



**ANNUAL REPORT 2016**



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*More Mollys in the world!*



# ODD MOLLY 2016

## A SWEDISH LIFESTYLE CONCEPT THAT CHALLENGES

Odd Molly is a Swedish company that designs, markets and sells fashion and other lifestyle products for girls. The collections share a distinctive design, with feminine, flattering, easy-to-wear clothing recognized for its high quality, color and patterns. Odd Molly is driven by strong values and a desire that girls be willing to go their own way, guided by the company's muse, Molly.

The company was founded in 2002 and since 2010 is listed on Nasdaq Stockholm. Odd Molly has over 2,500 shareholders and around a hundred employees in Sweden, Norway, Denmark, Finland and the US.

Odd Molly's products are sold through its own sales channels and external retailers around the world. At year-end 2016 Odd Molly had 18 of its own stores in Sweden, Norway, Finland and Portugal, its own web shop and four stores managed by partners in the US, the Czech Republic and Slovakia. In 2016 Odd Molly's clothing was sold in 36 countries.

## A YEAR OF MAJOR GROWTH AND A DOUBLING OF PROFIT

In 2016 Odd Molly's revenue rose by 23 percent, mainly through increased sales in the company's own channels, driven by the web shop and new stores. At the same time profitability improved significantly despite further investments in stores, business development and an increased digital presence.

Total operating revenue amounted to SEK 423.2 million, compared with SEK 345.3 million in the previous year. The gross profit margin was unchanged at 55.6 percent. Operating profit nearly doubled, from SEK 12.5 million to SEK 24.5 million, and the operating margin was 5.8 percent (3.6). Net profit amounted to SEK 17.7 million (9.8) and earnings per share were SEK 3.08 (1.70).

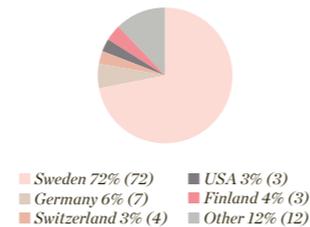
Several smaller collections – shoes, underwear and sportswear – were launched to consumers during the year to strengthen Odd Molly as a lifestyle concept and brand. Five new company-owned and three partner-owned Odd Molly stores were opened during the year in Sweden, the US, Portugal and Slovakia. Twelve shop-in-shops managed by retailers were opened as well.

The Board of Directors is proposing to the Annual General Meeting a dividend of SEK 1.00 (1.50) per share for the financial year 2016.

### FINANSIELL HISTORIK

	2016	2015	2014	2013	2012
Total operating revenue, SEK thousand	423,165	345,259	294,953	228,662	224,153
Operating profit, EBIT, SEK thousand	24,518	12,451	5,516	-24,098	220
Operating margin, EBIT, %	5.8	3.6	1.9	-10.5	0.1
Return on capital employed, %	21.6	14.1	6.6	-24.4	1.4
Return on equity, %	17.8	10.7	4.7	-20.1	2.5
Equity/assets ratio, %	54.7	62.1	64.9	64.9	78.2
Equity per share, SEK	18.38	16.19	15.62	14.43	19.22
Earnings per share, SEK	3.08	1.70	0.71	-3.38	0.52
Dividend per share, SEK	1.00*	1.50	1.00	0.00	1.50
Average number of employees	94	75	70	56	54
Number of company-owned stores	4,495	4,455	4,191	4,070	4,111
Antal egna butiker	18	13	8	6	5

### SALES BY COUNTRY



\* Proposed dividend

## NEW STORES 2016



GROSS MARGIN  
55,6%

SALES GROWTH  
+23%

OPERATING MARGIN  
5,8%

INCREASE IN OPERATING PROFIT  
+97%

NUMBER OF COUNTRIES  
36



# ODD MOLLY'S TRANSFORMATION



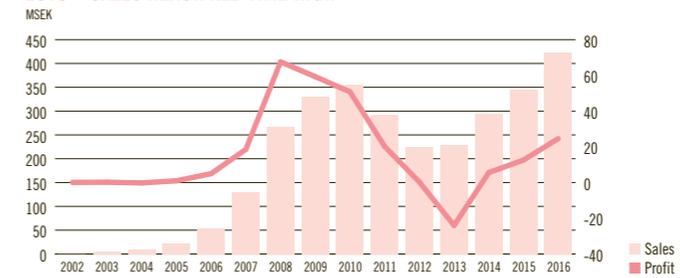
## TRANSFORMATION FROM CLOTHING TO CONCEPT

From:	To:
Design driven	→ Customer focus
Girls' clothing	→ Lifestyle
Wholesale	→ Wholesale and retail
Agents	→ Own sales corps + agents + partners
Destination stores	→ High-traffic locations
Traditional retail	→ Omnichannel
Sweden	→ International expansion

- Record-high sales
- Profitability doubled
- New customers
- More loyal customers
- Broader distribution
- Stronger brand position

# 2016

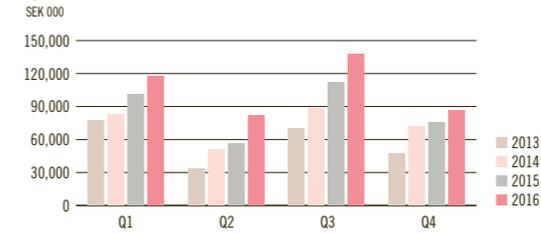
### 2016 – SALES REACH ALL-TIME HIGH



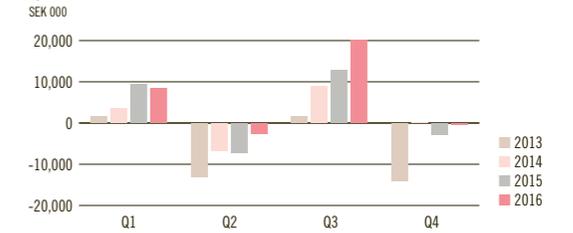
### INCREASED SHARE OF OWN RETAIL 2016



### QUARTERLY SALES



### QUARTERLY OPERATING PROFIT



### ROLLING 12-MONTH SALES



### ROLLING 12-MONTH OPERATING PROFIT



## A FANTASTIC YEAR OF OPPORTUNITIES AND CHALLENGES

*A year ago I said that Odd Molly was ready to take off. Our aim was to leverage the initiatives we have taken and expand to selected markets. After the fact I can say that we made great progress during the year. Odd Molly's sales grew by 23 percent and operating profit nearly doubled. We opened our first stores in Norway and Portugal and began collaborations in the US and Slovakia. We launched new product categories and strengthened our position in the digital arena. 2016 was another year that we delivered on our promises.*

### OPPORTUNITIES

*During the year we grew in all our channels. Sales at the wholesale level increased in our largest markets, but it was mainly thanks to our own sales channels, led by the web shop, that we surpassed our long-term growth target of 20 percent. Our digital strategy with the web shop as an engine, in combination with a strong presence in social media, is the key to success. And it's no coincidence that we are succeeding digitally; we have set clear goals – and achieved very good results.*

*Just as we set out to do before the year started, we placed great focus on finding new sales opportunities and taking bold steps outside the Nordic region. It has been challenging, enjoyable and enlightening. We opened stores in strategically important locations – either ourselves or through a partner – in Sweden and abroad. During the spring we opened Odd Molly's first store in Norway, on Karl Johan gate in Oslo, along with a small retail space in the El Corte Inglés department store in Lisbon, our first in Portugal. Our growth in the US continued during the year with two new stores in Colorado managed by a partner. Odd Molly's partner in the Czech Republic, with a store in Prague, also decided to open one in Bratislava, Slovakia.*

*Odd Molly's idea is to be sustainable and stand for a unique style. Everything starts with what Molly would think and do – when we assemble collections as well as in our branding and business development. During the year we drafted a new sustainability strategy with a vision to encourage more independent girls – Mollys – in the world.*

*While we leave behind a successful 2016, it wasn't just sunshine. There were also challenges, which I feel we handled very well.*

### CHALLENGES

*A number of external factors adversely affected us during the year. The dollar, which we make major purchases in, was very strong – to our disadvantage – which hurt earnings.*

*Last fall was very warm, which unleashed an avalanche of promotional sales. And as I have said before, this tough promotion-driven market is here to stay. This is the reality we have to face and act accordingly. One way for us to counter this pattern of constant promotions and sell a high percentage of full-price merchandise in season is to frequently come out with new products: releasing new collections and launching new product groups within Odd Molly's lifestyle concept. Last year we introduced underwear and sportswear, which were well received by the market. We also reach more types of retailers through our new categories.*

*The tough climate, in several senses, obviously also affected many of our retailers, especially the smaller ones, many of which had to fight to survive. This is evidenced by the fact that it has become harder to find partners willing to open stores at a time when retail is undergoing major changes.*

*The market is full of discounts and promotions; at the same time an increased digital presence requires even more activity to stay interesting to the customer. We were convinced early on of the importance of e-commerce and are well positioned to grow quickly in our own and external channels. Odd Molly's style stands out – especially online.*



### OUTLOOK

*We will continue our transformation, and we will do everything we can to grow with higher profitability. We will continue to use our business model wisely and grow through collaborations that produce the best results, preferably with partners in markets where we see potential to open stores. We expect to grow in all our channels.*

*We will stay attuned to our customers' needs and meet them whatever they are. This is why we are taking an increasingly nuanced approach in our various channels. This spring we have launched several new items as part of our concept where we saw a void in the market. We have designed our very first sportswear collection with a range of layered clothing, from functional tops to ski wear. We have also launched a beautiful and unique bridal*

*collection on a small scale. The foundation that made Odd Molly strong is still in place: a distinctive and sustainable lifestyle concept with a well-balanced product mix.*

*Despite a number of challenges, I would say that the year was a great success. An outcome that wouldn't have been possible without Odd Molly's bright and creative team. They ensure that Odd Molly develops in the right way, at the right speed and in the right arenas – and that Molly continues to break new ground in its own way.*

*Anna Attemark  
CEO*

## STRATEGIC DIRECTION

### OUR BUSINESS CONCEPT

Odd Molly's business concept is to design, market and sell fashion and other lifestyle products in its own stores and through external retailers around the world. Odd Molly represents a unique combination of beautiful design, qualitative values and sensuality.

### OUR MISSION

Odd Molly wants to inspire girls of every age to break loose from conventions and follow their dreams. Odd Molly will always fight for more Mollys in the world!



### OUR STRATEGY

Odd Molly will profitably grow by continuing to create attractive collections, leveraging its geographical platform and developing new and existing sales channels. The corporate culture is rooted in quality, responsibility and engagement. Odd Molly's strategic work can be summarized as follows:

**COLLECTION.** Odd Molly will design beautiful clothing and related lifestyle products for girls. The collections will be distinguished by color, patterns and workmanship, with a balance between volume and price within a distinctive design concept.

During the year Odd Molly continued to launch product groups that complement its clothing collections in line with Odd Molly's lifestyle concept. New for the year were shoes, underwear and a sportswear collection.

**CHANNELS.** Odd Molly will expand its retail presence by continuing to carefully choose retailers. Odd Molly will to a greater degree also manage and develop its own retail operations in multiple channels.

Sales at the wholesale level grew and Odd Molly's own retail sales continued to develop strongly during the year, driven by the web shop. Odd Molly opened its first stores in Norway and Portugal, as well as three new stores in Sweden. In addition, three stores owned by partners were opened in the US and Slovakia.

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

Our performance in the Swedish market, where Odd Molly has its own sales team, was again very strong. The web shop and online retailers posted the strongest growth during the year, because of which Odd Molly continues to invest in its digital platform. Internationally, a number of positive steps were taken during the year, primarily through external partners and retailers.

**PEOPLE.** Odd Molly's organization will maintain the highest quality, drive and engagement and be adapted to the company's long-term needs and growth. Consideration for Odd Molly's stakeholders cuts across the entire company.

During the year the organization was further strengthened, including through the addition of a new CFO and new Head of Marketing. An updated sustainability strategy was drafted in collaboration with external specialists.

## BUSINESS MODEL

Odd Molly sells its products through external retailers around the world, while also increasingly driving consumer sales through its own physical stores, web shop, outlets and shop-in-shops.

For the past few years Odd Molly has had sales responsibility vis-à-vis retailers in Scandinavia and the US, which gives it a better understanding of its largest markets and an opportunity to impact sales. Odd Molly also has partners in a number of markets where the

potential to open stores is great, and where the partner manages the business in franchise form.

With agents in other markets, Odd Molly can achieve an optimal mix of retailers with the right image and brands but without major capital expenditure. The agent in turn receives the exclusive right to sell Odd Molly's products in a geographically defined market.

### SUCCESS FACTORS

1. Flexible business model – several avenues to profitable growth. Right model in right market.
2. Customer focus and balanced price mix.
3. Lifestyle concept – facilitates a broader offering and new distribution.
4. High-quality, balanced product range with steady flow of new merchandise.
5. Omnichannel retailing with scalable concept.

### RETAIL

- Stores managed by Odd Molly.
- Independent stores, outlets, stores in shopping centers and department stores with Odd Molly employees.
- Sweden, Norway, Finland.
- Web shop.

### WHOLESALE

- Retailers (stores and online retailers).
- Stores managed by partners.
- Shop-in-shops managed by retailers.



Three brief questions for Odd Molly's American partner, Juan Carlos Aziz, who opened two Odd Molly stores in 2016: one in Vail and one in Aspen, Colorado.

### WHAT CONVINCED YOU TO OPEN ODD MOLLY STORES IN THE US?

"It began around two years ago when I added some Odd Molly leggings in my store in Vail, which at the time was a multi-brand retailer mainly selling ski wear. Odd Molly's merchandise was a big success, which led us to create a so-called soft corner with only Odd Molly products, before we took the big step and redid the entire store to carry only Odd Molly. The concept is so unique; it's totally different from anything I had seen in the market before."

### WHAT ARE ODD MOLLY'S BIGGEST STRENGTHS?

"Odd Molly's team. It is an unbelievable organization with fantastic people who create unique, personal patterns and products that go outside the lines. Everything from the décor of the stores to the clothing and accessories stands out and brings customers into the stores, even if they may not have planned to."

### WHAT DOES ODD MOLLY'S FUTURE LOOK LIKE – WHAT IS YOUR NEXT STEP?

"We have already opened another Odd Molly store in Aspen in 2016 and have planned even more US openings in 2017. We are now testing a smaller college town here in Colorado. We have learned a lot, but still have a lot left to learn; it's a process. It's been fantastic to work with Odd Molly's team. We work very closely and share the same goals – making Odd Molly a global brand, recognized in Sweden and worldwide."



Anna Attemark, CEO,  
Victoria Jonsson, Sales Manager US,  
Johanna Palm, CFO,  
and Juan Carlos Aziz in stores in Aspen



## BRAND

*Odd Molly is a brand that says YES to going its own way. Today Odd Molly is sold around the world. But our history started as a celebration of a skater girl named Molly in Venice Beach in the 80's. By daring to break with conventions and follow her heart, she became Odd Molly's muse, her joie de vivre and strength to go her own way reflected in every step we take. Odd Molly will always be inspired by, and fight for, more Mollys in the world.*

*Odd Molly is not just a fashion concept. Odd Molly is real. In everything we do – from our collections to our communication – we encourage girls to break with conventions and be true to themselves. With Molly's spirit as a guide, we make life a little more enjoyable for ourselves and others.*

*We design vibrant collections ranging from clothing to home decor, making it possible for girls around the world to be, look and feel their best. Regardless of age or clothing size. And always with a conviction that beauty begins from within. More Mollys in the world!*



## THE COLLECTION TAKES SHAPE

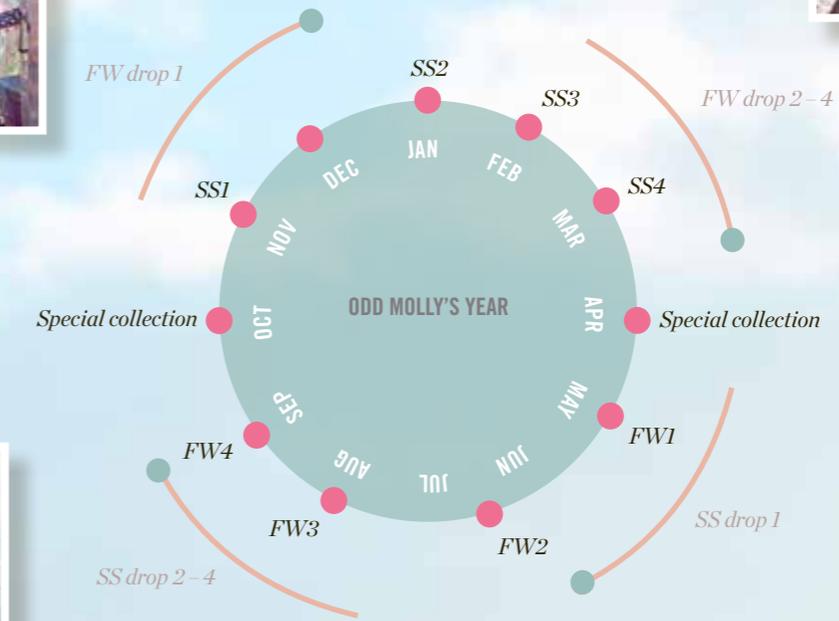
### ODD MOLLY'S YEAR

Odd Molly develops two main collections, each with four releases, which are marketed four times a year. Having many collection releases offer several advantages: a more consistent flow of merchandise, more new items and more opportunities for Odd Molly to meet the customer. This leads to more chances to dialogue, better control and more frequent follow-ups.

To strengthen Odd Molly as a lifestyle brand, the company releases smaller special collections to complement its main collections. In 2016 the special collections included underwear, shoes, home and work-out.

Designing a collection begins about a year before the merchandise reaches the store. Inspiration is found in every corner of the world, while staying true to Odd Molly's unique style. Before work on last year's collection began, the whole design team traveled to, among other places, Los Angeles and the world's largest flea market – Rose Bowl – for inspiration. Impressions also come from international trend analyses, but even more from people on the street. The goal of Odd Molly's collections is clothing that's always be easy to wear.

The design team puts together each collection, which is shown at a sales meeting where the collection is presented to invited agents, partners and the company's own retail organization. When Odd Molly receives all the orders from its own sales staff, agents and distributors, it can plan production with selected manufacturers.



- The collection lands in stores
- Sales period
- Order deadline
- SS = Spring/Summer Collection
- FW = Fall/Winter Collection



*Who is Molly?*

*Molly is the Pippi Longstocking of the fashion industry.*

*Molly is a free spirit with tons of joy.*

*Molly is free.*

*Molly is brave.*

*Molly is enjoying life.*

*Molly dares to be herself.*

*Molly dares to go her own way.*

*Molly acts with humor and a twinkle in her eye.*

*Molly cares about her friends and family.*

*Molly is a world traveler.*

## ODD MOLLY'S OPERATIONS

*Odd Molly has developed from a clothing brand for girls into an established lifestyle concept. The business model is flexible, the platform is solid and potential remains high. For a lifestyle concept like Odd Molly, there are plenty of opportunities. The aim is to develop the offering and grow together with the company's current and prospective retailers and partners.*

*Odd Molly is strengthening its own sales channels alongside the external retailers that have been the company's backbone since the start nearly fifteen years ago. Having its own sales channels gives Odd Molly a better understanding of the customer and a better tool to shape the next successful collection.*

### STORES

#### ODD MOLLY STORES

*Odd Molly's stores give it an opportunity to showcase its entire collection in an atmosphere designed specifically for the brand. Odd Molly stores all share the same distinctive design concept. Odd Molly feels that having more of its own stores better spotlights its lifestyle concept and gives all parties concerned a greater chance of increasing their sales. In 2016 eight new stores were opened, three of which are managed by partners, raising the total at year-end to 22 stores. The goal is to be seen and mentioned as the best store in every city where the company is established.*

#### OUTLETS

*The outlets, located outside Stockholm and Göteborg, allow Odd Molly's urban stores to shorten sales promotions and keep their merchandise fresh. At the same time the outlets extend sales on collections from earlier seasons.*

#### SHOP-IN-SHOPS

*The shop-in-shops – dedicated space within a store or department store – create a strong brand identity and make it easier to find Odd Molly merchandise in a multi-brand environment. Twelve new shop-in-shops were added during the year.*

### WEB SHOP

*A steadily growing share of Odd Molly's sales are through the web shop, which since its start in 2011 has produced very strong growth and high profitability. This is the Group's fastest growing channel. Odd Molly's web shop is open in every EU country as well as Switzerland, Norway, Australia and the US. While Sweden is the engine for the web shop's strong performance, the focus is on developing mainly in Norway, Finland, Germany and the US. The digital platform is also a very good source of analysis, data and information on customer preferences and buying patterns.*

#### The web shop's success factors:

- Odd Molly has a design concept suited for e-commerce (lively patterns, bright colors, 3D).
- A steady flow of new merchandise with continuous updates and new collection releases keeps consumers interested.
- Continuous investments in the digital platform improve user friendliness.
- Strong focus on social media generates traffic and sales.
- The web shop has reached around 40 markets in a brief time and had 3.6 million visitors in 2016.

## STORE OPENINGS

Odd Molly has developed a retail concept with a distinctive style and décor that is easy to roll out in various types of retail space. In other words, it is both scalable and highly recognizable in today's retail environment with many large chain stores. The stores are located where Molly and her friends are, in high-traffic areas. The stores should make customers feel like they are coming home to Molly. A larger share of company-owned stores is also important for all digital channels, since it gives the company more space to display the brand. A stronger retail platform also makes Odd Molly a more attractive tenant and puts it in a more favorable negotiating position. The critical factor in all store openings is the location.

## COLLECTION

Odd Molly's design has a unique style that is feminine, flattering and easy to wear. The key components are color, patterns and craftsmanship. The goal is to develop innovative collections that reflect the brand's soul and have commercial appeal. Sustainability is integrated into everything from the materials used to the production processes chosen, and the company continuously looks for new environmentally friendly materials. Everything should exude quality and feel like natural material. The target group is girls of every age from different cultures – who want to feel good and look good.

The collection today is balanced between different product groups, between simpler and more decorative products, and between well-known and new products. Having more products in lower price groups helps to drive sales, while the more detailed pieces strengthen the brand – simply put. Odd Molly's clothing is positioned in the upper mid-price segment. The foundation is clothing and accessories for girls, but development opportunities as a lifestyle concept are great.

The most important basis for the company's development work is understanding who Odd Molly's customer is – her lifestyle, preferences and dreams. She is defined and personified as Molly.

## ORGANIZATION

Molly and her drive inspire our day-to-day operations. Well-being and job satisfaction are highly valued. Yoga, workouts and massage during working hours are among the activities that create greater cohesion and healthy employees. The company's departments also arrange team days for inspiration and development. The retail department, for example, provides its employees with sales and leadership training twice a year. Odd Molly has a strong corporate culture and clearly defined values. It is just as important to work in

structured way toward established goals as to feel it is fun to go to work, to be able to grow and develop within the company. With more responsibility comes the need for flexibility and adaptability – development isn't accomplished without change.

Odd Molly has functions for design, sourcing, sales, accounting, logistics, marketing and retail. At year-end Odd Molly had 107 (81) employees in Sweden, Denmark, Norway, Finland and the US, of whom 100 (72) were women and 7 (9) men.

## DISTRIBUTION

The majority Odd Molly's sales are currently in Western Europe, primarily in Sweden, but with increasing interest in the brand in the US, among other markets. Odd Molly is sold in everything from personalized boutiques to trendy designer stores and well-known department stores. Sweden is Odd Molly's first and largest market. Together with Germany, Switzerland, Finland and the US, the five largest markets accounted for about 87 percent (88) of total sales in 2016. In terms of growth, the focus is on markets where the company has the greatest potential to reach a strong position.

## COMMUNICATION

Odd Molly coordinates its campaigns and offers in all channels. Activities for club members are primarily designed to add value. This includes being able to view and buy new collections in advance, having early access to sales, giveaways and other special offers. At the same time the customer club is a good tool for Odd Molly to analyze its target groups, their habits and preferences.

All marketing material is produced internally but adapted to local markets around the world in cooperation with each agent or distributor, which is responsible for day-to-day branding in their market. Odd Molly markets through a number of different channels, one of the most important of which is international fashion and home shows. The connection between the physical stores, the web and social media is taking on greater importance. Odd Molly invested heavily in its digital presence during the year – in terms of both business development and social media. Everyone who represents Odd Molly and who helps the company to spread joy is one of Odd Molly's "Friends." In the summer of 2016 Odd Molly was represented at a number of Swedish music festivals through its Friends, who help the company to market on social media, to reach out to a larger clientele and to personify the brand. An active presence on social media is an important step to reach out to Mollys of every generation.



## MORE MOLLYS IN THE WORLD

Odd Molly gives preference to internal recruitment, and many employees have grown as part of the organization. Here are two of many good examples that Odd Molly is a company in constant change that builds its success on good people with the right skills and attitude and who are strong enough to go their own way.

## A MOLLY IN SWEDEN

One of our employees came from a larger company and joined Odd Molly's customer service. She was attracted by the strong corporate culture and chance to grow. Although her new role meant less responsibility and a lower salary than from her previous employer, she saw opportunities to develop in the organization. After four years and three promotions, she now has greater responsibility and heads two departments.

## A MOLLY IN THE US

Another of the company's employees got upset when she heard that management was thinking of mothballing the US operations after sales failed to pick up. She had been with the US business for a year, which at the time had an agent with sales responsibility. By promising to double sales in one year, she was entrusted with sales responsibility for the US. Now she works closely with Odd Molly's partner, which has already opened several stores in North America and has plans for further growth.



Anne Morrow Lindbergh



GIFT

## ODD MOLLY'S SHARE

Odd Molly provides information to its shareholders and others in the capital market to create a fair view of the company's performance, minimize the risk of rumors and speculation, and increase interest in the company's share. The aim is to respond quickly and accurately. Odd Molly's share has been listed on Nasdaq Stockholm since June 2010.

### MARKET CAPITALIZATION AND TURNOVER

The final price paid on December 31, 2016 was SEK 45.90 (38.60), giving Odd Molly a market capitalization of SEK 264.0 million (222.0). During the financial year the average turnover was about 5,387 shares per day (3,791). A total of 1.3 million (1.0) Odd Molly shares were traded at a value of SEK 54.3 million (42.2). The lowest price paid was SEK 32.20 (June 27, 2016) and the highest price was SEK 45.90 (December 31, 2016). In 2016 the share rose by 24.05 percent, compared with a decrease of 7.0 percent in 2015. During the financial year 2016 the OMXSPI Index rose by 9.28 percent.

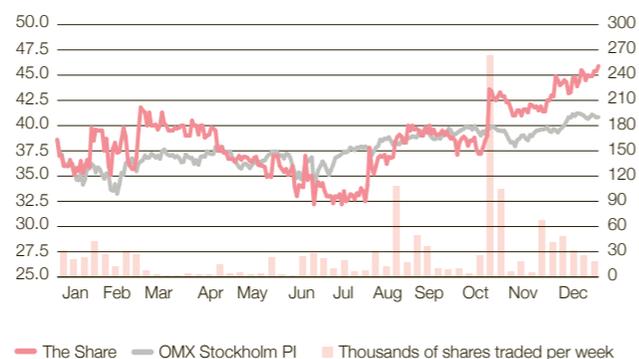
### SHARE CAPITAL

Odd Molly's share capital on December 31, 2016 was SEK 575,200 million, 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 no fewer than 5,000,000 and no 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 are freely transferable.

### 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-BASED INCENTIVE PROGRAM

As of year-end Odd Molly had two outstanding incentive programs based on warrants in Odd Molly Sverige AB.

One warrant program, which was resolved by the Annual General Meeting 2014, issued 100,000 warrants to the wholly owned subsidiary Odd Molly Sverige AB for transfer to certain senior executives.

An Extraordinary General Meeting on February 24, 2016 approved a new warrant program in connection with the expiration of a previous incentive program for the CEO and Vice President. The meeting voted in accordance with the Board's proposal for an incentive program based on warrants in Odd Molly Sverige AB. The program issued 300,000 warrants to Odd Molly Sverige for transfer to the CEO and Vice President.

### DIVIDEND POLICY

The Board of Directors' goal is to annually propose that the Annual General Meeting resolve to pay a dividend to the shareholders corresponding to at least 40 percent of the company's profit. 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 Odd Molly has proposed to the Annual General Meeting a dividend of SEK 1.00 (1.50) per share for the financial year 2016.

### KEY DATA PER SHARE

	2016	2015	2014	2013	2012
Equity per share, SEK	18.38	16.19	15.62	14.43	19.22
Earnings per share, SEK	3.08	1.70	0.71	-3.38	0.52
Dividend per share, SEK	1.00*	1.50	1.00	0.00	1.5
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, 2016

Ten largest shareholders	No. of shares	No. of votes/capital, %
M2 Capital Management AB	1,187,486	20.64
Kattvik Financial Services	1,063,933	18.50
A.T.V Holding Aktiefbolag	664,471	11.55
New Moon Förvaltning AB	614,173	10.68
Försäkringsbolaget, Avanza Pension	160,999	2.80
AMF Aktiefond Småbolag	148,15	2.58
Swedbank Försäkring	143,744	2.50
Jan-Olof Olson	116,607	2.03
Placeringsfond Småbolagsfond, Norden	98,368	1.71
BPSS Lux/Fim/LU FD/CA TA/Ucits	80,000	1.39
<b>Total, ten largest shareholders</b>	<b>4,277,931</b>	<b>74.38</b>
Other	1,474,069	25.62
<b>Total</b>	<b>5,752,000</b>	<b>100.00</b>

### OWNERSHIP STRUCTURE AS OF DECEMBER 31, 2016

On December 31, 2016 Odd Molly had 2,785 shareholders (2,568), according to Euroclear Sweden AB. Odd Molly's ten largest shareholders held shares corresponding to 74.4 percent (77.3) of the votes and capital in the company. Foreign ownership amounted to about 9.06 percent (10.2) at December 31, 2016.

Shareholder structure	No. of shareholders	No. of shares	Holding, %	Votes, %	Market value, SEK 000
1 – 500	2,462	257,943	4.48	4.48	11,840
501 – 1,000	142	117,464	2.04	2.04	5,392
1,001 – 5,000	126	294,172	5.11	5.11	13,502
5,001 – 10,000	23	158,789	2.76	2.76	7,288
10,001 – 15,000	8	96,031	1.67	1.67	4,408
15,001 – 20,000	2	34,438	0.60	0.60	1,581
20,001 –	22	4,793,163	83.33	83.33	220,006
<b>Total</b>	<b>2,785</b>	<b>5,752,000</b>	<b>100.00</b>	<b>100.00</b>	<b>264,017</b>

## FÖRVALTNINGSBERÄTTELSE

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, 2016.

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; Odd Molly Norway AS, in Norway; Odd Molly Sverige AB, in Sweden; and Odd Molly Finland Oy, in Finland. The principal operations are conducted by Odd Molly International AB, while Odd Molly Inc. conducts Odd Molly's US operations from Los Angeles. Odd Molly Denmark ApS, Odd Molly Sverige AB, Odd Molly Norway AS and Odd Molly Finland Oy conduct wholesale operations in their respective markets. Odd Molly Norway AS and Odd Molly Finland Oy also manage a store in their respective countries.

### 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 Stockholm.

The total number of shares in Odd Molly is 5,752,000, distributed among one class of share. On December 31, 2016 Odd Molly had 2,785 shareholders, around 97 percent of whom were registered in Sweden. Four shareholders have holdings larger than 10 percent: M2 Capital Management AB, Kattvik Financial Services AB, ATV Holding AB and New Moon Förvaltning AB. For more information on Odd Molly's share, see pages 28 – 29. There are no limitations on the transferability of shares due to provisions of Swedish law or the Articles of Association.

As of year-end Odd Molly had two outstanding incentive programs based on warrants in Odd Molly Sverige AB. One warrant program, which was resolved by the Annual General Meeting 2014, issued 100,000 warrants to the wholly owned subsidiary Odd Molly Sverige AB for transfer to certain senior executives.

An Extraordinary General Meeting held on February 24, 2016 voted in accordance with the Board's proposal for an incentive program based on warrants in Odd Molly Sverige AB. The program issued 300,000 warrants to Odd Molly Sverige for transfer to the CEO and Vice President.

### Operations

In the Scandinavian markets Odd Molly sells products to external retailers through its own sales force. In most other countries sales are through independent agents, where Odd Molly can benefit from the agent's knowledge of the local market, competition and specific conditions to achieve the right mix of retailers with the right image and brands, but without major capital expenditure. 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 and in three markets by a partner. These partners manage Odd Molly stores in their respective 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 – both for branding purposes and to drive sales.

### Significant events during the financial year and after its conclusion

#### During the first quarter

- Odd Molly opened a store in the Emporia shopping center in Malmö

#### During the second quarter

- Odd Molly opened the Group's first store in Norway, on Karl Johans gate in Oslo
- Odd Molly opened a store in Vail, Colorado, in the US, through a local partner
- Johanna Palm took over as the new CFO

#### During the third quarter

- Odd Molly opened a store in Bratislava, Slovakia, through a local partner
- Odd Molly opened a pop-up store in A6 Center in Jönköping

#### During the fourth quarter

- Odd Molly opened a store in Hansarhuset in Malmö
- Odd Molly opened a store in the El Corte Inglés department store in Lisbon, Portugal
- Odd Molly opened a store in Aspen, Colorado, in the US, through a local partner

## Sales and earnings 2015

### Group

#### Net sales

Total operating revenue for the full-year amounted to SEK 423.2 million (345.3), an increase of 23 percent compared with the same period in 2015. Revenue from wholesale operations (sales to retailers and partners) increased by 8 percent to SEK 228.0 million (210.9). The company's retail operations (own sales to consumers) grew significantly, by 45 percent to SEK 195.1 million (134.4). Growth is mainly driven by the very strong performance of the company's web shop and new store openings.

In 2016 Odd Molly clothing was sold in a total of 36 countries (33). Odd Molly had local representatives in 23 countries through its own sales force, 9 independent agents, one distributor and two partners. The company managed its own sales in 13 countries. Odd Molly's five largest markets (Sweden, Germany, Finland, Switzerland and the US) accounted for approximately 88 percent (88) of total sales in 2016.

#### Earnings

The gross profit margin for the period was unchanged compared with the previous year at 55.6 percent (55.6). The margin was positively affected by the increased share of sales from retail operations, while the higher share of discounted sales, a stronger USD and larger inventory writedowns had a negative effect compared to the previous year.

Operating profit increased significantly compared with the previous year to SEK 24.5 million (12.5). Personnel expenses amounted to SEK 73.6 million (59.1) and other external expenses amounted to SEK 128.2 million (114.6) during the period. The cost increase is mainly due to new stores and investments in the company's web shop. Odd Molly had 18 of its own stores at the end of the period, including a pop-up-store, compared with 13 stores in the same period of 2015.

Net profit amounted to SEK 17.7 million (9.8) and earnings per share amounted to SEK 3.08 (1.70).

#### Seasonal fluctuations

Odd Molly's operations are seasonal, with the strongest sales in the first and third quarters, while the second and fourth quarters are seasonally smaller. As a result, the company's operations, sales and profits are best followed on a semiannual basis. Because of the growing share of sales from retail operations, seasonal fluctuations will gradually diminish.

#### Financial position

The Group's total assets amounted to SEK 193.3 million (149.9) on December 31, 2016. Shareholders' equity was SEK 105.7 million on the same date, compared with SEK 93.1 million on December 31, 2015. The equity/assets ratio was 55 percent (62) at the end of the period and cash and cash equivalents amounted to SEK 25.1 million (26.7). Net liquidity, after utilized overdraft facilities, amounted to SEK -1.8 million (20.6).

The company's growth phase with investments in several new stores and the related need for more working capital is the main reason for the lower liquidity during the year. Accounts receivable amounted to SEK 58.9 million on December 31, 2016, compared with SEK 41.5 million a year earlier. Inventory amounted to SEK 67.2 million (56.1) on December 31, 2016.

#### Investments and cash flow

During the full-year 2016 the company's investments totaled SEK 22.1 million (3.5). Cash flow from operating activities amounted to SEK 6.4 million (-9.3) and total cash flow amounted to SEK -23.6 million (-18.4).

#### Employees

The total number of employees at the end of the period was 107 (81), of whom 7 were men and 100 women. The average number of employees during the year was 94 (78).

#### Parent Company

The Parent Company reported total operating revenue of SEK 411.7 million (338.7) during the period, reaching an operating profit of SEK 16.4 million (9.5). The Parent Company's adjusted shareholders' equity (78 percent of the Parent Company's untaxed reserves + the Parent Company's equity) amounted to SEK 84.0 million (80.0). Cash and cash equivalents amounted to SEK 20.5 million (23.3). Net liquidity, after utilized overdraft facilities, amounted to SEK -6.4 million (17.3).

Sales in the U.S. are through the wholly owned subsidiary Odd Molly Inc. Odd Molly also has subsidiaries in Denmark, Norway, Finland and Sweden that are responsible for operations in their respective countries. All other sales are through the Parent Company with the exception of the stores managed by the subsidiaries in Norway and Finland.

During the period the value of the Parent Company's shareholding in the Finnish subsidiary was written down by SEK 1.1 million, based on current conditions in the Finnish market.

#### Remuneration guidelines for the CEO and other senior executives

The Annual General Meeting on April 19, 2016 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 the base salary. Total variable gross remuneration before tax including additional social security expenses for all members of Group Management was maximized in 2016 at 20 percent of the year's reported profit before tax depending on performance. If the number of senior executives increases, the variable remuneration cannot exceed this maximum amount. If terminated by the company, the period of notice will not extend beyond twelve months. Severance is not paid. Pension

benefits are either defined benefit or defined contribution, or a combination of the two, entitling senior executives to receive a pension from age 65. In preparation for the Annual General Meeting on May 11, 2017, the Board of Directors is proposing that the remuneration principles for the CEO and other senior executives remain unchanged in 2017.

#### Environmental and social responsibility

Odd Molly takes a keen interest in its fellow man and the environment and how they are impacted 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 thirty 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 dedicated to improving labor conditions for garment workers. As a member, Odd Molly has pledged 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 20 – 24.

#### Risks

Odd Molly is exposed to a number of risks with respect to its own operations and the industry as a whole. Risks can be divided up into operations-related risks as well as financial and other risks.

#### Operational and industry-related risks

##### Market risks

##### Competition

**RISK** ► Odd Molly is active in the highly competitive fashion industry, where several competitors are very large and have considerable capital, allowing them to adapt to changes in customer demand, devote considerable resources to marketing and design of their products, and achieve greater brand awareness. Increased competition could lead to price pressure and loss of market share.

**MANAGEMENT** ► As a distinctive brand, Odd Molly has held its own against the competition to date, but there is no guarantee that it will be able to keep pace with current and future competitors. Odd Molly has a unique design concept that creates lasting value in its collections and its customer relations.

#### Leverantörs- och arbetsrättsrisker

**RISK** ► Odd Molly has no proprietary production and is totally dependent on its suppliers to supply merchandise. 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 an adverse impact on the company's operations, results and financial position.

**MANAGEMENT** ► The company uses a number of suppliers in different countries and, as a result, is not dependent on any single supplier for its operations.

**RISK** ► 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 product companies with suppliers in developing countries are susceptible to criticism of working conditions, product quality and environmental impacts. Adverse exposure due to such issues could affect trust in the company's brand and lead to lower demand for its products.

**MANAGEMENT** ► Since 2009 Odd Molly has been 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 taken it cannot rule out that demand for Odd Molly products could be impacted or that the Odd Molly brand could be damaged by violations of the Code of Labor Practices or current regulations.

#### Import quotas

**RISK** ► 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 some instances introduced import restrictions on goods such as clothing, which could impact procurement costs.

**MANAGEMENT** ► Since Odd Molly's product range maintains high quality and therefore commands a higher price, the potential impact is fairly 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 procurement routines and raise procurement costs.

### Economy

**RISK** ► Economic conditions could raise or lower demand for Odd Molly's products.

**MANAGEMENT** ► Odd Molly has tried in recent years to create a more balanced product mix with a higher share of merchandise in the lower part of the pricing pyramid. Odd Molly has a price position it defines as "within reach."

### Business risks

#### Expansion through retailers

**RISK** ► Odd Molly's future growth is dependent on, among other things, the ability of current retailers to increase sales of Odd Molly's products and on more retailers selling Odd Molly's products.

**MANAGEMENT** ► Odd Molly's sells to external retailers in most markets through agents and distributors that are responsible for their respective markets. Market-based contracts contain clearly stipulated terms. In recent years Odd Molly has taken over sales responsibility for Scandinavia and marketing in certain key markets, giving it greater control and the ability to drive sales in these markets.

#### New store openings

**RISK** ► Odd Molly's growth strategy includes the opening of more company-owned stores. There is no guarantee that these stores will generate a sufficient return to cover the initial investment. Moreover, access to prime retail locations on commercially acceptable terms will affect the expansion of the company's own retail operations.

**MANAGEMENT** ► Odd Molly has a flexible business model based on omnichannel retailing as well as sales through its own retail (physical stores, shop-in-shops, outlets and web shop) and wholesale channels. This diversifies risks and enables the company to drive sales in several ways. Moreover, Odd Molly has a distinctive retail concept that is easy to adapt to various types of retail space and conditions.

#### Changes in consumption patterns

**RISK** ► Increasing digitization and e-commerce could adversely affect sales for the company's physical stores and retailers.

**MANAGEMENT** ► Odd Molly has an omnichannel strategy that includes a web shop which has produced profitable growth since the start. The various channels, it is felt, contribute to cross-selling.

### Changes in demand

**RISK** ► Odd Molly is highly dependent on customer preferences in terms of design, quality and price. A miscalculation of preferences could reduce demand for Odd Molly's products, and in turn adversely impact the company's operations, results and financial position.

**MANAGEMENT** ► Odd Molly has an omnichannel strategy with sales at both the retail and wholesale level, which allows for flexibility in driving sales. Moreover, Odd Molly has a customer focus with an increased share of its own retail sales, bringing it closer to consumers.

### Intellectual property protection

**RISK** ► Odd Molly's trademarks are fundamental to its position and success. Copying of Odd Molly's trademarks or distribution and sale of Odd Molly products without the company's consent could damage Odd Molly's trademarks, customers' trust in Odd Molly's products and the company's profitability. If Odd Molly's trademarks are damaged, it could adversely impact the company's operations, results and financial position. There is also the possibility that designers, stores and others may claim that Odd Molly's products infringe on their intellectual property rights.

**MANAGEMENT** ► Odd Molly actively protects its trademarks and maintains continuous trademark protection. There is no guarantee, however, that the measures Odd Molly takes to protect its intellectual property will be sufficient. Nor are there any guarantees that claims will not be made against the company in the future. If the company cannot defend itself against such claims, it could damage its reputation and have a significant adverse impact on the company's operations, results and financial position.

### Financial and other risks

**RISK** ► Odd Molly is exposed to a number of financial and other risks.

**MANAGEMENT** ► For a description of the Group's management of financial and other risks, see Note 27 Financial and other risk management.

### Corporate governance

Odd Molly is governed by 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 30–33.

### Future outlook

The changes that have been underway since 2012 continued to bear fruit in 2016. The creation of a new category strategy, new distribution strategy and an organization adapted accordingly has generated results. The growth target of 20 percent was surpassed and operating profit nearly doubled from SEK 12.5 million to SEK 24.5 million.

The chosen path – to leverage a strong lifestyle concept to create growth through the Group's own retail channels as well as external retailers – offers control, flexibility and room for creativity, and creates opportunities to generate profitable long-term growth.

### Proposed disposition of profit

The Board of Directors intends to annually evaluate whether it is possible to issue a dividend. The Board's goal is to annually recommend that the AGM resolve to pay a dividend to the shareholders corresponding to at least 40 percent of the company's profit. 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 company is in an expansion and growth stage, which will require further investment. Given the above, the Board of Directors of Odd Molly proposes to the Annual General Meeting that a dividend of SEK 1.00 (1.50) per share be paid for the financial year 2016.

### Proposed disposition of the company's profit

The following funds are available to the Annual General Meeting

(SEK thousand):	
Share premium reserve	26,635
Fair value reserve	816
Retained earnings	25,851
Net profit for the year	16,089
<b>Total</b>	<b>69,391</b>

The Board proposes that the funds be appropriated as follows:

Dividend to the shareholders (5,752,000 shares x SEK 1.00 per share)	5,752
To be carried forward	63,639
<b>Total</b>	<b>69,391</b>

## CORPORATE GOVERNANCE

Odd Molly International AB is a publicly listed Swedish company and as such its corporate governance is based on Swedish rules and legislation, primarily the Swedish Companies Act, Nasdaq Stockholm's rules for issuers, the Swedish Code of Corporate Governance, the Articles of Association and other pertinent rules. Odd Molly has been listed on Nasdaq Stockholm since June 21, 2010 and since then has since fully applied the Swedish Code of Corporate Governance. In the event of any 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

The 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 remuneration 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.

### AMENDMENTS TO THE ARTICLE OF ASSOCIATION

Odd Molly's Articles of Association do not contain any provisions on amending the articles. Such changes are resolved in accordance with Swedish law, i.e., by the AGM.

### ANNUAL GENERAL MEETING 2017

Odd Molly's Annual General Meeting for the financial year 2016 will be held at 2 PM (CET) on May 11, 2017 in the company's show-room at Karlavägen 73 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](http://www.oddmolly.com), and page 76 in the full Swedish report.

### NOMINATION COMMITTEE

The AGM 2009 resolved that the company should have a Nomination Committee. The Nomination Committee for the AGM on May 11, 2017 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. 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 AGM and no deputies. The Board of Directors is comprised of Patrik Tillman, (Chairman), Mia Arnhult, Lennart Björk, Kia Orback Pettersson, Elin Ryer and Nils Vinberg. None of the Directors are employed or have an employment-like relationship with the Group or any subsidiary.

Mia Arnhult, Lennart Björk and Patrik Tillman are considered independent in relation to the company and management, but not the major shareholders. Kia Orback Pettersson, Elin Ryer 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 70 – 71 in the full Swedish report.

### BOARD REMUNERATION

The Chairman of the Board and other Directors received total remuneration of SEK 800 thousand (800) for 2016, in accordance with the resolution of the AGM. The Chairman receives SEK 175 thousand per year and the other five Directors each receive SEK 125 thousand per year.

### 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 2016 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 analyses, the direction of the business, organizational issues, strategy, the business plan and branding. The Board annually conducts an evaluation of Board work.

### APPOINTMENT AND DISMISSAL OF BOARD MEMBERS

According to Odd Molly's Articles of Association, the Board of Directors shall consist of three to ten members, who are elected annually by AGM for a term ending at the conclusion of the next AGM. Odd Molly's Articles of Association do not contain any provisions on the dismissal of Board members. The Board of Directors currently consists of six members. None of the Directors are employed by the Group.

### DELTAGANDE ANTAL MÖTEN

	2016	2015	2014	2013
Mia Arnhult	10	9	10	10
Lennart Björk	6	8	9	8
Kia Orback Pettersson	9	8	9	5
Elin Ryer	8	6	–	–
Patrik Tillman	10	9	10	10
Nils Vinberg	9	8	10	9
Total number of meetings	10	9	10	10

### 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 three meetings at which minutes were kept, which the company's CFO and auditor also attended.

### REMUNERATION COMMITTEE

The Board of Directors has appointed a Remuneration Committee from among its members whose duty, within the framework of the remuneration guidelines for senior executives resolved by the AGM, is to prepare remuneration issues pertaining to the CEO and other senior executives. The Remuneration Committee consists of Directors Patrik Tillman (Chairman), Mia Arnhult and Elin Ryer. During the year the Remuneration 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 as the company's auditor at the AGM 2007 and reelected at the AGM 2016 for another year. 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 2016 the auditors' remuneration amounted to SEK 884 thousand as regards the Parent Company, of which SEK 495 thousand related to audit work. The corresponding amounts for the Group were SEK 1,218 thousand and SEK 743 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 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, 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, 2016 Group Management consisted of Anna Attemark (CEO), Jennie Högstedt Björk, Kent-Jonas Lundqvist, Johanna Palm, Kristin Roos and Linn Thor. For a detailed presentation of Group Management, see pages 72 – 73 in the full Swedish report. 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 2016 was SEK 2,289 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 (648) in 2016. The terms of the CEO's remuneration 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 2016. The number of senior executives increased in May, when the Head of Marketing and E-Commerce joined the management team. Her salary is included as of May in the total compensation figure for 2016. The new CFO took over in April 2016. During the first months of the year the position was filled by an acting CFO on a consulting basis. This remuneration is not included in the total compensation figure for 2016. The base salaries paid to senior executives, excluding

the CEO, amounted to SEK 5,095 thousand (4,766) for 2016. Odd Molly pays premiums to a defined-contribution pension plan corresponding to 16-23 percent of the total payroll expense. Pension expenses amounted to SEK 811 thousand (903) in 2016. 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. Variable remuneration in the form of a bonus has been expensed for CEO Anna Attemark and Vice President Jennie Högstedt Björk in the total amount of SEK 1,314 thousand.

## INCENTIVE PROGRAMS

As of year-end Odd Molly had two outstanding incentive programs based on warrants in Odd Molly Sverige AB.

One warrant program, which was resolved by the Annual General Meeting 2014, issued 100,000 warrants to the wholly owned subsidiary Odd Molly Sverige AB for transfer to certain senior executives.

An Extraordinary General Meeting on February 24, 2016 approved a new warrant program when a previous incentive program for the CEO and Vice President expired. The meeting voted in accordance with the Board's proposal for an incentive program based on warrants in Odd Molly Sverige AB. The program issued 300,000 warrants to Odd Molly Sverige 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 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 company's finance policy was established in 2013 and is adopted annually by the Board. 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 package containing an income statement, balance sheet and key financial ratios as well as other essential operational and financial information.

The other policies and guidelines established by the Board that are important to the internal control are the communication policy, IT policy and gender equality policy. Further, 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 is represented on the company's management team with responsibility for the performance of the business area. All of Odd Molly's business areas have the same structure, financial systems, chart of accounts and policies, which makes it easier to create effective routines and control systems.

## RISK ASSESSMENTS

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 from at least two persons jointly from the finance department or by the CEO and the CFO.

## INFORMATION AND COMMUNICATION

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 the company 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 28 – 29 and in the section on the Odd Molly share and ownership structure in the Board of Directors' report.

The Board of Directors, March 27, 2017

