



ODD MOLLY

ANNUAL REPORT 2013

2	About Odd Molly
4	Comment from the CEO
6	Business concept, goals and strategy
8	Business model
11	Operations
14	Odd Molly's responsibilities
16	Odd Molly's share
19	Board of Directors' report
24	Summarized financial information
25	Consolidated statement of comprehensive income
26	Consolidated balance sheet
27	Consolidated statement of cash flows
27	Consolidated statement of changes in equity
28	Parent Company income statement
29	Parent Company balance sheet
30	Parent Company statement of cash flows
30	Parent Company statement of changes in equity
32	Corporate governance



Odd Molly is a success story built on a distinctive design concept. A few years ago we lost our focus and had to start over. So we set new goals and made changes. We formulated a new category strategy, put in place a new organization and increased control over distribution of our fantastic clothing. To achieve our goals, we have to stay focused on the right things and disregard what won't get us there. This is why the annual report is condensed and contains only what we feel is most important to discuss.



ABOUT ODD MOLLY

The company in brief

Odd Molly is a Swedish company that designs, markets and sells women's fashion. Odd Molly's collections share a distinctive design with feminine, flattering, easy-to-wear clothing distinguished by its quality, color and patterns.

Founded in 2002, Odd Molly is currently listed on NASDAQ OMX Stockholm. The company's products are mainly sold through agents to retailers around the world, which facilitates expansion with limited capital.

Odd Molly is responsible itself for sales to external retailers in the Scandinavian market, in addition to managing five of its own stores and two shop-in-shops in Sweden and Denmark as well as a web shop that reaches consumers throughout Europe.

In 2013 Odd Molly clothing was sold in a total of 30 countries. Odd Molly has around 3,000 shareholders and about 50 employees in Stockholm, Göteborg, Copenhagen and Los Angeles.

"Odd Molly is a distinctive design concept with strong values."

The year in brief

In 2013 Odd Molly made a number of strategic decisions and implemented changes to create future opportunities – important measures that were charged against earnings, but with the goal of creating long-term success.

Net sales amounted to SEK 228.2 million, compared with SEK 223.7 million in the previous year. The gross profit margin was stable at 54.5 percent, against 53.6 percent in 2012. The operating loss was SEK 24.1 million, compared with year-earlier profit of SEK 0.2 million. Profit was charged with one-time expenses of approximately SEK 12.3 million.

Collection

- Category development work has resulted in improved order values, good sales at the retail level and a positive trend in Odd Molly's own sales channels.
- The new strategy has led to increased sales of high-volume products, lower average prices and higher average orders.

Organization

- The organization has been adapted to future priorities with a focus on design, sales and closeness to customers.

Distribution

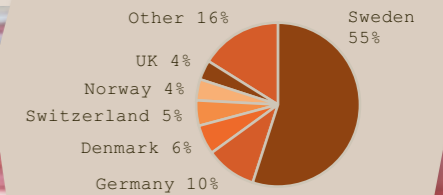
- Odd Molly has taken over sales responsibility for its closest and most important market – Scandinavia – with a goal to increase control over the value chain, ensure greater flexibility and come closer to customers.

Financial history

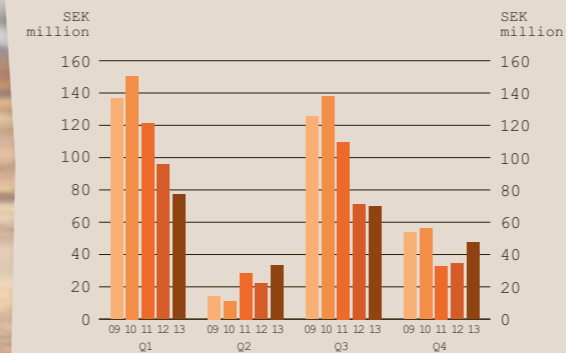
	2013	2012	2011	2010	2009
Net sales, SEK thousand	228,163	223,724	292,275	355,551	329,809
Operating profit, EBIT, SEK thousand	-24,098	220	20,074	50,668	59,179
Operating margin, EBIT, %	-10.6	0.1	6.9	14.3	17.9
Return on capital employed, %	-24.4	1.4	16.2	39.7	55.6
Return on equity, %	-20.1	2.5	10.7	28.0	39.9
Equity/assets ratio, %	64.9	78.2	76.8	80.7	76.2
Equity per share, SEK	14.43	19.22	22.08	24.00	21.00
Earnings per share, SEK	-3.38	0.52	2.48	6.30	7.48
Dividend per share, SEK	0.00*	1.50	3.00	4.50	3.50
Average number of employees	56	54	57	50	36
Net sales per employee, SEK thousand	4,070	4,111	5,142	7,111	9,086
Number of company-owned stores	6	5	5	5	1

* Proposed dividend

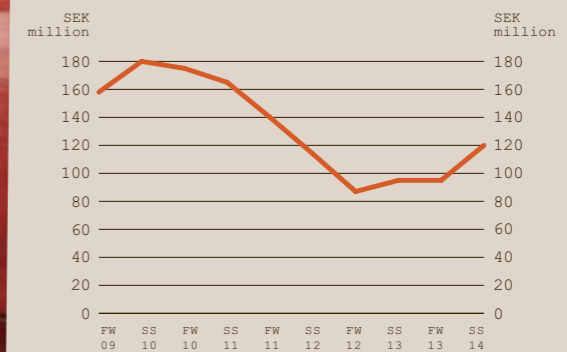
Sales by country



Quartely slaes



Order values



CHANGE REQUIRES CHANGE

My main task when I joined Odd Molly two years ago was to implement change. There was a realization that something had to be done and a willingness among the team to do it, but perhaps most importantly the ability to take action. Thanks to a sustainable and soundly managed balance sheet, we have been able to change what we had to in order to ensure our future success.

Broad changes have been made with an emphasis on what we ourselves can influence – from design to sales. In concrete terms, we have created a new category strategy, a new distribution strategy and an organization designed to take us to our goal: to stop orders from declining, increase sales and strengthen the brand.

The new category strategy has proven successful in the form of clearly improved order values, good sales at the retail level and a very positive trend in our own sales channels, especially Odd Molly's web shop. We sell more high-volume products today, have reduced our average price and increased the average order, exactly as planned. Now we are continuing to fine-tune the collections and the way we work. To be even more accurate in our sourcing, we will work with four sales periods per year instead of two. At the same time the share of our own retail sales is growing. As a result of these factors, we will not announce our order figures separately during the year.

Last fall we continued to adapt the organization to our future priorities. Certain services will change and others will disappear. We have in place a fantastic team of skilled people who accept the challenge. But perhaps the most important thing during the year was the decision to take over responsibility for sales work in Scandinavia, which had previously been handled through an agent. This is a strategic decision, and a big one, which brings Odd Molly closer to our customers and at the same time represents a slight shift in the business model. A shift that gives us greater control over distribution in our closest, largest and most important market – and greater flexibility to develop the business.

We also continued to build sales through our own retail channels during the year. Two shop-in-shops in the department stores Åhléns in Stockholm and Illum in Copenhagen were added, as was a new store in Täby Centrum, outside Stockholm. We will continue to develop our own channels and look for opportunities to expand where we think it can strengthen the brand and generate revenue. With a higher share of consumer sales, we get faster feedback in the design process and can drive sales more proactively, and eventually achieve a more even sales distribution over the course of the year.

In summary, we implemented several changes and took important steps in 2013 – measures that affect profitability and growth differently in the short and long term. What is clear is that the trend has turned for the better and we see great opportunities ahead. To emphasize our shared goals, I usually – literally – post them on the wall. Right now the sun is shining on Odd Molly and all signs are pointing in the right direction. This doesn't mean we expect there to always be cloudless skies – a lot of hard work still remains. With a positive and opportunity-oriented spirit, the whole team – and our partners – is working step by step to strengthen our position. We want to be an attractive growth company with good profitability – and the choices we make will be based on Odd Molly's distinctive design concept.

Anna Attemark
CEO of Odd Molly

ODD MOLLY'S BUSINESS CONCEPT, GOALS AND STRATEGY

Business concept

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

Mission

You are perfect because you are not.

Goals

Odd Molly's financial goals are 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.

Strategy

Odd Molly will profitably grow by continuing to create attractive clothing collections, utilizing its geographical platform and developing new and existing sales channels. This work is rooted in a quality-conscious, responsible and inspiring corporate culture. Odd Molly's strategic work can be summarized as follows:

- Odd Molly will design beautiful clothing and related lifestyle products for women. The collections will be distinguished by color, patterns and craftsmanship, with a balance between volume and price and between simpler and more decorative items, all sharing a distinctive design concept.

The spring and summer collection (SS13) was the first to reach market in accordance with the new category strategy.

- Odd Molly will expand its retail presence by continuing to carefully choose retailers. Odd Molly will also manage and develop its own retail operations in several channels.

Another brick-and-mortar store and two shop-in-shops were opened during the year. The company's own sales channels performed strongly in 2013.

- Odd Molly will continue to strengthen its brand long-term and drive sales with a focus on markets where it has the best opportunities to build a strong long-term position. Odd Molly will increase control in strategic markets, while evaluating opportunities to expand to new markets.

In 2013 Odd Molly decided to take over responsibility for sales work in the Scandinavian market.

- 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. Consideration for Odd Molly's stakeholders cuts across the entire company.

An organizational change was implemented during the year to optimize the company's resources based on our future priorities.



BUSINESS MODEL

Odd Molly sells its products mainly through independent agents to external retailers around the world. Thanks to the agent's deep understanding of their local market, the competition and specific conditions, Odd Molly can achieve the right mix of retailers with the right image and brands but without major capital investment. The agent in turn receives the exclusive right to sell Odd Molly's product range in a geographically defined market. In certain markets Odd Molly is represented by a distributor. In 2013 Odd Molly made a strategic decision to take over sales responsibility for external retailers in Scandinavian markets. The company also manages its own consumer sales in the form of brick-and-mortar stores, a web shop, outlets and shop-in-shops – for branding purposes and to drive sales.

The collection is shown and orders placed...

Each season begins with a sales meeting where the new collection is shown to all agents and certain major distributors. Employees from Odd Molly present the ideas behind the collection: inspirations, qualities and suggested combinations. The agents are then allowed to borrow a sample collection from Odd Molly to sell in their respective markets. When Odd Molly has

received all the orders from its own sales staff as well as agents and distributors, it can plan production with selected manufacturers. Before then certain fabrics and other materials are ordered. In this way, Odd Molly produces only enough of each item to fill binding orders, allowing it to balance inventory levels. Fixed orders and long lead times between initial order and deliv-

ery also mean that revenue for each financial year can be predicted fairly accurately. Odd Molly also places orders for its own sales channels.

...the merchandise is ready...

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 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 the retailers, they assume the risk of selling to consumers.

In the few markets where Odd Molly has chosen to be represented by a distributor, the sales are 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

...and reaches stores

In connection with a shipment, each retailer also receives information folders, signage and logos to decorate stores, all produced centrally by Odd Molly. The local agent normally maintains contact with retailers, although Odd Molly's aim is to work more closely with store employees around the world to instill the right feeling and ensure that the brand is displayed correctly. As of 2014 Odd Molly is responsible for contacts with retailers in Scandinavia.

Actors and their roles

Retailer

Odd Molly's retailers range from small specialty shops to well-known department stores in about 30 countries around the world. The retailer is Odd Molly's contractual partner, except in cases where the company is represented by a distributor. The company's sales to retailers are called wholesaling.

Agent

The agent has an exclusive right to sell Odd Molly's products to external retailers in a geographically defined market. To support its sales work, the agent receives information on current collections as well as a sample collection and marketing material. The agent receives a commission on its sales.

Sales through an agent generate little risk, since the orders are binding. At the same time the model offers limited opportunities for Odd Molly to drive sales through retailers.

Distributor

The distributor has basically the same role as an agent, with the big difference being that the distributor buys the goods (at a discounted price) and assumes the risks associated with inventory and sales. The lower risk of being represented in a market by a distributor also means a lower margin and less control over retailers.

Own sales channels

Odd Molly generates its own sales through three brick-and-mortar stores, a web shop, two outlets and two shop-in-shops. The outlets offer Odd Molly products from previous seasons as well as certain sample collections. A shop-in-shop is a defined sales space in a department store, for example, where Odd Molly generally has its own decor, personnel and cashier.

Higher sales in its own channels give Odd Molly greater control over the entire value chain and the best opportunity to have an impact by driving sales based on demand. At the same time Odd Molly assumes the risk in inventory and the costs of its own retail staff.

Supplier

Odd Molly has no manufacturing of its own and outsources production to selected suppliers in Asia and Europe.

CHANGES ON SEVERAL LEVELS

Changes have been underway in the company for the last two years to strengthen Odd Molly's position and create long-term growth. The work is being done on several levels, and a number of strategic steps were taken during the year. The new category strategy has been well received, the organization has been streamlined and efforts have been initiated to take control over sales in key markets. At the same time Odd Molly is strengthening its presence in company-owned sales channels.

Collection

Odd Molly is a distinctive design concept with a unique style that is feminine, flattering and easy to wear. The cornerstones of Odd Molly's design are color, patterns and craftsmanship. Odd Molly offers a personal interpretation of contemporary fashion. The goal is to assemble innovative collections that reflect the brand's soul and at the same time have commercial appeal.

Odd Molly's clothing is positioned in the upper mid-price segment, which it defines as "within reach." The target group is women of every age from various cultures. The Odd Molly woman wants to feel good and look good, and many are very loyal to the brand. She is free and always on a journey. Odd Molly celebrates women as they are: "You are perfect because you are not".

Continuity and newness

In 2013 the design team continued to follow the basic strategy established the previous year. Two main collections are created per year and divided into four distinctive themes and an equal number of "releases" or shipments in season. The aim is to even out the flow of merchandise, but mainly to create a flow of new merchandise and a new feeling in stores, with better opportunities for add-on sales.

Another aspect of the new category strategy is a more balanced product mix. Each theme has a balance between different types of products, between simpler and more decorative products and between well-known products and new merchandise. The idea is that more coordinated collections will make it easy for the retailer to then make it easy for the customer to buy clothing from Odd Molly from head to foot. The various themes are also based on what customers want that particular season.

To combine continuity with the excitement of newness, Odd Molly is also getting better at designing products in categories where the consumer is most loyal, such as knits, and complementing collections with more fashionable items as well as accessories. During the year Odd Molly successfully launched its first home accessories collection.

The category strategy, which was launched in fall 2012 in connection with sales presentations of the spring and summer 2013 collection, has received a positive response and resulted in, among other things, higher order values during the year. To meet the goal of maintaining a steady flow of new merchandise and stay close to customers, Odd Molly will switch in 2014 from two to four sales periods per year.

Drive sales

For the next collection to be more successful than the last one requires thorough analysis. The design and purchasing team carefully evaluates the factors that drove sales and why, and what will drive sales going forward. They analyze sales from all company-owned stores and external retailers to look for changes in orders.

Put simply, more merchandise at lower price points will help to drive sales, while more decorative items help to strengthen the brand. An important success factor is to innovate in segments that are popular with customers. The adjustments made to the product mix have produced the desired effect – the average order is higher and the average price is lower than the previous year.

Customer focus

Odd Molly is and will remain a design-oriented company. This, combined with a clearer customer focus in every decision, will help to improve its chances of success. A continued focus on the company's own sales channels provides a better understanding of customers and gives Odd Molly an important tool to design the next successful collection.

Organization

Odd Molly comprises a number of functions, from design, sourcing and sales to accounting, logistics, marketing and retail. At year-end Odd Molly had 59 employees in Sweden, Denmark and the US, of whom 53 were women and 6 men.

Odd Molly has a strong corporate culture and clearly defined values. It is just as natural to take a structured approach to meeting goals as it is important that employees enjoy their jobs and have the opportunity to grow and develop with the company.

During the year additional adjustments were made to the organizational structure with the goal of creating a more goal- and customer-oriented and sales-driven organization.



Distribution

Odd Molly's clothing is mainly sold through external retailers. During the year it was represented by 12 agents and one distributor, while in four countries Odd Molly is responsible for sales.

Odd Molly also has its own sales locations, including one store and two shop-in-shops opened during the year. At year-end Odd Molly had three of its own stores, two outlets, two shop-in-shops and a web shop. The stores, which allow Odd Molly to showcase its entire collection in an atmosphere designed specifically for the brand, are seen as a complement to external stores, though they also generate good sales. Odd Molly's web shop is open in every EU country as well as Switzerland and Norway. The outlets, located outside Stockholm and Göteborg, allow Odd Molly's urban stores to shorten their sales promotions and keep their merchandise fresh. At the same time the outlets let the company extend discounted sales on collections from earlier seasons. With a higher share of consumer sales through its own channels, the company can expect a more consistent distribution over the course of the year.

To improve opportunities for profitable growth, Odd Molly made a strategic decision during the year to take over responsibility for sales work in the Scandinavian market. This gives Odd Molly greater control over the value chain, brings it closer to customers and provides greater flexibility to develop the business.

The majority Odd Molly's sales are currently in Western Europe, although the brand is also represented in North America and Australia. Odd Molly is sold everywhere, from personalized boutiques to trendy designer stores and well-known department stores. Sweden is Odd Molly's first and largest market. Together with Germany, Denmark, Switzerland, Norway and the UK, the six largest markets accounted for about 84 percent of total sales in 2013.

Geographical diversity and external representation require consistency and responsiveness in communicating the brand's core values. All employees and partners around the world are informed of Odd Molly's core values and meet at least twice a year to see and discuss the new merchandise and collections. These gatherings will become more frequent beginning in 2014, when more sales periods are added.

All marketing material is produced internally but adapted to local markets around the world in cooperation with each agent or distributor, which is then responsible for day-to-day branding in their market. Odd Molly markets through a number of channels, one of the most important of which is international fashion shows. Odd Molly works actively with PR and its social media presence. During spring 2013 Odd Molly launched a new website and a few months later started a customer club. Going forward Odd Molly will continue to develop its digital communications and strengthen ties between brick-and-mortar stores and the web.

ODD MOLLY'S RESPONSIBILITIES

Odd Molly takes responsibility for its operations in terms of social conditions, environmental impacts and compliance in the manufacturing of its products. This is a long-term effort with the aim of further improving the company's corporate responsibility work every year – preferably through collaborations with others in the industry and with the support of outside organizations.

Odd Molly's responsibility

Odd Molly is an ethically sound company that takes social and environmental responsibility. The ethical and environmental guidelines apply to everyone who works with Odd Molly: employees, suppliers, subcontractors and other partners. Environmental impacts will be minimized as far as possible at every level of the value chain.

Odd Molly is a principled company that tries to set an example by making responsibility part of the corporate culture. Odd Molly's clothing is timeless and high quality and can be used year after year rather than quickly discarded. The clothing lives long and is sought after in second-hand markets.

How Odd Molly works with responsibility

Odd Molly works consistently based on its ethical and environmental guidelines to not only minimize business risks that in the long run could affect the brand and the company's reputation, but also to take responsibility for using resources sustainably.

The company has guidelines for its suppliers and follows the Fair Wear Foundation's Code of Labour Practices, which are designed to ensure safe working and environmental conditions in production based on the ILO Conventions and the UN Convention on the Rights of the Child.

Responsible production

Odd Molly doesn't have any production of its own and instead has its collections manufactured by selected suppliers in India, Portugal, China, Morocco and Turkey. Because many items contain complex, hand-sewn details, Odd Molly places stringent demands on its suppliers. The choice of manufacturers is primarily based on product quality and reliability, although ethical and environmental considerations are also a factor. Odd Molly continuously reviews its network of partners with an aim to build close, long-term partnerships.

Odd Molly works directly with its suppliers and through manufacturing agents in Asia and Europe. The agents closely dialogue with Odd Molly's production department to find the right factory for the company's needs. Odd Molly has a partner in China to help with quality and production control on site. They inspect finished products before they are approved for shipment to Sweden and conduct inspections during the production process to ensure that the clothing meets Odd Molly's requirements. They can also serve as Odd Molly's extended arm to follow up independent social audits. The company's design and production team regularly visits manufacturers as well to discuss development opportunities, techniques and quality issues.

Environmental responsibility

Odd Molly works actively to prevent the use of hazardous chemicals in its products and to ensure that the EU's chemical regulation, REACH, is followed. All suppliers must pledge to follow the rules on prohibited chemicals, which Odd Molly verifies through spot checks. Since 2011 Odd Molly has been a member of chemicals group within SWEREA IVF, a knowledge platform to help member-companies prevent the use of hazardous substances in their products and improve information on chemical use.

To reduce CO2 emissions as far as possible, Odd Molly's first choice is to ship by sea or road from suppliers in Europe. If this is not possible, a combination of air and sea or air transports is used. Odd Molly continuously evaluates its shipping methods to find the optimal solution. The aim is to minimize the number of shipments by air.

Since 2010 Odd Molly is involved in a joint project together with around 30 companies in the Swedish textile industry called the Sweden Textile Water Initiative (STWI). The aim of the initiative is to work proactively to understand and reduce water impacts from textile and leather production. Initially, the project was expected to last for two years, but it has since become an ongoing collaboration. STWI has established common guidelines to support sustainable water consumption in the production chain. Right now member-companies are testing the practicality of the guidelines in their textile and leather production.

Social responsibility

Odd Molly has been a member since 2009 of the Fair Wear Foundation to ensure fair working conditions in the factories used in its production. The Fair Wear Foundation is an independent organization seeking to improve working conditions in the textile industry. Together with the organization, Odd Molly works actively and continuously on improvements at the facto-

ries. As part of the collaboration, the organization conducts inspections of Odd Molly's suppliers according to a joint plan. The foundation also continuously evaluates Odd Molly as a member to ensure that the company is working internally in an optimal way to follow the plan and is actively effecting change together with its suppliers.

The main goal of the foundation's work and audits is to evaluate and improve conditions in Odd Molly's existing factories. The inspections are always scheduled in advance in order to maintain good relations with suppliers and contribute to a dialogue on improvements.

During the year Odd Molly reached its established goal to inspect suppliers of 90 percent of production volumes. The inspections reported only minor infractions, including that the suppliers were not meeting Odd Molly's requirements in terms of living wages and regulated overtime. The Fair Wear Foundation wants factories not only to comply with current laws on minimum wages but to pay living wages. The inspections have shown that this is an area still in need of improvement. The suppliers have agreed to follow the improvement plans that have been established.

Learn more about the Fair Wear Foundation and its inspections at www.fairwear.org.

Animal rights

Odd Molly does not use fur from animals killed solely their pelts, only fur and leather from animals raised for the food industry. The company joined the Fur Free Retailer Program in 2012. It does not accept methods such as mulesing and therefore does not buy Australian Merino wool.

Odd Molly works only with suppliers that can guarantee down from non-living birds. As of 2014 the company does not use angora in its clothing.

ODD MOLLY'S SHARE

Odd Molly respects its relationships with shareholders and others in the capital market and aims to provide information distinguished by quality, reliability, continuity and promptness. The Odd Molly share has been listed on NASDAQ OMX Stockholm since June 21, 2010 after moving from First North, where it was first listed in 2007.

Market capitalization and turnover

The final price paid on December 31, 2013 was SEK 37.10 (26.60), giving Odd Molly a market capitalization of SEK 213.4 million (153.0). During the financial year the average turnover was about 6,864 shares per day (2,991). A total of 1.7 million (0.7) Odd Molly shares were traded at a value of SEK 56.7 million (22.7). The lowest price paid was SEK 27.30 (January 7, 2013) and the highest price was SEK 42.00 (November 25, 2013). In 2013 the share rose by 34.9 percent, compared with a decrease of 18.2 percent in 2012. During the financial year 2013 the OMXSPI Index rose by 32.7 percent.

Share capital

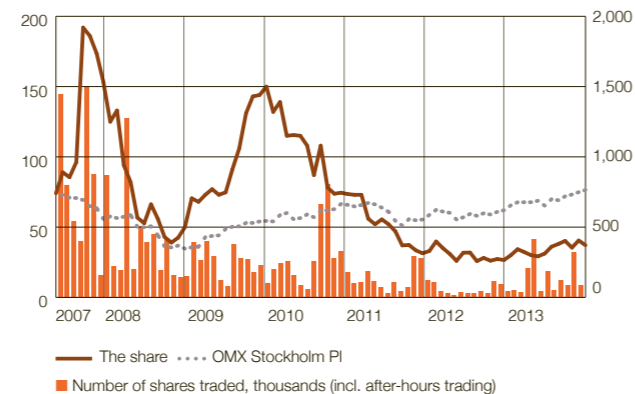
Odd Molly's share capital on December 31, 2013 was SEK 575,200, distributed among 5,752,000 shares with a quota value of SEK 0.1 per share. According to the Articles of Association, the share capital shall amount to not less than SEK 500,000 and not more than SEK 2,000,000, distributed among not fewer 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 num-

ber of shares they hold without restrictions on their voting rights. The shares can be freely transferred.

Changes in share capital

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

Share performance



Share performance

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 CEO and Vice President.

Dividend policy

The Board of Directors of Odd Molly will propose to the Annual General Meeting that no dividend be paid for the financial year 2013. The dividend for the financial year 2012 was SEK 1.50 per share. 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.

Key data per share

	2013	2012	2011	2010	2009
Equity per share, SEK	14.43	19.22	22.08	24.00	21.00
Earnings per share, SEK	-3.38	0.52	2.48	6.30	7.48
Dividend per share, SEK	*0	1.50	3.00	4.50	3.50
Outstanding number of shares on the closing day, thousands	5,752	5,752	5,752	5,752	5,752

*Proposed dividend

Largest shareholders as of December 31, 2013

Ten largest shareholders	No. of shares	No. of votes/capital, %
M2 Capital Management AB	1,110,477	19.31
Kattvik Financial Services	1,049,763	18.25
ATV Holding AB	664,471	11.55
New Moon Förvaltning AB	551,478	9.59
Swedbank Robur Småbolagsfond Sverige	292,528	5.09
Jimfelt-Ghatan. Karin	201,157	3.50
AMF Aktiefond Småbolag	148,150	2.58
NTC Various Fiduciary Capacity	144,093	2.51
Handelsbanken Fonder AB RE JPMEL	124,659	2.17
Placeringsfond Småbolagsfond Norden	95,295	1.66
Total, ten largest shareholders	4,382,071	76.18
Other	1,369,929	23.82
Total	5,752,000	100.00

Ownership structure as of December 31, 2013

On December 31, 2013 Odd Molly had 2,965 shareholders (3,349), according to Euroclear Sweden AB. Odd Molly's ten largest shareholders held shares corresponding to 76.2 percent (74.7) of the votes and capital in the company. Foreign ownership amounted to about 9.1 percent (9.1) at December 31, 2013.

Shareholder structure	No. of shareholders	No. of shares	Holding %	Votes %	Market value SEK 000
1 - 500	2,624	322,273	5.60	5.60	11,956
501 - 1,000	174	142,234	2.47	2.47	5,277
1,001 - 5,000	117	250,291	4.35	4.35	9,286
5,001 - 10,000	25	181,885	3.16	3.16	6,748
10,001 - 15,000	5	61,155	1.06	1.06	2,269
15,001 - 20,000	2	34,076	0.59	0.59	1,264
20,001 -	18	4,760,086	82.76	82.76	176,599
Total	2,965	5,752,000	100.00	100.00	213,399



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 financial statements for the financial year January 1 – December 31, 2013.

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., registered in Delaware, in the US; Odd Molly Denmark ApS, in Denmark; and Odd Molly Norway AS, in Norway. 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, Odd Molly Denmark ApS conducts wholesale and retail operations in the Danish market and Odd Molly Norway AS conducts Odd Molly's operations in Norway.

Odd Molly share and ownership structure

Odd Molly's initial listing was on First North on June 18, 2007, and on June 21, 2011 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, 2013 Odd Molly had 2,965 shareholders, around 98 percent of whom were registered in Sweden. Four shareholders have holdings larger than 10 percent: M2 Capital Management AB, Kattvik Financial Services AB and ATV Holding AB. For more information on Odd Molly's share, see pages 16–17. There are no limitations on the transferability of shares due to provisions of Swedish law or the Articles of Association.

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 sells its products mainly through independent agents to external retailers around the world. Thanks to the agent's deep understanding of their local market, the competition and specific conditions, Odd Molly can achieve the right mix of retailers with the right image and brands but without major capital investment. The agent in turn receives the exclusive right to sell Odd Molly's product range in a geographically defined market. In individual markets, Odd Molly is represented by one distributor. In 2013 Odd Molly made a strategic decision to take over

sales responsibility for external retailers in the Scandinavian markets. The company also manages its own consumer sales in the form of brick-and-mortar stores, a web shop, outlets and shop-in-shops – for branding purposes and to drive sales.

Significant events during the financial year and after its conclusion

- In January Odd Molly opened two shop-in-shops: one at Åhléns City in Stockholm and one at Illum in Copenhagen.
- In March Odd Molly announced its order value for the fall/winter 2013 collection. The order value amounted to slightly over SEK 95 million, compared with an order value of approximately SEK 87 million for the same collections in the previous year.
- To create the conditions for increased sales, the cooperation agreements with Odd Molly's agents in Norway and Denmark were terminated during the year and Odd Molly took over sales responsibility in these markets. Marketing of the spring/summer 2014 collection was handled for the first time by Odd Molly in these markets.
- During the third quarter the company's representative in the Netherlands was replaced and the new agent assumed responsibility for orders for the spring/summer 2014 collection from the Dutch market.
- In September Odd Molly announced an order value for the spring/summer 2014 collection of approximately SEK 120 million, compared with an order value of approximately SEK 95 million for the same collection in 2013. The order value includes orders from external retailers as well as orders for the company's own stores, shop-in-shops and web shop.
- In August the company opened its own Odd Molly store in the Täby Centrum shopping center outside Stockholm.
- In an effort to strengthen growth prospects, Odd Molly decided during the year to take over responsibility for sales work in its largest market, Sweden, which had been handled by an agent. The decision, which gives Odd Molly greater control over the value chain and brings it closer to customer, is expected to positively affect profitability and provide increased flexibility to develop the business. The official takeover was through an acquisition in early January 2014, after which a collaboration will continue during a transition period. The total purchase price is estimated at SEK 14 million and will be determined at year-end 2014.
- Odd Molly implemented a number of changes during the fourth quarter to adapt the organization to future business investments with a focus on design, sales, and closeness to the customer. During the quarter Per Holknekt, one of the company's founders and Creative Director, announced that he is stepping down from his position with the company.

Sales and earnings 2013

Group

Net sales

Net sales for 2013 amounted to SEK 228.2 million (223.7), an increase of 2 percent year-on-year. The company's wholesale operations (sales to retailers) reported a sales decline in line with announced and confirmed orders for the spring and fall collections. Retail operations (Group sales to consumers) saw good growth during the year, mainly driven by the company's web shop and the fact that a store was opened during the year in the Täby Centrum shopping center outside Stockholm and shop-in-shops at Ähléns City in Stockholm and Illum in Copenhagen.

In 2013 Odd Molly merchandise was sold in a total of 30 countries (35). Odd Molly was represented during the year by 12 agents and one distributor and was responsible itself for sales in four countries. Odd Molly's six largest markets (Sweden, Germany, Denmark, Switzerland, the UK and Norway) accounted for approximately 84 percent (77) of total sales in 2013.

Earnings

The gross profit margin for the year was 54.5 percent (53.6) and the operating loss amounted to SEK -24.1 million (0.2).

Personnel expenses amounted to SEK 50.8 million (42.7), or 22 percent (19) of net sales. The increase is largely due to one-time restructuring expenses of SEK 5.6 million and increased personnel expenses from the opening of new stores.

Other external expenses amounted to SEK 94.8 million, compared with SEK 73.3 million a year earlier. About SEK 5 million of the increase is due to the opening of three new stores and shop-in-shops during the year. One-time expenses of SEK 4.7 million to terminate the cooperation agreements with the company's agents in Norway, Denmark and the Netherlands were charged against earnings for the period. After falling by SEK 2.7 million in 2012, the provision for doubtful debts rose by SEK 3.6 million in 2013 to SEK 8.5 million at year-end.

The net loss amounted to SEK -19.4 million (3.0) and earnings per share to SEK -3.38 (0.52).

Seasonal fluctuations

Odd Molly's operations are highly seasonal, with the strongest sales in the first and third quarters, while the second and fourth quarters are considerably weaker. As a result, the company's operations, sales and profits are best followed on a semiannual basis.

Financial position

Bolagets balansomslutning var vid periodens slut 127,9 MSEK (141,3). The company's total assets amounted to SEK 127.9 million (141.3) on December 31, 2013. Shareholders' equity was SEK 83.0 million on the same date, compared with SEK 110.5 million on December 31, 2012. The equity/assets ratio was 65 percent (78) and cash equivalents amounted to SEK 49.0 million (76.5).

Accounts receivable amounted to SEK 35.4 million on December 31, 2013, compared with SEK 29.7 million a year earlier. The provision for doubtful debts amounted to SEK 8.5 million (4.9) on December 31, 2013. Inventory amounted to SEK 33.8 million (22.6) on the same date and includes SEK 8.9 million for goods in transit (0).

Investments and cash flow

During the year Odd Molly invested a total of SEK 3.6 million (0), mainly in store fixtures and furnishings.

Cash flow from operating activities amounted to SEK -15.1 million (13.7) during the year. Total cash flow amounted to SEK -27.3 million (-3.6) for 2013.

Employees

The total number of employees at the year-end was 59 (53), of whom 6 were men and 53 women. The average number of employees during the quarter was 56 (54).

Parent Company

Sales in the U.S. are through the wholly owned subsidiary Odd Molly Inc. Odd Molly also has a subsidiary in Denmark, Odd Molly Denmark ApS, which is responsible for wholesale and retail operations in the Danish market. In 2013 a subsidiary was established in Norway, Odd Molly Norway AS, which is responsible for wholesale operations in Norway as of 2014. All other sales are through the Parent Company. The Parent Company reported net sales during the period of SEK 221.5 million (219.0) and an operating loss of SEK -24.2 million (1.2).

Remuneration guidelines for the CEO and other senior executives

The Annual General Meeting on April 25, 2013 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. The variable remuneration 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 should 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.

Prior to the 2013 Annual General Meeting, the Board of Directors proposed that the remuneration principles for the CEO and other senior executives remain unchanged in 2014.

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. Odd Molly is involved in the Sweden Textile Water Initiative, a collaborative project with around 30 Swedish textile companies that aims to understand and reduce water impacts from textile and leather production. Since 2009 Odd Molly has been a member of the Fair Wear Foundation, an independent organization seeking 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 conduct independent inspections of its manufacturers. For more information on Odd Molly's corporate responsibility work, see pages 14-15.

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 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

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 growth 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

The Odd Molly brand is of critical importance to the company's position and success. Copying the Odd Molly brand or the distribution and sale of Odd Molly's products without the company's consent 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 infringe 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 reduce demand for Odd Molly's products, 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.

Financial risks

For a description of the Group's management of financial risks, see Note 27 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 Articles of Association. The company complies with the Swedish Code of Corporate Governance. For more information on the company's governance, see the Corporate governance report on pages 47–49.

Future outlook

Earnings for 2013 were charged with significant one-time expenses to generate future opportunities. Important category development work has resulted in a collection that has generated improved order values, more high-volume products, lower average prices and higher average orders. A number of changes were made during the year to adapt the organization to future priorities with a focus on design, sales and closeness to customers. To improve opportunities for profitable growth, a strategic decision was made during the year to take over sales responsibility in the Scandinavian markets. In other words, several changes were implemented in 2013 – changes designed to generate sustainably profitable growth.

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 propose to the Annual General Meeting that no dividend be paid for the financial year 2013. The dividend for the financial year 2012 was SEK 1.50 share.

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	-171
Net profit for the year	36,351
Net loss for the year	-5,830
Total	56,768

The Board proposes that available funds be carried forward and that no dividend be paid for the financial year.

CONDENSED FINANCIAL INFORMATION – GROUP

SEK in thousands	2013	2012	2011	2010	2009
Results					
Net sales	228,163	223,724	292,275	355,551	329,809
Operating profit, EBIT	-24,098	220	20,074	50,668	59,179
Net profit for the year	-19,428	2,993	14,237	36,226	43,047
Margins					
Gross profit margin, %	54.5	53.6	56.0	56.6	54.0
Operating margin, EBIT, %	-10.6	0.1	6.9	14.3	17.9
Profit margin, %	-10.4	0.7	7.3	14.5	18.2
Profitability					
Return on capital employed, %	-24.4	1.4	16.2	39.7	55.6
Return on equity, %	-20.1	2.5	10.7	28.0	39.9
Financial position					
Total assets	127,932	141,268	165,304	171,012	158,461
Shareholders' equity	82,998	110,531	126,981	138,066	120,819
Equity/assets ratio, %	64.9	78.2	76.8	80.7	76.2
Per share*					
Equity per share, SEK	14.43	19.22	22.08	24.00	21.00
Earnings per share, SEK	-3.38	0.52	2.48	6.30	7.48
Dividend per share, SEK	0.00**	1.50	3.00	4.50	3.50
Employees					
Average number of employees	56	54	57	50	36
Net sales per employee, SEK	4,070	4,111	5,142	7,111	9,086

* Based on weighted average before and after dilution.

** Refers to proposed dividend for 2014.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK in thousands	Note	2013	2012
Operating revenues			
Net sales	1	228,163	223,724
Other operating revenues	2	499	429
		228,662	224,153
Operating expenses			
Cost of goods sold		-103,801	-103,897
Other external expenses	3, 4	-94,838	-73,251
Personnel expenses	5	-50,799	-42,737
Depreciation/amortization of tangible and intangible fixed assets	6	-2,633	-3,164
Other operating expenses	7	-689	-884
Operating profit		-24,098	220
Result from financial items			
Interest income and similar income items	8	515	1,416
Interest expenses and similar expense items	9	-71	-30
Profit after financial items		-23,654	1,606
Tax on profit for the year	10	4,226	1,387
Net profit/loss attributable to Parent Company's shareholders		-19,428	2,993
Other comprehensive income			
<i>Items that will be classified profit or loss</i>			
Translation difference		-2	-531
Derivatives reclassified to operating profit		852	-1,305
Change in fair value of derivatives		-179	-892
Tax effect of change in fair value of derivatives		-148	539
Total comprehensive income for the year attributable to Parent Company's shareholders		-18,905	805
Earnings per share			
Earnings per share before and after dilution (SEK)*	11	-3.38	0.52
Proposed dividend per share (SEK)		0.00	1.50
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

SEK in thousands	Note	31 dec 2013	31 dec 2012	SEK in thousands	Note	31 dec 2013	31 dec 2012
ASSETS				SHAREHOLDERS' EQUITY AND LIABILITIES			
Fixed assets				Shareholders' equity			
<i>Intangible fixed assets</i>				Share capital (5,752,000 shares)			
Tenancy rights and similar rights	1, 12	–	163	Other paid-in capital		26,418	26,418
Other intangible fixed assets	1, 12	722	816	Reserves		–649	–1,172
		722	980	Retained earnings		56,653	84,709
<i>Tangible fixed assets</i>				Total shareholders' equity			
Equipment, tools, fixtures and fittings	1, 13	3,015	2,431			82,998	110,531
		3,015	2,431	Long-term liabilities and provisions			
<i>Other fixed assets</i>				Provisions for deferred tax			
Deferred tax assets		185	337	22		4,642	8,514
Financial fixed assets	14	652	–			4,642	8,514
		837	337	Current liabilities			
Total fixed assets		4,574	3,748	Advances from customers			
Current assets				Accounts payable			
<i>Inventories, etc.</i>				Derivatives			
Finished products and goods for resale	17	33,829	22,569	19		219	892
Advances to suppliers		415	2,764	Other current liabilities		696	694
		34,244	25,333	Other liabilities		3,988	1,410
<i>Current receivables</i>				Accrued expenses and deferred income			
Accounts receivable	18	35,367	29,730	23		16,109	9,953
Derivatives	19	40	–			40,293	22,224
Other receivables		1,777	3,174	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES			
Prepaid expenses and accrued income	20	2,931	2,740			127,932	141,268
		40,115	35,644	Pledged assets and contingent liabilities			
Cash and bank balances				Pledged assets			
		48,999	76,543	24		2,500	2,500
Total current assets		123,359	137,520	Contingent liabilities		inga	inga
TOTAL ASSETS							
		127,932	141,268				

CONSOLIDATED STATEMENT OF CASH FLOWS

SEK in thousands	2013	2012	SEK in thousands	2013	2012
Operating activities			Investing activities		
Operating profit	–24,098	220	Acquisition of intangible fixed assets	–723	–
<i>Adjustments for non-cash items:</i>			Acquisition of tangible fixed assets	–2,203	–
Depreciation/amortization and impairment losses	2,633	3,164	Acquisition of financial fixed assets	–652	–
Revaluation of derivatives	–40	–	Cash flow from investing activities		
Exchange rate a gains/losses	482	1,555		–3,577	–
Capital gain/loss on sale of equipment	3	34	Financing activities		
Interest received	515	1,416	Dividend paid	–8,628	–17,256
Interest paid	–71	–30	Cash flow from financing activities		
Income tax paid	–420	5,494		–8,628	–17,256
Cash flow from operating activities before changes in working capital			Cash flow for the year		
	–20,996	11,853		–27,285	–3,582
Cash flow from changes in working capital			Cash and cash equivalents at the beginning of the year		
Increase(–)/Decrease(+) in inventories	–11,221	11,446		76,543	80,680
Increase(–)/Decrease(+) in current receivables	–1,942	–2,094	Exchange rate differences in cash and cash equivalents	–260	–555
Increase(+)/Decrease(–) in current liabilities	19,079	–7,532	Cash and cash equivalents at year-end		
Cash flow from operating activities	–15,080	13,674		48,999	76,543

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK in thousands	Share capital	Other paid-in capital	Translation differences	Fair value reserve	Retained earnings	Total shareholders' equity
Opening shareholders' equity at January 1, 2012	575	26,418	55	962	98,972	126,981
Dividend	–	–	–	–	–17,256	–17,256
Other comprehensive income	–	–	–531	–1 657	2,993	805
Closing shareholders' equity at Dec. 31, 2012	575	26 418	–476	–696	84,709	110,531
Opening shareholders' equity at January 1, 2013	575	26,418	–476	–696	84,709	110,531
Dividend	–	–	–	–	–8,628	–8,628
Other comprehensive income	–	–	–2	525	–19,428	–18,905
Closing shareholders' equity at Dec. 31, 2013	575	26,418	–478	–171	56,653	82,998

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.

PARENT COMPANY INCOME STATEMENT

SEK in thousands	Note	2013	2012
Operating revenues			
Net sales	1	220,719	218,410
Other operating revenues	2	733	567
		221,453	218,977
Operating expenses			
Cost of goods sold		-99,550	-101,524
Other external expenses	3, 4	-95,169	-72,210
Personnel expenses	5	-48,407	-40,799
Depreciation/amortization of tangible and intangible fixed assets	6	-1,983	-2,452
Other operating expenses	7	-582	-821
Operating pr profit/loss		-24,237	1,170
Result from financial items			
Interest income and similar income items	8	515	1,416
Interest expenses and similar expense items	9	-71	-23
Profit after financial items		-23,793	2,564
Appropriations			
Change in accrual reserve		17,600	-200
Profit before tax		-6,193	2,364
Tax on profit for the year	10	363	-235
Net profit for the year		-5,830	2,129
PARENT COMPANY'S COMPREHENSIVE INCOME			
Other comprehensive income			
<i>Items that will be reclassified to profit or loss</i>			
Derivatives reclassified to operating profit		852	-1,305
Change in fair value of derivatives		-179	-892
Tax effect of change in value of derivatives		-148	539
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		-5,305	472

PARENT COMPANY BALANCE SHEET

SEK in thousands	Note	31 dec 2013	31 dec 2012	SEK in thousands	Note	31 dec 2013	31 dec 2012
ASSETS				SHAREHOLDERS' EQUITY AND LIABILITIES			
Fixed assets				Shareholders' equity			
<i>Intangible fixed assets</i>				<i>Restricted equity</i>			
Tenancy rights and similar rights	12	-	163	Share capital (5,752,000 shares)		575	575
Other intangible fixed assets	12	722	816	Statutory reserve		1,628	1,628
		722	980			2,203	2,203
<i>Tangible fixed assets</i>				<i>Unrestricted equity</i>			
Equipment, tools, fixtures and fittings	13	2,066	866	Share premium reserve		26,418	26,418
		2,066	866	Retained earnings		36,351	42,850
<i>Financial fixed assets</i>				Net profit for the year			
Shares in Group companies	15	375	343			56,768	70,701
Other financial fixed assets		652	-			58,972	72,904
Receivables from Group companies	16	3,440	3,315	Untaxed reserves			
Deferred tax assets	22	48	196	Accrual reserves	21	21,100	38,700
		4,516	3,854			21,100	38,700
Total fixed assets		7,304	5,700	Long-term liabilities and provisions			
Current assets				Provisions for deferred tax			
<i>Inventories, etc.</i>					22	-	-
Finished products and goods for resale	17	32,261	20,528			-	-
Advances to suppliers		321	2,651	Current liabilities			
		32,582	23,179	Advances from customers		349	291
<i>Current receivables</i>				Accounts payable		18,636	8,748
Accounts receivable	18	35,017	28,868	Liabilities to Group companies		6,307	4,879
Derivatives	19	40	-	Derivatives	19	219	892
Receivables from Group companies	16	22	-	Current tax liabilities		696	694
Other receivables		1,751	3,061	Other liabilities		3,863	1,403
Prepaid expenses and accrued income	20	2,854	2,642	Accrued expenses and deferred income	23	15,699	9,658
		39,683	34,570			45,768	26,566
Cash and bank balances		46,271	74,720	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES			
Total current assets		118,536	132,470			125,840	138,170
TOTAL ASSETS				Pledged assets and contingent liabilities			
		125,840	138,170	Pledged assets	24	2,500	2,500
				Contingent liabilities		inga	inga

PARENT COMPANY STATEMENT OF CASH FLOWS

SEK in thousands	2013	2012	SEK in thousands	2013	2012
Operating activities			Investing activities		
Operating profit	-24,237	1,170	Acquisition of intangible fixed assets	-723	-
<i>Adjustments for non-cash items:</i>			Acquisition of tangible fixed assets	-2,203	-
Depreciation/amortization and impairment losses	1,983	2,452	Acquisition of financial fixed assets	-685	-
Revaluation of derivatives	-40	-	Cash flow from investing activities	-3,610	-
Exchange rate a gains/losses	330	1,544	Financing activities		
Interest received	515	1,416	Dividend paid	-8,628	-17,256
Interest paid	-71	-23	Increase(-)/Decrease(+) in receivables from Group companies	-125	138
	-21,520	6,560	Cash flow from financing activities	-8,753	-17,118
Income tax paid	279	5,499	Cash flow for the year		
Cash flow from operating activities before changes in working capital	-21,241	12,059		-28,185	-3,423
Cash flow from changes in working capital			Cash and cash equivalents at the beginning of the year	74,720	78,599
Increase(-)/Decrease(+) in inventories	-9,403	11,653	Exchange rate differences in cash and cash equivalents	-264	-456
Increase(-)/Decrease(+) in current receivables	-4,988	-2,715	Cash and cash equivalents at year-end	46,271	74,720
Increase(+)/Decrease(-) in current liabilities	19,810	-7,302			
Cash flow from operating activities	-15,822	13,695			

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital	Statutory reserve	Fair value reserve	Unrestricted equity	Total shareholders' equity
Opening shareholders' equity at January 1, 2012	575	1,628	962	86,524	89,689
Dividend	-	-	-	-17,256	-17,256
Other paid-in capital, warrants	-	-	-	-	-
Other comprehensive income	-	-	-1,657	2,129	472
Closing shareholders' equity at December 31, 2012	575	1,628	-695	71,396	72,904
Opening shareholders' equity at January 1, 2013	575	1,628	-695	71,396	72,904
Dividend	-	-	-	-8,628	-8,628
Other paid-in capital, warrants	-	-	-	-	-
Other comprehensive income	-	-	525	-5,830	-5,305
Closing shareholders' equity at December 31, 2013	575	1,628	-170	56,938	58,972



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 and has since fully applied the Swedish Code of Corporate Governance. In the event of deviations, the principle of "comply or explain" is applied. 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 2013

Odd Molly's Annual General Meeting for the financial year 2013 will be held at 2 PM (CET) on April 29, 2014 at Hotel Skeppsholmen 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 56 in this annual report.

Nomination Committee

The 2009 AGM resolved that the company should have a Nomination Committee. The Nomination Committee for the AGM on April 29, 2014 is comprised of Tom Wikström (Chairman), Christer Andersson and Rutger Arnhult. Prior to the AGM, the Nomination Committee held two meetings at which minutes were kept. No remuneration was paid for participation on the Nomination Committee. Tom Wikström is considered independent in relation to the company, management and major

shareholders. Christer Andersson and Rutger Arnhult are considered independent in relation to the company and management, but not the major shareholders.

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 Patrik Tillman, (Chairman), Christer Andersson, Mia Arnhult, Lennart Björk, Kia Orback Pettersson and Nils Vinberg. None of the Directors are employed or have an employment-like relationship with the Group or any subsidiary.

Christer Andersson, Mia Arnhult and Patrik Tillman are considered independent in relation to the company and management, but not the major shareholders. Lennart Björk, Kia Orback Pettersson and Nils Vinberg are considered independent in relation to the company, management and major shareholders. For a more detailed presentation of Odd Molly's Board of Directors, see pages 52–53.

Board compensation

The Chairman and other Directors received total compensation of SEK 650 thousand (625) for 2013, in accordance with the resolution of the AGM. The Chairman of the Board receives SEK 150 thousand per year and the other five Directors each receive SEK 100 thousand per year. Karin Wallin Norman was a member of Odd Molly's Board until the AGM on April 25, 2013 and received SEK 25 thousand for 2013. Kia Orback Pettersson was elected to the Board by Odd Molly's AGM on April 25, 2013 and received SEK 75 thousand in compensation for 2013.

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 2013 the Board held ten 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

	2013	2012	2011
Christer Andersson	8	12	14
Mia Arnhult	10	11	14
Lennart Björk	8	5	–
Kia Orback Pettersson*	5	–	–
Patrik Tillman	10	10	14
Nils Vinberg	9	12	13
Total number of meetings	10	12	14

* Joined the Board of Directors at Odd Molly's AGM on April 25, 2013.

Audit Committee

The Board of Directors has appointed an Audit Committee from among its members to prepare the Board's quality assurance of the financial reporting. The Audit Committee consists of Directors Mia Arnhult, (Chairman), Kia Orback Pettersson and Nils Vinberg. During the year the Audit Committee held two 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 Patrik Tillman (Chairman), Mia Arnhult and Christer Andersson. 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 Jonas Svensson. 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

For 2013 the auditors' remuneration amounted to SEK 747 thousand as regards the Parent Company, of which SEK 350 thousand related to audit work. The corresponding amounts for the Group were SEK 791 thousand and SEK 394 thousand, respectively.

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 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 where operational issues are discussed. Moreover, Group Management annually formulates a business plan that is adopted by the Board. Daily contact between the members of Group Management is critical to effective governance and management.

On December 31, 2013 Group Management consisted of Anna Attemark (CEO), Henrik Fredin, Jennie Högstedt Björk, Karin Jimfelt-Ghatan, Kent-Jonas Lundqvist and Kristin Roos. For a detailed presentation of Group Management, see pages 54–55.

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 CEO's base salary for 2013 was SEK 2,160 thousand (2,160). The CEO is entitled to a monthly pension provision corresponding to 30 percent of base salary. Pension expenses amounted to SEK 648 thousand in 2013. The terms of the CEO's compensation package are resolved by the Board. The company and the CEO have agreed to a term of notice of 12 months if she is terminated by the company and 6 months if she resigns. Senior executives refer to five persons, who together with the CEO formed the Group Management in 2013. During the year the number of senior executives changed. The salary figures shown here include persons who were not members of Group Management at year-end. The base salaries paid to senior executives, excluding the CEO, amounted to SEK 5,690 thousand (6,523) in 2013. Odd Molly pays annual premiums to a defined-contribution pension plan corresponding to 15-20 percent of the total payroll expense. Pension expenses amounted to SEK 1,033 thousand (1,285) in 2013. Senior executives have a term of notice of 3-6 months.

Remuneration to the CEO and other senior executives has been 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 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 of 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 finance policy in 2013 was adopted by the Board on February 14, 2013. 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 on 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 consist 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, 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 accurately 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.

Odd Molly share and ownership structure

Information on Odd Molly's share and ownership structure can be found in the section on Odd Molly's share in the annual report on pages 16–17 and in the section on the Odd Molly share and ownership structure in the Board of Directors' report.

The Board of Directors
March 20, 2014



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