



## Odd Molly International AB (publ)

Stockholm, Sweden, February 19, 2014



## Year-end report January 1 – December 31, 2013

A year distinguished by changes to increase control and long-term growth

### January 1 – December 31, 2013

- Net sales amounted to SEK 228.2 million (223.7).
- The gross profit margin was 54.5 percent (53.6).
- The operating loss was SEK -24.1 million (0.2) and was charged with one-time expenses of about SEK 12.3 million.
- The net loss was SEK -19.4 million (3.0).
- Earnings per share amounted to SEK -3.38 (0.52).

### October 1 - December 31, 2013

- Net sales amounted to SEK 47.3 million (34.3).
- The gross profit margin was 52.7 percent (45.4).
- The operating loss was SEK -14.1 million (-7.0) and was charged with one-time expenses of about SEK 7.6 million.
- The net loss was SEK -11.4 million (-2.9).
- Earnings per share amounted to SEK -1.98 (-0.50).
- The Board of Directors proposes to the Annual General Meeting that no dividend be paid for the financial year 2013. The dividend for financial year 2012 was SEK 1.50 per share.

### Events during the quarter

- Odd Molly decided during the quarter to take over sales responsibility for the Swedish market. The official takeover was through an acquisition in January 2014.
- A number of changes were made during the quarter to adapt the organization to future business investments.

Key financial ratios	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
	2013	2012	2013	2012
Net sales, SEK million	47.3	34.3	228.2	223.7
Gross profit margin, %	52.7	45.4	54.5	53.6
Operating profit/loss, SEK million	-14.1	-7.0	-24.1	0.2
Operating margin, %	-29.9	-20.4	-10.6	0.1
Net profit/loss, SEK million	-11.4	-2.9	-19.4	3.0
Earnings per share before and after dilution, SEK	-1.98	-0.50	-3.38	0.52
Number of shares at end of period	5,752,000	5,752,000	5,752,000	5,752,000
Number of shares before and after dilution	5,752,000	5,752,000	5,752,000	5,752,000

## **Comment from the CEO**

When I joined Odd Molly two years ago, I knew we had to make changes to see change. That requires an energetic response and financial maneuverability – both of which we have. Thanks to a strong balance sheet, Odd Molly is in a favorable situation where we can do what has to be done to ensure our long-term success. Last year was one of major strategic decisions and actions. As a result, earnings for 2013 were charged with significant transitional costs that will lead to future opportunities. Last year also saw the results of the weak order values we reported in 2012, whereas the fine increase of order value during the fall of 2013 will have an impact on revenues in 2014. The fourth quarter was also highlighted – in terms of both activities and results – by further steps in Odd Molly's process of change.

### **Collection – new merchandise and sales focus**

Important category development work has resulted in clearly improved order values (spring/summer 2014 saw an increase of 25 percent), good retail sales and strong performance in our own sales channels – especially Odd Molly's web shop. We are selling more high-volume products and have reduced the average price but increased the average order – exactly as planned. In January, we began promoting the 2014 fall/winter collection and feel optimistic about the future. With a category strategy that has proven itself, we will continue to fine-tune the collections and how we work with sourcing and sales over the course of the year.

### **Organization – targeted focus**

During the quarter we implemented a number of changes to adapt the organization to future business investments with a focus on design, sales, and closeness to customers. Certain services have been modified and others disappeared. Such change obviously affects the entire organization, but these measures are necessary to make Odd Molly more competitive.

### **Distribution – customer focus**

In an effort to strengthen growth prospects, we decided during the fourth quarter to take over sales responsibility for the Swedish market. This is a strategic decision, and a big one, which gives Odd Molly greater control over the supply chain and brings us closer to the customer. We feel this is vital to our success. Having made this decision, we now have responsibility for sales throughout Scandinavia – our closest and most important market.

Greater control over distribution in Scandinavia (we terminated the agency agreements in Norway and Denmark earlier in the year) also means greater flexibility to develop the business. With a higher share of consumer sales through our own channels, we believe we can eventually achieve more consistency over the course of the year.

### **Summation – focus on profitable long-term growth**

In summary, we implemented several changes and took important steps in 2013 – steps that entailed costs last year but will bear fruit going forward. Expenses related to these changes and adjustments in certain valuation principles total about SEK 12 million.

Regardless of all the changes, Odd Molly's foundation remains firmly in place: a distinctive design concept based on colors, patterns and craftsmanship – always with an attitude and a twist.

Anna Attemark, CEO

## The Group's development

### Net sales

*The period January 1 - December 31, 2013*

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 Åhléns City in Stockholm and Illum in Copenhagen.

*Fourth quarter October 1 - December 31, 2013*

Net sales for the fourth quarter amounted to SEK 47.3 million (34.3). The sales trend for wholesale operations was in line with previously announced order values. Retail operations had a positive quarter, with strong sales in the company's web shop and good sales in new stores and shop-in-shops as well.

### Earnings

*The period January 1 - December 31, 2013*

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).

*Fourth quarter October 1 - December 31, 2013*

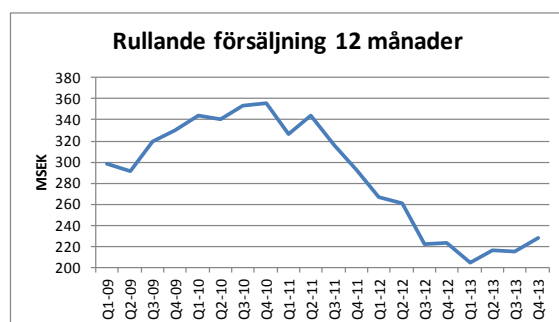
The gross profit margin for the fourth quarter was 52.7 percent (45.4). The lower margin for the fourth quarter 2012 was due to a high share of sales through outlets.

The operating loss for the fourth quarter amounted to SEK -14.1 million (-7.0). Other external expenses amounted to SEK 21.6 million (12.5), an increase of SEK 9.1 million due to operating expenses for new stores and shop-in-shops and an increase in the provision for doubtful debts compared with the previous year. Personnel expenses rose by SEK 7.6 million to SEK 17.3 million in the fourth quarter. The increase is largely due to one-time restructuring expenses of SEK 5.6 million and increased personnel expenses from the opening of more new stores.

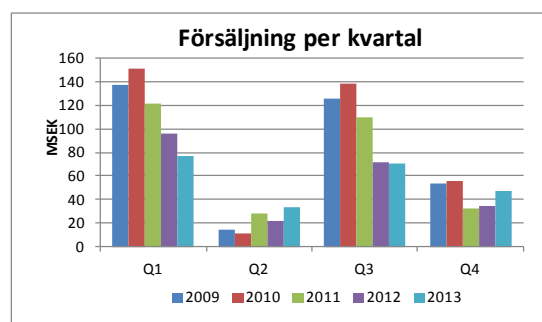
The net loss for the quarter amounted to SEK -11.4 million (-2.9) and earnings per share amounted to SEK -1.98 (-0.50).

## 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.



The above diagram shows rolling 12-month quarterly sales, Q1 2009-Q3 2013



The above diagram shows quarterly sales, Q1 2009-Q4 2013

## Financial position

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.

## Events during the quarter

### *Sales responsibility for the Swedish market*

In an effort to strengthen growth prospects, Odd Molly decided to take over sales responsibility in the company's largest market, Sweden, which has been managed to date by an agent. The decision gives Odd Molly greater control over the supply chain and brings it closer to the customer, which is eventually 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.

### ***Organizational changes***

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.

### **Number of shares**

As of December 31, 2013 there were 5,752,000 shares outstanding.

### **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 60 (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, 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). The Parent Company's adjusted shareholders' equity amounted to SEK 75.4 million (101.4). Cash and cash equivalents amounted to SEK 46.3 million (74.7).

### **Outlook**

Odd Molly does not intend to issue forecasts for the current financial year. However, Odd Molly has historically published its order values twice a year, in March/April and September. Because the company is generating a growing share of retail sales through its own stores and intends to switch from two to four selling-in periods per year, Odd Molly will no longer announce its order values separately. The order value for the fall/winter 2014 collection will be announced in March 2014 as planned.

### **Annual General Meeting**

Odd Molly's Annual General Meeting will be held on Tuesday, April 29, 2014 at Hotel Skeppsholmen in Stockholm.

### **Dividend**

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.

## **Annual report**

Odd Molly's annual report will be available at [www.oddmolly.com](http://www.oddmolly.com) in late March 2014. It will also be distributed to shareholders who have requested it well in advance of the Annual General Meeting.

## **Financial instruments**

Currency derivatives are measured at fair value within level 2, according to the definition in IFRS 7, i.e., fair value based on valuation methods using observable market data. Other financial assets have been classified as loans and accounts receivable. Other financial liabilities have been classified as other financial liabilities at amortized cost. All financial assets and liabilities have short maturities, based on which their book value is considered to approximate fair value.

## **Risk factors**

A number of factors can affect Odd Molly's results and operations. Although a large part of these risks can be managed and minimized through internal procedures, there are others that are largely beyond the company's control.

A detailed description of the risks and uncertainties to which Odd Molly is exposed is provided in the Board of Directors' report and in note 25 in Odd Molly's annual report for 2012, which is available on Odd Molly's website. No changes have taken place with respect to the assessment of risks and uncertainties.

## **Accounting principles**

As of January 1, 2008 the Group applies the International Financial Reporting Standards (IFRS) as adopted by the EU. This report is prepared in accordance with IAS 34 Interim Financing Reporting and the Annual Accounts Act.

Further, the consolidated statements are prepared in accordance with Swedish law by applying the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary accounting rules for groups. The Swedish Financial Reporting Board's recommendation RFR 2 Reporting for legal entities has been applied in the preparation of the Parent Company's financial statements. The accounting principles applied in this interim report are described on pages 31-33 of the annual report for 2012. The accounting principles are unchanged compared with the previous year's annual report. New and revised accounting standards and interpretations that apply for 2013 are not considered to materially affect Odd Molly's financial reports.

The consolidated statements comprise Odd Molly International AB (Parent Company), Odd Molly Inc., Odd Molly Denmark ApS and Odd Molly Norway A/S. Reference to the company in this interim report pertains to the Odd Molly Group.

<b>Consolidated statement of comprehensive income</b>	<b>Oct-Dec</b>	<b>Oct-Dec</b>	<b>Jan-Dec</b>	<b>Jan-Dec</b>
SEK in thousands	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<i>Operating revenues</i>				
Net sales	47,331	34,350	228,163	223,724
Other operating revenues	36	75	499	429
	<u>47,367</u>	<u>34,425</u>	<u>228,662</u>	<u>224,153</u>
<i>Operating expenses</i>				
Cost of goods sold	-22,402	-18,738	-103,801	-103,897
Other external expenses	-21,557	-12,468	-94,838	-73,251
Personnel expenses	-17,328	-9,706	-50,799	-42,737
Depreciation/amortization	-558	-756	-2,633	-3,164
Other operating expenses	348	236	-689	-884
<b>Operating profit/loss</b>	<b>-14,130</b>	<b>-7,008</b>	<b>-24,098</b>	<b>220</b>
<i>Result from financial items</i>				
Interest income	122	228	515	1,416
Interest expenses	-39	-14	-71	-30
<b>Profit/loss after financial items</b>	<b>-14,047</b>	<b>-6,794</b>	<b>-23,654</b>	<b>1,606</b>
Taxes	2,643	3,902	4,226	1,387
<b>Net profit/loss attributable to Parent Company's shareholder:</b>	<b>-11,404</b>	<b>-2,892</b>	<b>-19,428</b>	<b>2,993</b>
<i>Other comprehensive income</i>				
<i>Items that will be reclassified to profit or loss</i>				
Translation difference	112	-2	-2	-531
Cash flow hedges	-219	-233	673	-2,197
Tax effect fair value cash flow hedges	48	23	-148	539
<b>Total comprehensive income attributable to Parent Company:</b>	<b>-11,463</b>	<b>-3,104</b>	<b>-18,905</b>	<b>804</b>
<b>Earnings per share before and after dilution, SEK</b>	<b>-1.98</b>	<b>-0.50</b>	<b>-3.38</b>	<b>0.52</b>

<b>Consolidated balance sheet</b>	<b>December 31</b>	<b>December 31</b>
SEK in thousands	<b>2013</b>	<b>2012</b>
<b>ASSETS</b>		
<i>Fixed assets</i>		
Intangible fixed assets	722	980
Tangible fixed assets	3,015	2,431
Financial fixed assets	1,338	337
	<u>5,075</u>	<u>3,748</u>
<i>Current assets</i>		
Inventories	33,829	22,569
Accounts receivable	35,367	29,730
Current receivables	4,663	8,678
Cash and bank balances	48,999	76,543
	<u>122,858</u>	<u>137,521</u>
<b>TOTAL ASSETS</b>	<b>127,932</b>	<b>141,268</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
Shareholders' equity	82,998	110,531
Deferred tax	4,642	8,514
Current liabilities	40,293	22,224
	<u>127,932</u>	<u>141,269</u>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>127,932</b>	<b>141,269</b>
<b>Pledged assets</b>	<b>2,500</b>	<b>2,500</b>

<b>Changes in the Group's shareholders' equity</b>	<b>December 31</b>	<b>December 31</b>
SEK in thousands	<b>2013</b>	<b>2012</b>
<b>Attributable to Parent Company's shareholders</b>		
Shareholders' equity at the beginning of the period/year	110,531	126,981
Dividend	-8,628	-17,256
Total comprehensive income for the year/period	-18,905	805
<b>Shareholders' equity at the end of the year/period</b>	<b>82,998</b>	<b>110,531</b>

<b>Cash flow statement for the Group</b>	<b>Oct-Dec</b>	<b>Oct-Dec</b>	<b>Jan-Dec</b>	<b>Jan-Dec</b>
SEK in thousands	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Operating activities</b>				
Operating profit/loss	-14,130	-7,008	-24,098	220
Adjustments for items not included in cash flow	-306	3,761	3,079	4,753
Interest received	122	228	515	1,416
Interest paid	-39	-14	-71	-30
Income tax paid	-11	8,099	-420	5,494
<b>Cash flow from operating activities before changes in working capital</b>	<b>-14,365</b>	<b>5,067</b>	<b>-20,996</b>	<b>11,853</b>
<b>Changes in working capital</b>				
Change in inventories	-9,986	309	-11,221	11,446
Change in receivables	22,548	11,367	-1,942	-2,094
Change in current liabilities	14,756	-1,253	19,079	-7,532
<b>Cash flow from operating activities</b>	<b>12,953</b>	<b>15,490</b>	<b>-15,080</b>	<b>13,674</b>
<b>Investing activities</b>				
Acquisition of intangible fixed assets	0	0	-723	0
Acquisition of tangible fixed assets	-179	0	-2,203	0
Acquisition of financial fixed assets	0	0	-652	0
<b>Cash flow from investing activities</b>	<b>-179</b>	<b>0</b>	<b>-3,577</b>	<b>0</b>
<b>Financing activities</b>				
Dividend paid	0	0	-8,628	-17,256
<b>Cash flow from financing activities</b>	<b>0</b>	<b>0</b>	<b>-8,628</b>	<b>-17,256</b>
Cash flow for the year/period	12,774	15,490	-27,285	-3,582
<b>Cash and cash equivalents at the beginning of the period</b>	<b>36,073</b>	<b>61,696</b>	<b>76,543</b>	<b>80,680</b>
Exchange rate difference in cash and cash equivalents	152	-643	-260	-555
<b>Cash and cash equivalents at the end of the period</b>	<b>48,999</b>	<b>76,543</b>	<b>48,999</b>	<b>76,543</b>



<b>Parent Company income statement</b>	<b>Oct-Dec</b>	<b>Oct-Dec</b>	<b>Jan-Dec</b>	<b>Jan-Dec</b>
SEK in thousands	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<i>Operating revenues</i>				
Net sales	45,450	32,766	220,719	218,410
Other operating revenues	271	197	733	567
	<b>45,721</b>	<b>32,962</b>	<b>221,453</b>	<b>218,977</b>
<i>Operating expenses</i>				
Cost of goods sold	-21,386	-18,095	-99,550	-101,524
Other external expenses	-22,727	-12,797	-95,169	-72,210
Personnel expenses	-16,622	-9,278	-48,407	-40,799
Depreciation/amortization of tangible and intangible fixed assets	-392	-582	-1,983	-2,452
Other operating expenses	239	302	-582	-821
<b>Operating profit/loss</b>	<b>-15,167</b>	<b>-7,489</b>	<b>-24,237</b>	<b>1,170</b>
<i>Result from financial items</i>				
Interest income	122	228	515	1,416
Interest expenses	-39	-14	-71	-23
<b>Profit/loss after financial items</b>	<b>-15,084</b>	<b>-7,274</b>	<b>-23,793</b>	<b>2,564</b>
Appropriations	17,600	-200	17,600	-200
<b>Profit/loss before tax</b>	<b>2,516</b>	<b>-7,474</b>	<b>-6,193</b>	<b>2,364</b>
Taxes	-1,244	2,405	363	-235
<b>Net profit/loss</b>	<b>1,273</b>	<b>-5,069</b>	<b>-5,830</b>	<b>2,129</b>
<i>Other comprehensive income</i>				
<i>Items that will be reclassified to profit or loss</i>				
Cash flow hedges	-219	-233	673	-2,197
Tax effect cash flow hedges	48	23	-148	539
<b>Total comprehensive income for the period</b>	<b>1,102</b>	<b>-5,280</b>	<b>-5,305</b>	<b>472</b>

<b>Parent Company balance sheet</b>	<b>December 31</b>	<b>December 31</b>
SEK in thousands	<b>2013</b>	<b>2012</b>
<b>ASSETS</b>		
<i>Fixed assets</i>		
Intangible fixed assets	722	980
Tangible fixed assets	2,066	866
Financial fixed assets	5,017	3,854
	<b>7,805</b>	<b>5,700</b>
<i>Current assets</i>		
Inventory	32,261	20,528
Accounts receivable	35,017	28,868
Short-term receivables	4,486	8,354
Cash and bank balances	46,271	74,720
	<b>118,035</b>	<b>132,470</b>
<b>TOTAL ASSETS</b>	<b>125,840</b>	<b>138,170</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
Shareholders' equity	58,972	72,904
Untaxed reserves	21,100	38,700
Deferred tax	0	0
Current liabilities	45,768	26,566
	<b>125,840</b>	<b>138,170</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>125,840</b>	<b>138,170</b>
<b>Pledged assets</b>	<b>2,500</b>	<b>2,500</b>

The Board of Directors and the CEO certify that the year-end report gives a true and fair overview of the operations, financial position and results of the Parent Company and the Group and that it describes the significant risks and uncertainties faced by the Parent Company and the companies in the Group.

Stockholm, February 19, 2014

Patrik Tillman, Chairman

Lennart Björk, Board Member

Christer Andersson, Board Member

Kia Orback, Board Member

Mia Arnhult, Board Member

Nils Vinberg, Board Member

Anna Attemark, President & CEO

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### **About Odd Molly**

Odd Molly is a Swedish company that designs, markets and sells distinctive fashion. The company's products are mainly sold through agents to retailers in around thirty countries around the world, which facilitates expansion with limited capital requirements. Odd Molly is responsible for selling to external retailers in the Scandinavian market and also manages five of its own physical stores, its own web shop and three shop-in-shops. Odd Molly has 59 employees. The Odd Molly share is traded as of June 21, 2010 on NASDAQ OMX Stockholm.

### **Scheduled information dates**

- The annual report for 2013 will be released in late March 2014.
- The interim report for January-March 2014 will be released on April 29, 2014.
- The interim report for April-June 2014 will be released on August 20, 2014.
- The interim report for July-September 2014 will be released on October 21, 2014.

*The information in this press release has been published by Odd Molly International AB on February 19, 2014 at 8.00 am CET in accordance with the Securities Market Act and/or the Financial Instruments Trading Act.*

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