operating profit, EBIT	20,074	50,668	59,179	67,509	18,457	4,932	890	-290
Net profit for the year	14,237	36,226	43,047	49,829	12,922	3,358	600	-552
Margins								
Gross profit margin, %	56.0	56.6	54.0	58.4	57.2	54.9	51.1	-
Operating margin, EBIT, %	6.9	14.3	17.9	25.2	14.2	9.1	4.2	-2.8
Profit margin, %	7.3	14.5	18.2	25.9	14.4	8.6	3.1	-5.4
Profitability								
Return on capital employed, %	16.2	40.2	55.6	99.1	67.6	88.5	33.1	-21.1
Return on equity, %	10.7	28.0	39.9	71.2	50.6	76.3	41.9	-155.5
Financial position								
Total assets	165,304	171,012	158,461	126,905	60,082	10,512	4,702	2,386
Shareholders' equity	126,981	138,066	120,819	94,949	45,079	6,046	2,754	112
Equity/assets ratio, %	76.8	80.7	76.2	74.8	75.0	57.1	57.7	4.7
Per share*								
Equity per share, SEK	22.08	24.00	21.00	16.51	8.34	1.20	0.54	0.02
Earnings per share, SEK	2.48	6.30	7.48	8.66	2.39	0.67	0.12	-0.11
Dividend per share, SEK	**3.00	4.50	3.50	3.00	0.00	0.00	0.00	0.00
Employees								
Average number of employees	57	50	36	30	19	10	5	3
Net sales per employee, SEK	5,142	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 2012.

Consolidated statement of comprehensive income

<i>SEK in thousands</i>	Note	2011	2010
Net sales	1	292,275	355,551
Other operating revenues	2	542	848
		292,818	356,399
Operating expenses			
Goods for resale		-128,632	-154,436
Other external expenses	3,4	-99,901	-108,662
Personnel expenses	5	-38,843	-33,886
Depreciation/amortization of tangible and intangible fixed assets	6	-4,047	-3,348
Other operating expenses	7	-1,320	-5,399
Operating profit		20,074	50,668
Result from financial items			
Interest income and similar income items	8	1,335	734
Interest expenses and similar expense items	9	-36	-
Profit after financial items		21,373	51,401
Taxes	10	-7,136	-15,176
Net profit for the year attributable to Parent Company's shareholders		14,237	36,226
Other comprehensive income			
Translation difference		52	342
Reclassified to operating profit		248	-876
Change in fair value of currency derivatives		-109	1,977
Tax effect of change in fair value of currency derivatives		-37	-290
Total comprehensive income for the year attributable to Parent Company's shareholders		14,391	37,379
Earnings per share			
Earnings per share before and after dilution (SEK) *	11	2.48	6.30
Proposed dividend per share (SEK)		3.00	4.50
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

* For calculation, see also the Consolidated statement of changes in equity.

Consolidated balance sheet

<i>SEK in thousands</i>	Note	Dec 31, 2011	Dec 31, 2010
ASSETS			
<i>Fixed assets</i>			
<i>Intangible fixed assets</i>			
Tenancy rights and similar rights	1, 12	408	653
Other intangible fixed assets	1, 12	1,829	2,116
		2,237	2,770
<i>Tangible fixed assets</i>			
Equipment, tools, fixtures and fittings	1, 13	4,458	8,051
		4,458	8,051
Total fixed assets		6,695	10,821
<i>Current assets</i>			
<i>Inventories, etc.</i>			
Finished products and goods for resale	16	27,817	23,175
Advances to suppliers		9,103	–
		36,920	23,175
<i>Current receivables</i>			
Accounts receivable	17	28,097	38,388
Derivatives	18	1,305	1,093
Other receivables		8,411	3,336
Prepaid expenses and accrued income	19	3,196	4,995
		41,009	47,812
<i>Cash and bank balances</i>			
		80,680	89,204
Total current assets		158,609	160,191
TOTAL ASSETS		165,304	171,012

<i>SEK in thousands</i>	Note	Dec 31, 2011	Dec 31, 2010
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital (5,752,000 shares)		575	575
Other paid-in capital		26,418	26,010
Reserves		962	1,190
Retained earnings		99,027	110,291
Total shareholders' equity		126,981	138,066
<i>Provisions</i>			
Provisions for deferred tax	21	10,344	8,455
		10,344	8,455
<i>Current liabilities</i>			
Advances from customers		173	182
Accounts payable		12,411	5,839
Derivatives	18	–	–
Current tax liabilities		499	2,607
Other liabilities		1,901	4,737
Accrued expenses and deferred income	22	12,994	11,125
		27,979	24,490
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		165,304	171,012
<i>Pledged assets and contingent liabilities</i>			
Pledged assets	23	2,500	2,500
Contingent liabilities		None	None

Consolidated statement of cash flows

<i>SEK in thousands</i>	2011	2010
Operating activities		
Operating profit	20,074	50,668
<i>Adjustments for non-cash items:</i>		
Depreciation/amortization and impairment losses	4,047	3,348
Exchange rate gains/losses	181	1,974
Capital gain/loss on sale of equipment	1,714	-
Interest received	1,335	734
Interest paid	-36	-
	27,316	56,723
Income tax paid	-7,355	-21,320
Cash flow from operating activities before changes in working capital	19,961	35,403
Cash flow from changes in working capital		
Increase(-)/Decrease(+) in inventories	-13,763	1,348
Increase(-)/Decrease(+) in current receivables	7,101	-7,444
Increase(+)/Decrease(-) in current liabilities	5,418	1,730
Cash flow from operating activities	18,717	31,038

<i>SEK in thousands</i>	2011	2010
Investing activities		
Acquisition of intangible fixed assets	-647	-596
Acquisition of tangible fixed assets	-1,111	-5,992
Cash flow from investing activities	-1,758	-6,588
Financing activities		
Dividend paid	-25,884	-20,132
Warrant premiums	408	-
Cash flow from financing activities	-25,476	-20,132
Cash flow for the year	-8,517	4,318
Cash and cash equivalents at beginning of the year	89,204	85,035
Exchange rate difference in cash and cash equivalents	-7	-149
Cash and cash equivalents at year-end	80,680	89,204

Condensed statement of changes in consolidated equity

<i>SEK in thousands</i>	Share capital	Other paid-in capital	Translation differences	Fair value reserve	Retained earnings	Total shareholders' equity
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
Opening shareholders' equity at January 1, 2011	575	26,010	384	806	110,291	138,066
Dividend	-	-	-	-	-25,884	-25,884
Warrant premiums	-	408	-	-	-	408
Other comprehensive income	-	-	-330	101	14,620	14,391
Closing shareholders' equity at December 31, 2011	575	26,418	55	907	99,027	126,981

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.

Corporate governance

Odd Molly International AB is a publicly listed Swedish company and its corporate governance is therefore based on Swedish rules and legislation, primarily the Swedish Companies Act, NASDAQ OMX's rules for issuers, the Swedish Code of Corporate Governance, the Articles of Association and other pertinent rules.

Swedish Code of Corporate Governance

Odd Molly has been listed on NASDAQ OMX Stockholm since June 21, 2010. Since 2010 Odd Molly has fully applied the Swedish Code of Corporate Governance. The Board of Directors is responsible for continuously monitoring compliance with the code by the Board and management as well as the company otherwise.

Annual General Meeting

Shareholders exercise their decision-making authority at the Annual General Meeting (AGM), the company's highest decision-making body. Shareholders who are recorded in the share register and have notified the company have the right to attend the AGM and to vote their shares. Shareholders who are unable to be present in person may be represented by proxy.

Among the matters required to be dealt with at the AGM are the adoption of the consolidated balance sheet and income statement, the appropriation of the company's profit or loss, the compensation principles for senior executives and the discharge of the Directors and CEO from liability. Based on a proposal from the Nomination Committee, the AGM elects the Directors until the conclusion of the next AGM.

Annual General Meeting 2011

Odd Molly's Annual General Meeting for the financial year 2011 will be held at 2 PM (CET) on April 26 at Södra Teatern in Stockholm. Information on the time and location, how to notify the company to attend and how shareholders can have an issue brought before the meeting is available on the company's website, www.oddmolly.com, and on page 66 in this annual report.

Nomination Committee

The 2009 AGM resolved that the company will have a Nomination Committee. The mission of the Nomination Committee is to evaluate the sitting Board of Directors and present a proposal on the Directors, the Chairman and Board fees to the next AGM where a Board election is scheduled to be held. In applicable cases, the Nomination Committee also presents a proposal on the auditors and their fees as well as the Chairman of the AGM. The proposals are presented to the Annual General Meeting.

The Nomination Committee for the AGM on April 26, 2012 is comprised of Tom Wikström (Chairman), Christer Andersson and Rutger Arnhult. Prior to the AGM, the Nomination Committee held three meetings at which minutes were kept. No remuneration was paid for participation on the Nomination Committee.

Board of Directors

Odd Molly's Board of Directors consists of six members elected by the Annual General Meeting and no deputies. The Board of Directors is comprised of Christer Andersson (Chairman), Mia Arnhult, Karin Jimfelt-Ghatan, Patrik Tillman, Nils Vinberg and Karin Wallin-Norman. None of the Directors, except Karin Jimfelt-Ghatan, are employed or have an employment-like relationship with the Group or any subsidiary. The majority of the Directors elected at the AGM are independent in relation to the company and the management. For a more detailed presentation of Odd Molly's Board of Directors, see page 64.

Board compensation

During the financial year 2011 the Chairman of the Board received fees of SEK 150,000 (150,000) and other members who are not employed by the company received fees of SEK 100,000 (100,000) each. In total, SEK 550,000 (550,000) was paid in Board fees, in accordance with the Board remuneration resolved by the AGM.

Board work

The duty of the Board of Directors is to manage the company's affairs on behalf of the shareholders. The Board's work is governed by the Companies Act, the Articles of Association and the current rules of procedure, including the instruction on the delegation between the Board and the CEO.

In 2011 the Board held 14 (13) meetings at which minutes were kept. During these meetings the Board discussed the financial results, balance sheet total, interim reports and annual report, as well as market and risk analysis, the direction of the business and organizational issues.

Number of meetings attended

	2009	2010	2011
Christer Andersson	12	12	14
Mia Arnhult	12	13	14
Karin Jimfelt-Ghatan	7	8	7
Patrik Tillman	12	12	14
Nils Vinberg*	8	11	13
Karin Wallin-Norman	10	13	14
Total number of meetings	13	13	14

* Joined the Board at Odd Molly's AGM on April 22, 2009.

Audit Committee

The Board of Directors has appointed an Audit Committee from among its members whose duty to prepare the Board's work to assure the quality of the financial reporting. The Audit Committee consists of Directors Karin Wallin-Norman (Chairman), Mia Arnhult and Nils Vinberg. During the year the Audit Committee held three meetings at which minutes were kept, which the company's CFO and auditor also attended.

Compensation Committee

The Board of Directors has appointed a Compensation Committee from among its members whose duty, within the framework of the compensation guidelines for senior executives established by the AGM, is to prepare compensation issues pertaining to the CEO and other senior executives. The Compensation Committee consists of Directors Christer Andersson (Chairman) and Nils Vinberg. During the year the Compensation Committee held two meetings at which minutes were kept.

Auditors

The auditors are elected by the shareholders at the AGM. The auditors review the company's annual report, consolidated financial statements and accounting records, as well as the day-to-day administration of the Board and the CEO. Ernst & Young was elected by the 2007 AGM as the company's auditor for a period of four years and was reelected at the 2011 AGM. The chief auditor is Anders Lindby. The external audit is conducted according to generally accepted accounting principles in Sweden. The auditors have submitted verbal and written reports to the Audit Committee and the Board of Directors on their audit and review of the internal control.

Auditors' remuneration

The remuneration for the company's auditor, Ernst & Young AB, is payable upon approval. For the financial year 2011 total remuneration amounted to SEK 307,000, of which SEK 253,000 related to the audit fees.

Chief Executive Officer (CEO) and Group management

The CEO manages the Group and its operations within the framework resolved by the Board. The CEO is responsible for keeping the Board of Directors informed of the company's development, reporting on significant deviations from established business plans and events that significantly impact the company's operations, and preparing the necessary background information for the Board of Directors, e.g., regarding the company's international expansion, investments and other strategically important issues.

Group Management, which is led by the CEO, consists of the managers of key operating areas within Odd Molly. Group Management holds monthly meetings at which minutes are kept and where operational issues are discussed. Moreover, Group Management annually formulates a business plan that is adopted by the Board. Daily contact between members of Group Management is critical to effective governance and management.

On December 31, 2011 Group Management consisted of Anna Attemark (VD), Henk Bossuyt, Johanna Bäckstrand, Per Holknekt, Jennie Högstedt Björk, Karin Jimfelt-Ghatan, Kristin Roos and Håkan Rönnerberg. For a more detailed presentation of Group Management, see page 65.

The Chairman conducts an annual performance review of the CEO in accordance with the CEO's instructions.

Remuneration to the CEO and senior executives

The base salary for the outgoing CEO 2011 amounted to SEK 1,120,000 (1,020,000). The outgoing CEO was entitled to a monthly pension provision corresponding to 16 percent of her base salary. Pension expenses amounted to SEK 192,600 (160,000) in 2011. The company and the CEO had agreed to a term of notice of 12 months if she is terminated by the company and 6 months if she resigned.

On December 14, 2011 Anna Attemark took over as CEO and during the year received a base salary corresponding to SEK 106,500. The new CEO is entitled to a monthly pension provision corresponding to 30 percent of her base salary. The terms of the compensation package for the CEO are resolved by the Board. The company and the CEO have a mutual term of notice of 12 months.

Senior executives refer to seven persons, who together with the CEO formed the Group Management in 2011. The base salaries paid to senior executives, excluding the CEO, amounted to SEK 4,447,900 (4,559,300) in 2011. Odd Molly pays annual premiums to a defined-contribution pension plan corresponding to 8-16 percent of each executive's total salary. Pension expenses amounted to SEK 776,300 (741,100) in 2011. Senior executives have a term of notice of 3-6 months.

Remuneration to the CEO and other senior executives was paid exclusively by the Parent Company. No variable compensation has been paid.

Incentive program

Odd Molly has one outstanding incentive program based on warrants in Odd Molly International AB. According to the program, which was established by the Extraordinary General Meeting on November 25, 2011 based on a proposal from Odd Molly's Board of Directors, 300,000 warrants were issued to Odd Molly International AB for transfer to the new CEO and Vice President.

Internal control

The Board of Directors is responsible for corporate governance and internal control. The overarching purpose is to protect the company's assets and, consequently, the shareholders' investment. The Board is also responsible for ensuring that financial reporting is prepared in accordance with current laws. By reviewing all critical accounting issues and the financial reports issued by the company, the Board is able to assure the quality of Odd Molly's financial reporting. This requires the Board to treat issues on internal control, compliance, material uncertainties in reported values, any uncorrected inaccuracies, events after the balance sheet date, changes in estimates and assumptions, any verified irregularities and other conditions that affect the quality of the financial reports.

Control environment

An important part of the internal control is to formulate and establish a number of fundamental policies, guidelines and frameworks for the company's financial routines and financial reporting. The current finance policy was adopted by the Board on February 18, 2010. The financial handbook, which is updated continuously, is an important tool to assure good internal control over the company's operations. Operations are monitored and governing documents are revised continuously and communicated to all affected employees. The Board continuously evaluates operations and results through a reporting packet that contains an income statement, balance sheet and key financial ratios as well as other material operational and financial information. The other policies and guidelines established by the Board that are important to internal control are the communication policy, IT policy and gender equality policy. Moreover, the CEO decides on financial job descriptions, which are available to the finance department on the company's server. Odd Molly has a business area-based organizational structure where each business area manager participates in the company's management team and is responsible for the performance of their business area. All of Odd Molly's business areas share the same structure, financial system, chart of accounts and policies, which facilitates efficient routines and control systems.

Risk assessment

Odd Molly works continuously and actively with risk analysis, risk assessment and risk management to ensure that the risks the company is exposed to are managed efficiently within the established framework. The risk assessment includes, among other things, the company's administrative routines for invoicing and order processing. Balance sheet and income statement items with a risk of material error are also reviewed continuously. Odd Molly uses prepayments when its credit analysis has a negative outcome or for new, smaller customers, as well as with active control of currency risks.

Control activities

Control structures are designed to manage the risks that the Board of Directors considers material to the internal control of financial reporting. These control structures include of an organization with clearly defined lines of authority, routines and job descriptions. Control activities include reporting on decision-making processes and procedures for important decisions (e.g., new major customers, investments, inventories, contracts, etc.) as well as reviews of all financial reports that are presented.

The financial handbook covers, among other things, control activities such as reconciliations, authorizations, account reconciliations, financial systems and benchmarks. Authorization instructions are updated continuously. The right to authorize payments is also treated in this instruction. Approval is required by at least two persons jointly from the finance department or by the CEO and the CFO.

Information and communications

The company's governing documents in the form of policies, guidelines and manuals for internal and external communications are updated continuously and communicated internally through the appropriate channels such as internal meetings and internal mail. The company's communication policy, which contains guidelines on how information is released, applies to communications with outside parties. The purpose of the policy is to ensure that Odd Molly correctly and thoroughly meets all its information obligations according to current laws and regulations.

Monitoring and oversight

The Board continuously monitors the effectiveness of the internal control based on the preparations by the Audit Committee. The Board makes certain that the company's auditors review the financial report for the third quarter. Lastly, the Board issues a brief report on how internal control was implemented during the year. To date the Board has not found reason to establish a separate internal audit unit, although it evaluates annually whether one is needed.



“you are perfect
because you are not”





*odd molly
letting my heart do the thinking*

*for more info go to
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