

ANNUAL REPORT 2017

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**We need to transform,
not just change.
And dare to be brilliant.**





ODD MOLLY 2017

A SWEDISH LIFESTYLE CONCEPT THAT'S WILLING TO CHALLENGE

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 2,700 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 the end of 2017 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 2017 Odd Molly's clothing was sold in around 40 countries.

FINANCIAL HISTORY	2017	2016	2015	2014	2013
Total operating revenue, SEK thousand	432.1	423.2	345.3	295.0	228.7
Operating profit, EBIT, SEK thousand	-4.5	24.5	12.5	5.5	-24.1
Operating margin, EBIT, %	-1.0	5.8	3.6	1.9	-10.5
Return on capital employed, %	-3.0	21.6	14.1	6.6	-24.4
Return on equity, %	-6.4	17.8	10.7	4.7	-20.1
Equity/assets ratio, %	50.1	54.7	62.1	64.9	64.9
Equity per share, SEK	15.82	18.38	16.19	15.62	14.43
Earnings per share, SEK	-1.09	3.08	1.70	0.71	-3.38
Dividend per share, SEK	0.00*	1.00	1.50	1.00	0.00
Average number of employees	102	94	75	70	56
Number of company-owned stores	4,236	4,495	4,455	4,191	4,070
Number of own stores	18	18	13	8	6

* Proposed dividend

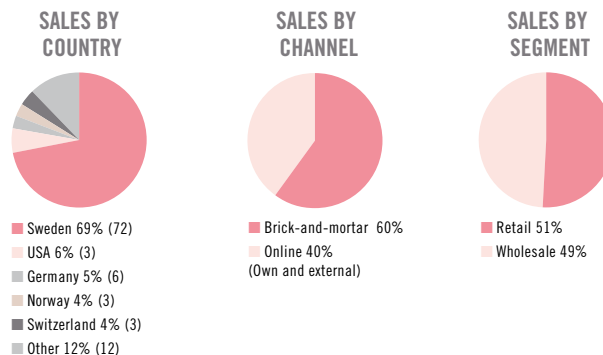
A CHALLENGING MARKET AND GROWING ONLINE BUSINESS

In 2017 Odd Molly raised operating revenue by 2 percent mainly through higher sales in its own channels, driven by the web shop's growth. Total operating revenue amounted to SEK 432.1 million, compared with SEK 423.2 million in the previous year, fairly evenly distributed between the retail and wholesale segments.

At the same time further investments were made in stores, business development and an increased digital presence to adapt to changing consumer behavior. The gross profit margin decreased to 53.9 percent from 55.6 percent in 2016, mainly due to a higher share of discounted sales. The operating loss was SEK -4.5 million (24.5). Adjusted for costs of SEK 4.8 million for agent buyouts and organizational changes, Odd Molly reported a slight operating profit. The net loss amounted to SEK -6.3 million (17.7) and earnings per share amounted to SEK -1.09 (3.08).

A skiwear collection and socks were launched in 2017 to strengthen Odd Molly as a lifestyle concept and to reach new customers and distribution channels. Two new partner-owned Odd Molly stores were opened in the US. During the year the company's category strategy was adjusted as well, to better accommodate tomorrow's consumers and their shopping habits.

The Board of Directors is proposing to the Annual General Meeting that no dividend be paid for the financial year 2017. For the financial year 2016 a dividend of SEK 1.00 per share was paid.



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.



FINANCIAL OVERVIEW

SEGMENTS

Odd Molly reports revenue and operating results for three segments: wholesale, retail and common group costs. Operating results for each segment are charged with direct costs for the segment. Costs not directly attributable to wholesale or retail are reported in the segment common group costs.

WHOLESALE

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

RETAIL

- Odd Molly-managed stores, independent stores, outlets, shopping centers and department stores
- Located in Sweden, Norway, Finland
- Web shop

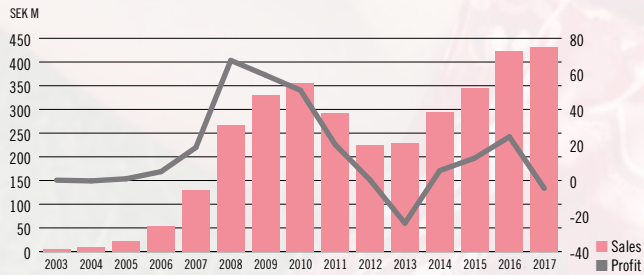
SEK in thousands

	2017	2016
Wholesale		
Sales	210,968	228,022
Operating profit	34,458	53,435
Retail		
Sales	221,150	195,142
Operating profit	30,972	42,717
Common group costs		
Operating profit	-69,910	-71,634

THE INDUSTRY IS CHANGING – AND ODD MOLLY WITH IT

2012	2017
Design-driven	Customer focus
100% wholesale	50% own retail and 50% wholesale
Deliveries 6 times/year	New arrivals each week
10% sales in digital channels	40% sales in digital channels

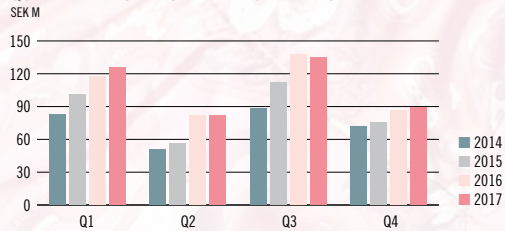
SALES AND PROFIT



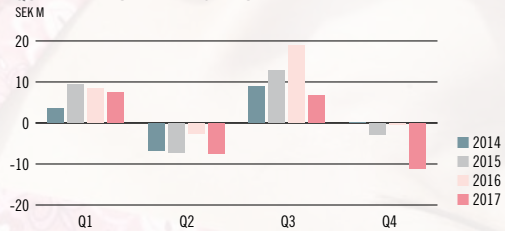
INCREASED SHARE OF OWN RETAIL



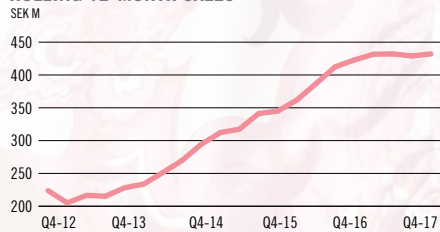
QUARTERLY TOTAL OPERATING REVENUE



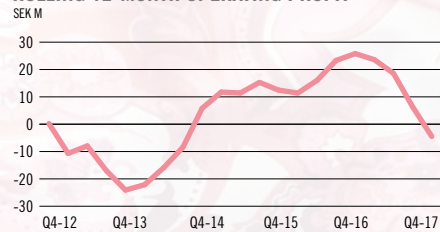
QUARTERLY OPERATING PROFIT



ROLLING 12-MONTH SALES



ROLLING 12-MONTH OPERATING PROFIT



COMMENT FROM THE CEO

– *The web is driving change*

After several years of positive development, 2017 was a tougher year. The industry is in transformation, the market is becoming increasingly promotion-driven, and it is affecting profitability. But there is good news too. Odd Molly reached a new sales record for a full-year, driven by online channels, which accounted for 40 percent of sales, compared with 10 percent just five years ago. This is something we are proud of and will continue to build our success on.

It's rough out there, but is much easier to stand strong if you have a true core – as Odd Molly does. Our DNA and values create a culture around Molly. In many ways, we are in a good position: We are a brand with a committed team and a strong lifestyle concept that we can be offer in every channel. The challenge is being in an industry in transformation – and the key is to focus on changes that lead to long-term growth.

AN INDUSTRY IN CHANGE IS CREATING OPPORTUNITIES FOR US

In the last five years we have completed major changes, perhaps the biggest being in our channel mix and our success in e-commerce. We have a profitable web shop with strong growth that fits well with the new buying habits. Sales in our own channels (stores and e-commerce) grew by a combined 13 percent for the full-year, while the Group's total growth was 2 percent. In 2012 we sold around 10 percent online; when we closed the books on 2017, the share was 40 percent through our own web shop and other e-tailers. We have developed in a fantastic way with the customer, strengthened our competence and benefited from close collaborations.

Still, 2017 was a tough year for Odd Molly. One of my biggest concerns is that if you don't invest, nothing will happen. And we did invest during the year, making changes at the agent level and in the organization, and developing a new category strategy. Changes we believe in, but which in a volatile market haven't shown results yet. The category strategy we put in place last year is reaching the market more extensively this spring. The strategy represents a shift where we complement our traditional collections with smaller,

more conceptual releases to meet the increased demand for new merchandise.

The promotion-driven market we are experiencing is a challenge in itself, not least during the second half of last year, when the gross margin was significantly affected. Though the customer is focused on finding bargains, we are trying to reduce discounts in general with a steadier flow of new arrivals and a change in our category strategy.

CHALLENGES AND POTENTIAL IN SEVERAL CHANNELS

We believe in online retail and will invest more in the web, which offers the biggest growth potential in our industry. There are advantages, however; to meeting our customers in multiple channels. Our digital and physical presence reinforce each other, and to stay a strong brand in the long term we have to be active in several channels – the right ones. Odd Molly's physical stores are a way to get a feel for the brand and build loyalty. Retail space can be costly, but we also see the positive effects of a physical presence, which strengthens our thesis that a multichannel model can be profitable in the long term. We feel that the stores are part of the reason for our growing online sales. Clearly, we always evaluate which investments have the desired effect, and if we find stores that are not viable from a profitability perspective, we will reconsider.

Odd Molly has always pursued profitable growth, and the way we work online is no exception. We have a tight team, we take all product photos in-house, and we devote a lot of energy to customer service. We are proud of our strong customer relations. Our loyal



customer base is perhaps the biggest competitive advantage we have, along with our distinctive design and ability to deliver in so many channels. Here we realize that we can be even more successful by working more with the data analysis and customer segmentation.

The big potential, of course, is attracting more customers – in selected markets outside the Nordic region. Sweden accounted for about 70 percent of sales last year. We are beginning to see positive signs in other markets, but we need a sharper focus and more muscle to reach out more broadly. We are now gearing up for just such a focused international expansion. When we show our concept in the international arena, we get a lot of attention and a positive response. The brand and concept truly stand out. We believe in this potential and know what we want to do.

WITH A BOOST FROM WEB WE TURN TO THE FUTURE

We have made a strong effort to strengthen our digital presence, an investment we look forward to building on. With a robust digital platform and a unique brand, we have good prospects of accelerating growth, especially outside Sweden. The work we have begun with a new category strategy and opportunities for more advanced data analysis position us to grow our online sales and reduce discounts. It is with a tinge of sadness but a strong confidence in the exciting journey facing the company that I will leave Odd Molly later this year.

Anna Attemark, CEO

GOALS AND STRATEGIC DIRECTION

BUSINESS CONCEPT

Odd Molly's business concept is to design, market and sell fashion and other lifestyle products in its own stores and web shop and through external retailers around the world. Odd Molly uniquely combines 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!

FINANCIAL GOALS

AN ANNUAL GROWTH RATE EXCEEDING
20% ON AVERAGE

20%

AN OPERATING MARGIN (EBIT) OF OVER
12% OVER A BUSINESS CYCLE

12%

AN EQUITY/ASSETS RATIO OF
AT LEAST 40%

40%



OUR STRATEGY

Odd Molly will profitably grow by continuing to create attractive collections, leveraging its geographical platform and developing new and existing sales channels. Our 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, products and price within a distinctive design concept.

Odd Molly continued during the year to launch new products to complement its clothing collections in line with the company's lifestyle concept. One new product group – socks – was added and underwear and swimwear both introduced new product lines in the spring. Last fall Odd Molly launched its first skiwear collection, with high performance, feminine base layers, mid layers, outerwear and accessories.

During the year the category strategy was revised with the goal to better meet changing consumer habits and increased e-commerce. Going forward Odd Molly will work with smaller main collections and more specialty collections suited to various channels.

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 multichannel retail operations.

Our own retail sales continued to trend higher with growth of 13 percent for the full-year, driven mainly by our web shop, but also a higher number of stores than the previous year. At the same time sales at the wholesale level fell 7 percent, with several retailers having difficulty keeping up with the changes in the market, while external e-tailers raised their orders. Odd Molly's US partner opened two stores in Colorado in the first half of 2017. During the year 40 percent of Odd Molly's total sales was generated online, including through other e-tailers.

MARKETS

Odd Molly will continue to strengthen its brand long-term and drive sales with an attention to markets with the best opportunities to build a strong, sustainable position. Odd Molly will take greater control in strategic markets, while continuously evaluating opportunities to expand to new markets.

The Swedish market, where Odd Molly has its own sales team, continued to develop positively and accounted for about 70 percent of the Group's sales. The web shop and digital retail grew the strongest during the year, and Odd Molly continued to invest in its digital platform. Last fall new agents were hired in several key markets in Europe – Germany, France and Austria – as well as a new sales representative in the UK. The potential in Europe, the US and Asia remains high.

PEOPLE

The organization will maintain the highest quality, drive and engagement and suit the company's long-term needs and growth. Consideration for Odd Molly's stakeholders cuts across the entire company.

The sales organization was adapted during the year to better fit Odd Molly's growth strategy, including the addition of a new position focused on international expansion. A number of other changes were made to optimize processes and increase efficiencies.

The company's sustainability work continued to develop, including through the implementation of benchmarks to measure performance and new collaborations with consultants in sustainable materials.

BUSINESS MODEL

OUR BUSINESS MODEL

Odd Molly sells its products partly to external retailers around the world and partly to consumers through physical stores, the web shop, outlets and shop-in-shops. In the last year sales were evenly distributed between wholesale and retail.

For the past several years Odd Molly has had sales responsibility for retailers in Scandinavia and the US, which provides a better understanding of, and opportunity to impact sales in, these key markets. Odd Molly also has partners who franchise the business in a number of markets.

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. Odd Molly periodically reevaluates its partners in terms of brand relevance and sales performance, and during the year changed a number of agents.

With their distinctive design, Odd Molly's collections cut through trends and fashions. An Odd Molly customer can feel confident that our clothing is high quality and will last – in terms of fashionability and construction.

OUR STORY

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 determination to go her own way is 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.

SUCCESS FACTORS

1. Flexible business model to reach the customer where she is – 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 distribution and sustainable use.
4. High-quality, balanced product range with a steady flow of new merchandise.
5. Omnichannel retailing with a scalable concept.





ODD MOLLY'S ONLINE SUCCESS

GRAB THE CUSTOMER ONLINE

2017 was a year when the industry swung even more toward e-commerce, and Odd Molly, which created its own web shop early on, reported strong growth in its own online channels and through other e-tailers. Our digital and physical presence both share as consistent a customer experience as possible. During the year the web team worked to reach short-term sales goals, build up in-house digital expertise and put in place the technological capacity to be even faster. The focus areas during the year were:

BUILD LOYALTY

The digital consumer is less loyal than in physical stores. Online activities have to be designed to retain customers and convince them to return. Campaigns were intensified during the year to build loyalty and engagement in online customers, including contests to raffle off collector's items in social channels, segmented releases and marketing. Odd Molly also has a personal chat in the web shop, where customers can get answers to questions and styling tips, to create the feeling of shopping in a physical store.

NEW ARRIVALS DRIVE FULL-PRICE SALES

Raising the share of full-price sales requires a steady flow of new arrivals, supported by campaigns such as "last chance" and "back in stock" that create a sense of urgency. But it is not enough to simply add new merchandise. With smaller releases, the consumer understands she cannot always wait for a sale – the item she is looking for may run out. The updated category strategy is designed to further strengthen Odd Molly's online position.

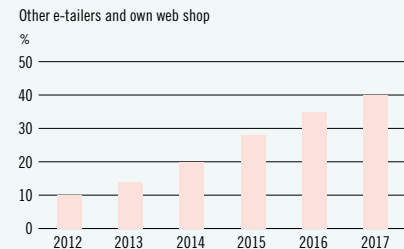
OPTIMIZED CUSTOMER EXPERIENCE

Investments in high-quality product images and informative product and material descriptions strengthen the brand while helping the customer to select the right product. The web organization evaluates every purchase and return in detail, with the goal of creating a better customer experience, higher sales and lower distribution costs. We are working continuously to improve shipping alternatives to give the customer the widest and best choice.

WEB SHOP'S SUCCESS FACTORS

- Odd Molly's design works well online (unique, hand-drawn patterns, beautiful colors and a range of materials).
- New arrivals with continuous updates and new releases make it fun and appealing for the consumer.
- Continuous investments in the digital platform enhance user-friendliness.
- Big focus on social media generates traffic and sales.
- The web shop has quickly reached around 40 markets and had 4.9 million visits in 2017.

SHARE OF SALES ONLINE





#1

Odd Molly is the most popular brand on the Swedish online marketplace Tradera

36%

organic online searches

40%

sales online
(our website and others)

4.9M

visits in 2017

> 40

markets

> 100,000

club members online

A category strategy for every channel

The category strategy Odd Molly developed during the year reaches the market more extensively in 2018. The strategy represents a shift from traditional collections to smaller, more conceptual releases to meet the increased demand for new merchandise, especially online. Odd Molly has gone over a period of years from a design-driven to a customer-centric organization. In 2018 the focus will be even more on the customer.

GOAL *Best product range in every channel in all our markets.*

THE MOST IMPORTANT SUCCESS FACTORS IN THE REVISED STRATEGY

NEW ARRIVALS

New merchandise is the most effective tool to drive full-price sales online and is also becoming more important in physical stores as shopping habits change. More releases of smaller, distinctive collections designed for specific a target audience and channel will be the single most important focus area in the revised category strategy.

RIGHT MERCHANDISE AT THE RIGHT TIME

For our planning work to be successful, we have to deliver the right items at the right time in order to maximize sell-through.

BALANCE

A large part of the strategy is to scale down the product range. At the wholesale level, for example, the number of products will decrease and the collection will shrink by about one third. How we communicate each collection will be more important as well. Odd Molly has been working for a long time to find the right mix of products and price, where we are still positioned as “within reach.”

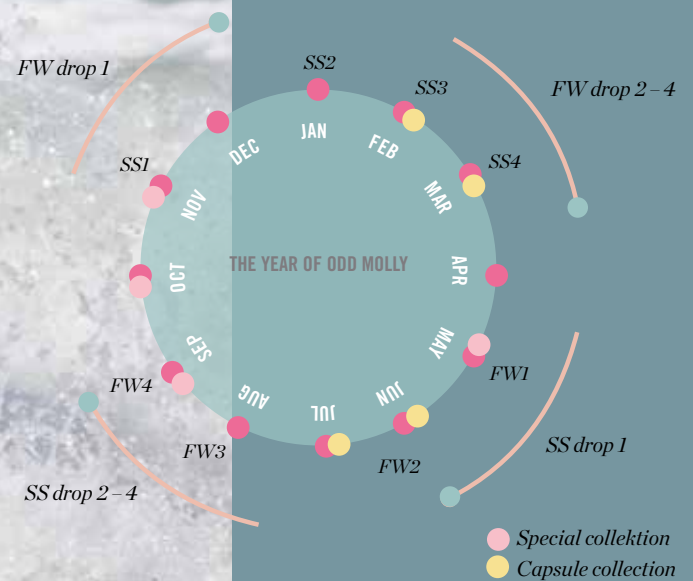
CUSTOMER AND SALES FOCUS

In today’s market a brand or retailer can never be satisfied doing things in only way. They have to test different alternatives to find the right solution – and maximize where and when there are opportunities to do so. For example, Odd Molly may announce special partnerships to reach its desired results. Odd Molly will continue to look for ways to broaden its product offer.



MARKET DEVELOPMENT

- Web stores are growing quickly, especially big companies with multiple brands.
- Odd Molly is also seeing its biggest gains on wholesale websites and its own web store.
- Physical stores are generally having a tougher time, especially smaller boutiques.
- Rents are rising and it is becoming harder for physical multibrand stores to make a profit.
- Everything is becoming more transparent thanks to the Internet and customers are always looking for bargains.
- Consumers are using the net for most buying decisions, regardless of where the purchase is made.
- The trend is unfurling at different rates in different markets, but the trend is the same: it's all happening online.



ODD MOLLY'S OPERATIONS

Odd Molly has developed from a clothing brand for girls to an established lifestyle concept, from a design-driven company to a customer-centric business. The business model is flexible, the platform is solid and potential remains high. The aim is to develop the offering and grow on our own and together with the company's current and prospective retailers and partners in both a physical and digital environment.

Odd Molly is investing its own sales channels alongside external retailers. Having our own sales channels gives us a better understanding of the customer and a better tool to shape the next successful collection.

DESIGN AND CATEGORY PLANNING

Odd Molly has a unique style that is feminine, flattering and easy to wear. The key components are color, patterns and craftsmanship, which require a human touch. The goal is to develop innovative collections that reflect the brand's soul and have commercial appeal. 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 items. Basically, having more products in lower price groups helps to drive sales, while the more detailed pieces strengthen the brand. Odd Molly's clothing is positioned in the upper mid-price segment. The foundation is girls' clothing and accessories, but the development opportunities as a lifestyle concept are great. For more information on Odd Molly's category strategy, see page [XX].

Sustainability factors into everything from basic materials and production, and the company continues to look for new, environmentally friendly alternatives. Everything must exude quality and feel natural. The main collection consists of clothing and accessories, and several product categories are being added to bolster the brand and drive sales.

PRODUCTION

Odd Molly has no production of its own and instead has its collections manufactured by selected suppliers in Asia, Africa and Europe. Because many items contain intricate, hand-sewn details, high demands are placed on suppliers. The choice of manufacturers is based on product quality and delivery performance, though ethical and environmental considerations are also a factor, and that production is economically viable. The supplier must follow the Fair Wear Foundation's Code of Labour Practices and Odd Molly's Quality Assurance & Chemical Agreement. For more information on production, see page [XX].

TRANSPORTS AND LOGISTICS

Odd Molly relies on a third-party provider to manage distribution. To reduce CO2 emissions as far as possible, Odd Molly's first choice is to ship by sea or road from suppliers in Europe. If this isn't possible, a combination of air and sea or air transports is used. Odd Molly always evaluates shipping alternatives to find the optimal solution. The aim is to minimize the number of shipments by air.

MARKETING

Odd Molly coordinates campaigns and offers across channels. Activities for club members are mainly designed to add value, including opportunities to view and buy new collections in advance, prior access to sales promotions, 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 then responsible for day-to-day branding in their market. Odd Molly markets through a number of channels, one of the most important of which is international fashion and home shows. The connection between physical stores, the web and social media is becoming more important. Odd Molly invested heavily in its digital presence during the year to reach Mollys of every generation – in both business development and social media. “Odd Molly’s Friends” help the company to spread joy and market the brand on social media, to reach a larger clientele and to personify the brand.

SALES

The majority Odd Molly’s sales are currently in Western Europe, primarily in Sweden, but with increasing interest in the brand in, among other markets, the US, where Odd Molly has a number of partner-owned stores. Odd Molly is sold almost everywhere, from specialized boutiques and trendy designer shops to 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 88 percent (87) of total sales in 2017. In terms of growth, the focus is on markets where the company has the biggest potential to reach a strong position.

PHYSICAL STORES

Its stores give Odd Molly an opportunity to showcase its collections in an atmosphere designed specifically for the brand. Odd Molly stores all share the same distinctive decor. We feel that physical stores better spotlight the lifestyle concept and give everyone involved a greater chance to increase sales. The Group’s own stores are complemented by shop-in-shops within other stores. At year-end there were a total of 18 Group-owned stores, including two outlets, as well as 27 shop-in-shops and six Odd Molly stores run by partners.

WEB SHOP

A steadily growing share of Odd Molly’s sales is 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. For more information on Odd Molly’s web shop, see pages [XX–XX].

REUSE AND RECYCLING

The fact that Odd Molly’s products are high in quality and last are central to what we offer. The high quality is a big factor for Odd Molly’s loyal customer base.

“The key to our development is to understand who Odd Molly’s customer is – her lifestyle, preferences and dreams. She is defined and personified as Molly.”



OUR SUPPLY CHAIN FROM A SUSTAINABILITY PERSPECTIVE

	DESIGN AND CATEGORY PLANNING	PRODUCTION	TRANSPORTS AND LOGISTICS
CHALLENGE	<p><i>Unique collections are our core, and we have to create products that don't sacrifice design, quality and price and at the same time make sustainable choices. The materials we use represent a large part of our environmental impact, with minimum quantities, lead times and price often being critical factors. One of the keys to the work is to ensure that our employees have the knowledge they need to make sustainable decisions on a daily basis.</i></p>	<p><i>While we do not own the factories that manufacture our clothing, the working conditions there are important to us. We also have to make sure that our clothing does not contain any hazardous substances, either in production or the final products.</i></p>	<p><i>We want to reduce our environmental impact at the same time that we fulfill our commitment to the customer and deliver on time.</i></p>
DEVELOPMENT	<p><i>The design and sourcing teams have begun to use fiber benchmarks from MadeBy to help in choosing materials. During the year we developed a new system with smaller main collections, complemented by capsule collections for various channels as needed. The strategy means fewer sales samples and larger average orders, reducing our environmental impact. We have increased our share of organic cotton (from 9 to 21 percent) and recycled polyester (from 8 to 24 percent) as well as digital printing. In 2017 we launched a skiwear collection focused on sustainability and were the first company to introduce clothing made with material from We aRe SpinDye, a coloring method that minimizes energy, water and chemical consumption.</i></p>	<p><i>We work actively to ensure that our factories comply with chemical laws. We are a member of the Kemikaliegruppen and participate in the Sweden Textile Water Initiative (with 7 of 11 our manufacturers in India joining the STWI project). We work together with the Fair Wear Foundation to improve labor conditions at factories.</i></p>	<p><i>During the year we bought carbon offsets for 100% of messenger deliveries. Our aim is to reduce shipments by air. The packaging material in our stores is climate neutral.</i></p>





MARKETING	SALES	REUSE AND RECYCLING
<p><i>Through our marketing we affect everyone around us. We have a responsibility to display our clothing in a way that both inspires and respects our consumers.</i></p>	<p><i>We want everyone who works with and for Odd Molly to feel good. We also have a responsibility to reduce our environmental impact when we sell our clothing.</i></p>	<p><i>How clothing is cared for represents a large share of its environmental impact. We want our clothing to be sustainable over time, regardless of trends.</i></p>
<p><i>During the year we helped to draft the Sweden Fashion Ethical Chart and follow its guidelines.</i></p>	<p><i>We have policies on diversity, anti-discrimination and anti-corruption. All the packaging material we use in our web shop and physical stores is 100% climate neutral. We inform our customers how to sustainably care for the clothing they buy from Odd Molly.</i></p>	<p><i>We train our retail employees on the materials we use and how to extend the life of our clothing. During the year we produced a clothing care guide. Odd Molly consistently tops the online marketplace Tradera's list of popular search terms, a good sign that our products last. We have begun collaborating with Human Bridge on ways to reuse old clothing.</i></p>





ODD MOLLY'S ORGANIZATION

Molly and her drive inspire our day-to-day operations. Well-being and job satisfaction are highly valued at Odd Molly. Yoga, workouts and massage during working hours are among the activities that create greater cohesion and healthy employees. The company's various departments also arrange team-building days for inspiration and development.

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 it is to enjoy going to work, to have the opportunity to grow and to develop with the company. With more responsibility comes the need for flexibility and adaptability – development isn't accomplished without change. While we are concerned with creating a good organization to work for, everything we do is customer-centric – from design to budgeting.

We prefer to recruit internally, and many employees have grown as part of the organization. Odd Molly is a company in constant change that builds its success on good people with the right skills and attitude and who are willing to go their own way. Working actively to help employees thrive, take initiative and grow is a long-term investment in our continued growth.

Odd Molly has functions for design, sourcing, sales, accounting, logistics, marketing and retail. At year-end Odd Molly had 98 (107) employees in Sweden, Denmark, Norway, Finland and the US, of whom 92 (100) were women and 6 (7) men.



STWI – SWEDEN TEXTILE WATER INITIATIVE

Odd Molly has been a member since 2010 of the Sweden Textile Water Initiative (STWI), a collaboration of around 30 companies in the Swedish textile industry. The idea behind the initiative is to gain a better understanding of the water challenges in textile and leather manufacturing.

Among other things, it has set guidelines for sustainable water management in supply chains. STWI Projects, a public-private partnership between STWI, Sida (Swedish International Development Cooperation Agency) and several member-companies, assists manufacturers, through training

and support, to reduce water, chemical and energy consumption using simple, cost-effective measures energy. Seven of Odd Molly's suppliers in India have participated in STWI projects. Over 1,500 workers have received training on the environment and sustainability.

ODD MOLLY'S CORPORATE SOCIAL RESPONSIBILITY

Odd Molly's business is built on acting sustainably – preferably in collaboration with others in the industry and with outside partners. The aim is to take steps to further improve our CSR results. Odd Molly wants to do more to contribute positively and get more out of its sustainability work by systematically aiming toward clearly defined goals.

Sustainability is, and has always been, a given for Odd Molly. The process of formulating a new sustainability strategy began in 2016 and continued in 2017. The company dialogued with key stakeholders to better understand which issues they are most concerned about. Everyone in the company is engaged in some way in deciding what is most important for Odd Molly to focus on. Together, goals were

formulated in the areas and the ways that Odd Molly will measure performance. The most important issues are working conditions, gender equality/women's rights and environmental responsibility. The work is constantly developing, and the vision is to make a positive difference and contribute to more Mollys in the world.

ODD MOLLY IS A BRAND WITH A HEART, A MIND AND A CONSCIENCE

OUR VISION

Odd Molly is to make a positive difference and contribute to more Mollys in the world.

OUR OVERARCHING GOALS

We will...

- Maximize the positive impact we have on the world and minimize negative impacts throughout our supply chain, from sourcing to sales.
- Focus on the things that make a difference, that are important to our customers and positive for our business. We feel confident that our sustainability work is necessary to satisfy customers and contributes to long-term profitability.
- Be active in the transition to a sustainable society. This is a given and is something we, our customers and other stakeholders all associate with Molly, our guiding light.

OUR FOCUS AREAS

We have divided up our sustainability work into three focus areas that are integrated in our business and the way we work.

MIND – Odd Molly has a sustainable concept and design.

HEART – Odd Molly inspires girls to go their own way.

CONSCIENCE – Odd Molly affects the world in a positive way. We want everyone who works with and for Odd Molly to be happy.

OUR OVERARCHING GOALS

- Our responsibility is to incorporate sustainability every day, in every decision and every choice we make, according to our values: mind, heart and conscience.
- Our employees have the leeway to think on their own and make decisions that lead to a more sustainable society, the leeway to go their own way and develop to their full potential – just like Molly.
- Our success is dependent on effective collaboration with our partners.



WEARESPINDYE®

Odd Molly is the first fashion brand to work with WeaReSpinDye®, a company that offers sustainable coloring methods for synthetic textiles. Instead of soaking finished fabrics in a chemical bath, color pigments are added to the fabric's plastic fibers, dramatically reducing water, chemical and energy consumption as well as CO2 emissions. The fabric and final product offer outstanding performance and

clear environmental advantages. The colors better withstand UV light damage, washing and wear and tear than traditional dyed textiles. Using this fabric Odd Molly has designed the Earth Saver jacket, made of 100% recycled polyester. The padding is also environmentally friendly as it is made partly from plant-based ingredients, and yet still offers similar thermal insulation as down.

“Our goal is to constantly improve and increase the share of sustainable materials and products we sell. The result of our collaboration with WeaReSpinDye is a product we are truly proud of – in line with our goal to provide customers with timeless, high-quality clothing with as little impact on the environment as possible,” says Kristin Roos, Production Manager at Odd Molly.

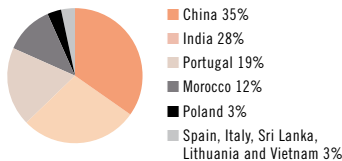
ODD MOLLY'S CSR ACTIVITIES

Odd Molly's responsibilities include ethical standards, social issues and the environment. Our ethical and environmental guidelines apply to everyone who works with Odd Molly: employees, suppliers, subcontractors and other partners. Environmental impacts are minimized as far as possible at every level of the supply chain. Odd Molly tries to be a sound company and set a good example, where taking responsibility is ingrained in the corporate culture. Odd Molly's high-quality clothing can be worn year after year, and is in high demand in the secondhand market.

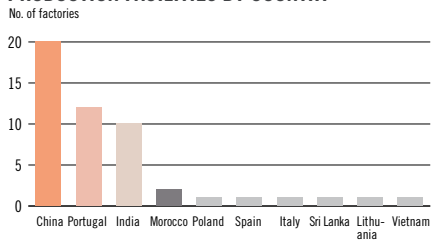
Odd Molly closely follows ethical and environmental guidelines to minimize business risks, which in the long run could affect the brand and the company's reputation, and takes responsibility for using resources in a sustainable way.

The company has guidelines for suppliers and follows the Fair Wear Foundation's Code of Labour Practices to ensure that factory workers are fairly treated, based on the ILO Conventions and the UN Convention on the Rights of the Child.

PRODUCTION VALUE BY COUNTRY



PRODUCTION FACILITIES BY COUNTRY



RESPONSIBLE PRODUCTION

Odd Molly has no production of its own and instead has its collections manufactured by selected suppliers in China, India, Italy, Lithuania, Portugal, Spain, Sri Lanka and Morocco. Because many items contain intricate, hand-sewn details, Odd Molly places high demands on its suppliers. The choice of manufacturers is mainly based on product quality and delivery performance, but ethical and environmental considerations are also a factor, and that production is economically viable. Suppliers must follow the Fair Wear Foundation's Code of Labour Practices and Odd Molly's Quality Assurance & Chemical Agreement.

Odd Molly periodically evaluates its network of partners, though the aim is to build close, long-term relationships. This is good for both the company and the supplier – and it helps to create sustainable products. As Odd Molly becomes more of a lifestyle brand, the range of products will broaden, so new, specialized suppliers may be added. During the year new manufacturers were added in Bulgaria, Lithuania and Sri Lanka, and in total Odd Molly worked with 50 (47) manufacturers during the year. The baseline criteria to be selected as a manufacturer are:

- Overall assessment of production facilities, labor conditions and management
- Product quality, production and details
- Delivery performance
- Price – reasonable enough to meet gross margin requirement
- Compliance
- Business acumen and professionalism
- Customer references
- Risk assessment by country and region

Odd Molly works directly with its suppliers as well as through manufacturing agents in India and Portugal. The manufacturing agent closely dialogues with Odd Molly's production department to find the right manufacturer for the company. Odd Molly relies on third-party inspections in China to assure quality. This party checks finished products before they are approved for shipment to Sweden and conducts inspections during the production process to ensure that the products meet Odd Molly's high demands. Odd Molly's own design and production team normally visits manufacturers twice a year to discuss development opportunities, methods and quality issues.

ENVIRONMENTAL RESPONSIBILITY

Odd Molly's aim is to minimize environmental impacts in the product development process. Environmental aspects are considered at every step of the production cycle, from the choice of material and production method to how the finished product is shipped to stores.

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

To minimize CO2 emissions, Odd Molly's first choice is to ship by sea or road from suppliers in Europe. If this isn't possible, a combination of air and sea or air transports is used. Odd Molly always evaluates shipping alternatives to find the optimal solution. The aim is to minimize the number of shipments by air. During the year more combined to shipments were sent from China. Odd Molly offsets the CO2 emissions from all the packaging in its stores through certified tree planting in South America. Odd Molly works with Human Bridge to reuse old clothing.

GENDER EQUALITY

For Odd Molly, gender equality is a key to a stronger organization and finding the right talents. Our goal is that all employees will feel safe and secure.

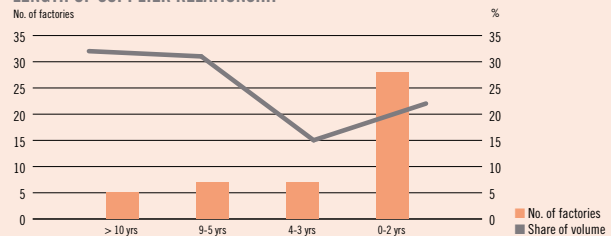
ANIMAL RIGHTS

Odd Molly does not use fur from animals killed solely their pelts, only fur and leather from animals raised for food, such as sheep, goats, cows, alpaca and reindeer. The company joined the Fur Free Retailer Program in 2012. Odd Molly does not accept mulesing or similar methods and therefore does not buy Australian Merino wool, instead buying from South Africa, where mulesing is not used. Odd Molly requires its down suppliers to be certified according to IDFL and to guarantee that their down comes from non-living birds. The company does not use angora in its clothing, nor snails and pearls from threatened species.

For more on Odd Molly's sustainability work, see oddmolly.com.

ODD MOLLY BUILDS LONG-TERM RELATIONSHIPS: 50% OF MANUFACTURERS HAVE WORKED WITH ODD MOLLY FOR MORE THAN FIVE YEARS, 15% FOR OVER 10 YEARS

LENGTH OF SUPPLIER RELATIONSHIP





FAIR WEAR FOUNDATION

Odd Molly has been a member since 2009 of the Fair Wear Foundation (FWF), an independent nonprofit dedicated to improving labor conditions for garment workers. Together with FWF, Odd Molly works actively to address labor conditions. As part of the collaboration, FWF conducts inspections of Odd Molly's suppliers according to a joint plan.

FWF evaluates Odd Molly as a member to ensure that it is doing all it can to follow the plan and is effecting change together with its suppliers. These evaluations are published on FWF's and Odd Molly's websites. Grades range from "Needs improvement" to "Leader." Odd Molly currently rates as "Good."

The ultimate aim of FWF's work and audits is to evaluate and improve conditions in Odd Molly's current factories. The inspections are always scheduled in advance to maintain good relations with the suppliers and foster a dialogue on improvements. Odd Molly achieved its goal to inspect suppliers of 80 percent of its annual production volume.

The main areas that are checked are:

- Voluntary labor*
- Discrimination*
- Child labor*
- Freedom of association and right to collective bargaining*
- Living wages*
- Overtime*
- Safe and healthy working conditions*
- Legally binding employment relationships*

The inspections showed that long-term improvements have to continue in the areas of living wages, awareness among workers and regulated overtime. FWF wants the factories not only to comply with current minimum wage laws, but pay living wages. The inspections have showed that this is an area still in need of improvement. Suppliers have expressed a willingness to follow the plans. Living wages remain the biggest challenge.

Four (six) new inspections were conducted in 2017, along with more than 25 follow-ups of previous inspections. One (four) of Odd Molly's suppliers participated in FWF's worker training in 2017, with the goal to teach factories to make sustainable improvements on their own. It is still a challenge to increase awareness at factories, which Odd Molly will continue to focus on. FWF has a hotline that workers can call to report complaints or problems. During the year workers from three of Odd Molly's factories phoned the hotline. The incidents and how they were handled are described at www.fairwear.org.

For more information on FWF and its inspections, visit www.fairwear.org.



OUR ASPIRATION

MIND

“Odd Molly designs, markets and sells high-quality clothing with a distinctive design in sustainable materials.”

OUR ASPIRATION *Odd Molly wants to help its customers to dress more sustainably and consume less resources by offering high-quality clothing with a distinctive design in sustainable materials.*

WHY IS THIS IMPORTANT? *Global clothing consumption has never been higher than it is today. Our business concept is to offer clothing with a distinctive design and high quality that customers can use for several seasons. We also influence our customers by giving advice on how to care for clothing in a sustainable way and encouraging reuse. In this way we can help to break the resource intensity of the fashion industry, especially fast fashion. Our sustainability efforts stretch from concept and design through category planning and smart sourcing to clothing care and reuse. We listen to what our customers have to say about changing habits and lifestyles, and what they are positive about.*

LONG-TERM GOAL *As little impact as possible – as long a lifespan as possible.*

OUR GOALS BY 2025

Our clothing maintains high quality

- We have clear goals to raise the share of sustainable materials we use.
- The majority of the materials in our products come from sustainable sources (recycled, organic, tencel, etc.).
- The cellulose-based fibers used in our products come from sustainable forests.
- We use printing and coloring methods with the lowest possible environmental impact.

We have better processes

- Sustainability is integrated in design and product development.
- We have optimized sourcing (to minimize leftovers and unsold merchandise).

We actively promote reuse

- All our products have information for the customer on sustainable use.

HEART

“Odd Molly wants to inspire girls of every age to free themselves from convention and follow their dreams. Odd Molly will always fight for more Mollys in the world.”

OUR ASPIRATION *Odd Molly wants to fight for the right of girls to decide how to live their lives and contribute to society.*

WHY IS THIS IMPORTANT? *Odd Molly is working toward a society where diversity is embraced as a positive force and where girls dare to be themselves and follow their dreams regardless of age, body type or skin color. This applies to our employees and our customers, but also the girls in our supply chain. Textiles is an industry that has done a lot to raise people out of poverty by providing jobs. The ability to support themselves gives many women greater freedom to make decisions that affect their lives. Through communication and as an ambassador, we can inspire and encourage society to fight for women’s independence.*

LONG-TERM GOAL *A society where girls feel a sense of freedom and dare to follow their dreams.*

OUR GOALS BY 2025

Our marketing reflects people of various nationalities and body types.

- We follow the Swedish Fashion Ethical Charter’s policy when choosing models.
- We make an active effort to show healthy, happy girls in our marketing.

We take responsibility for spreading information on sustainability issues

- We work actively to spread information to our partners on the ILO core conventions, gender equality, diversity and freedom of expression.
- Our employees have a deep understanding of sustainability.
- We have a long-term association with a partner that is working on behalf of women’s rights.

We work actively to lift others

- We have the industry’s most satisfied employees.
- We serve as mentors.
- We offer job opportunities to Sweden’s new arrivals.

CONSCIENCE

“Odd Molly is a brand with a mind, a heart and a conscience. Odd Molly is also a loving brand with high ambitions...”

OUR ASPIRATION *Odd Molly wants to make a positive difference.*

WHY IS THIS IMPORTANT? *Through our business, we have an opportunity to affect the lives of others and the environment, and to share our commitment to sustainability throughout our supply chain. We build long-term, close relationships with partners and together create fair working conditions and reduce our impact on the environment through the entire supply chain. This is done in among other ways through an open dialogue with partners and through third-party supplier audits. A key to our success is that our employees are satisfied and can develop as professionals.*

LONG-TERM GOAL *Long-term, trusting relationships with partners and employees that create value for those around us.*

OUR GOALS BY 2025

We place high demands on our suppliers

- We perform risk assessments based on sustainability criteria of all new suppliers before signing a contract.
- We work actively to monitor our suppliers’ social (labor rights, child labor, etc.) and environmental commitment.

We help our suppliers to improve

- We seek long-term collaborations with our suppliers.
- We work actively to help our suppliers to improve their processes from an environmental perspective.
- We help our suppliers to improve social standards: living wages, working conditions, child labor, overtime.

We have concrete environmental goals: clean air and water

- We have reduced our CO2 emissions in relation to production volume.
- We have optimized our recycling.
- We use green electricity, to the extent we can, in our stores and offices.
- We use only FSC-certified paper products.
- We buy carbon offsets for transports.
- We use ISO-certified transports.

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, 2017 was SEK 22.70 (45.90), giving Odd Molly a market capitalization of SEK 130.6 million (264.0). During the financial year the average turnover was about 8,970 shares per day (5,387). A total of 2.3 million (1.3) Odd Molly shares were traded at a value of SEK 88.5 million (54.3). The lowest price paid was SEK 20.60 (December 27, 2017) and the highest price was SEK 59.00 (March 6, 2017). In 2017 the share fell 50.65 percent, compared with a decrease of 24.05 percent in 2016. During the financial year 2017 the OMXSPI Index rose 5.65 percent.

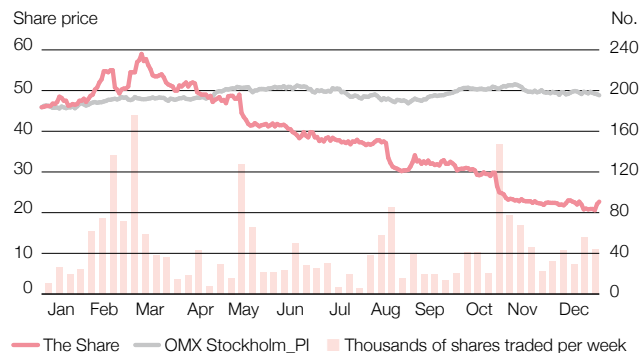
SHARE CAPITAL

Odd Molly's share capital on December 31, 2017 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. 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 one outstanding incentive program based on warrants in Odd Molly Sverige AB.

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.

In light of the annual result and cash flow, as well as the continued challenges and opportunities faced by the company, the Board of Directors is proposing to the Annual General Meeting that no dividend be paid for the financial year 2017. For the financial year 2016 a dividend of SEK 1.00 per share was paid.

KEY DATA PER SHARE

	2017	2016	2015	2014	2013
Equity per share, SEK	15.82	18.38	16.19	15.62	14.43
Earnings per share, SEK	-1.09	3.08	1.70	0.71	-3.38
Dividend per share, SEK	0.00*	1.00	1.50	1.00	0.0
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, 2017

Ten largest shareholders	No. of shares	No. of votes/ capital, %
M2 Capital Management AB	1,187,486	20.64
Kattvik Financial Services AB	1,063,933	18.5
A.T.V Holding Aktiebolag	616,359	10.72
New Moon Förvaltning AB	614,173	10.68
Swedbank Försäkring	271,300	4.72
AMF Aktiefond Småbolag	148,150	2.58
Olson, Jan-Olof	135,607	2.36
Placeringsfond Småbolagsfond, Norden	98,368	1.71
BPSS Lux/Parvest	88,000	1.53
Försäkringsaktiebolaget, Avanza Pension	77,841	1.35
Total, ten largest shareholders	4,301,217	74.78
Other	1,450,783	25.22
Total	5,752,000	100.00

Source: Euroclear

ÄGARSTRUKTUR PER DEN 31 DECEMBER 2017

Antalet aktieägare i Odd Molly uppgick per den 31 december 2017 till 3 358 (2 785) enligt Euroclear Sweden AB. Odd Mollys tio största ägare innehade aktier motsvarande 74,78 procent (74,4) av såväl röster som kapital i bolaget. Utländskt ägande uppgick till cirka 6,02 procent (9,06) per den 31 december 2017.

Aktieägarstruktur	Antal aktie-ägare	Antal aktier	Innehav, %	Röster, %	Marknadsvärde, TSEK
1 – 500	2 964	295 179	5,13	5,13	5 283 704
501 – 1 000	172	140 046	2,43	2,43	2 506 823
1 001 – 5 000	163	361 368	6,28	6,31	6 468 487
5 001 – 10 000	30	215 479	3,75	3,75	3 857 074
10 001 – 15 000	7	84 845	1,48	1,47	1 518 726
15 001 – 20 000	3	49 309	0,86	0,86	882 631
20 001 –	19	4 605 774	80,07	80,05	82 443 355
Totalt	3 358	5 752 000	100,00	100,00	102 960 860

Källa: Euroclear

BOARD OF DIRECTORS' REPORT

The Board of Directors and the 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, 2017.

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, 2017 Odd Molly had 3,358 shareholders, around 94 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 30 – 31. 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 one outstanding incentive program based on warrants in Odd Molly Sverige AB. The program was approved by an Extraordinary General Meeting on February 24, 2016, which 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 In the second quarter

Under andra kvartalet

- An Odd Molly store was opened in Boulder, Colorado, in the US, through an external partner, the same partner that already manages Odd Molly stores in Vail and Aspen, Colorado.
- The same partner opened another Odd Molly store in June in a shopping center outside Denver, Colorado.

In the third quarter

- New agents were hired in Germany, France and Austria.
- The sales organization was adapted and the role of overall head of sales was eliminated and replaced by a role specially focused on international expansion.

After the conclusion of the year

- On February 5 it was announced that Anna Attemark had informed the Board of Directors that she wishes to leave her position as CEO of Odd Molly, and that Jennie Högstedt Björk, today Deputy CEO and Assortment Manager, has been appointed as her successor. The CEO shift will take place in August 2018, at the latest.
- In February a new seller was engaged in the UK.

Sales and earnings 2017

Group

Net sales

Total operating revenue during the year amounted to SEK 432.1 million (423.2), an increase of 2 percent compared with the previous year. Revenue from wholesale operations decreased 7 percent to SEK 211.0 million (228.0). The company's retail operations increased 13 percent to SEK 221.1 million (195.1), driven by the web shop's strong development and sales from more stores. The number of stores during the year was higher on average than in 2016. Odd Molly had 18 of its own stores at the end of 2017, the same as at year-end 2016.

In 2017 Odd Molly clothing was sold in a total of 36 countries (36). Odd Molly had local representatives in 23 countries through its own sales force, 10 independent agents, two distributors and two partners. The company managed its own sales in 13 countries. Odd Molly's five largest markets (Sweden, the US, Germany, Norway and Switzerland) accounted for approximately 88 percent (87) of total sales in 2017.

Earnings

The gross profit margin for the year was 53.9 percent (55.6), negatively affected mainly by a higher share of discounted sales and unfavorable exchange rates, while the larger share of retail sales had a positive effect.

The operating loss was SEK -4.5 million, compared with operating profit of SEK 24.5 million in the previous year. The result for the year was affected by the transition in the industry and in the company, where customers are increasingly shopping online, which raises the costs of distribution and returns. The result was also affected by further investments to offer the best online shopping experience, higher costs to operate more stores and costs of SEK 4.8 million recognized in the third quarter for agent buyouts and organizational changes. Operating profit excluding these costs was SEK 0.3 million.

Personnel expenses amounted to SEK 77.1 million (17.8 percent of total operating revenue), compared with SEK 73.6 million (17.4 percent of total operating revenue) in the previous year. Other external expenses amounted to SEK 147.4 million (34.1 percent of total operating revenue) and SEK 128.2 million (30.3 percent of total operating revenue) in the previous year.

The net loss amounted to SEK -6.3 million (17.7) and earnings per share amounted to SEK -1.09 (3.08).

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 181.7 million (193.4) on December 31, 2017. Shareholders' equity was SEK 91.0 million on the same date, compared with SEK 105.7 million on December 31, 2016. The equity/assets ratio was 50 percent (55) at the end of the period and cash and cash equivalents amounted to SEK 17.0 million (25.1). Net liquidity, after utilized overdraft facilities, amounted to SEK -12.6 million (-1.8). Accounts receivable amounted to SEK 57.7 million on December 31, 2017, compared with SEK 58.9 million a year earlier.

Investments and cash flow

For the full-year 2017 the company's investments totaled SEK 4.3 million (22.0), mainly for fixtures in partner stores and shop-in-shops managed by retailers. Cash flow from operating activities amounted to SEK -0.5 million (6.6) and total cash flow amounted to SEK -4.3 million (-22.0).

Employees

The total number of employees at the end of the period was 98 (107), of whom 6 were men and 92 women. The average number of employees during the year was 102 (94).

Parent Company

The Parent Company reported total operating revenue of SEK 409.2 million (411.7) for the full-year 2017 with an operating loss of SEK -9.4 million (16.4). The Parent Company's adjusted shareholders' equity amounted to SEK 63.1 million (84.0). Cash and cash equivalents amounted to SEK 12.4 million (20.5). Net liquidity, after utilization of parts of the overdraft facilities, amounted to SEK -17.2 million (-6.4).

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 manage operations in their respective countries. All other sales are through the Parent Company.

During the period the Parent Company's receivables from the subsidiaries in Norway and Finland were written down by SEK 4.9 million and SEK 1.5 million, respectively, which negatively affected the Parent Company's result.

Remuneration guidelines for the CEO and other senior executives

The Annual General Meeting on May 11, 2017 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 2017 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 should not be 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 4, 2018, the Board of Directors is proposing that the remuneration principles for the CEO and other senior executives remain unchanged in 2018.

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 22–29.

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.

Supplier and labor right risks

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. Moreover, Odd Molly continuously monitors its suppliers' compliance with chemical laws and revises its supplier base accordingly. 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 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.

Sustainability

ENVIRONMENT

Responsibility

Odd Molly complies with applicable laws and is engaged in targeted environmental work. Odd Molly has been a member since 2011 of the chemicals group within SWERA/IVF and is a member of STWI. Through its Code of Conduct, Odd Molly ensures that suppliers meet environmental requirements.

Management

- Odd Molly requires all suppliers to follow the rules on prohibited chemicals.
- Odd Molly trains employees and customers on extending the life of products and on materials.
- Odd Molly's sustainability strategy also includes improvement plans for its own workplaces (centrally and stores) in terms of consumption and carbon offsets.

Monitoring

- Odd Molly's suppliers are randomly inspected.

Risks and risk management

- Ineffective resource consumption in production and shipping.
- Employee training on the environment.
- Continuous monitoring and auditing of suppliers.

HUMAN RIGHTS

Responsibility

Odd Molly complies with applicable laws and international conventions on human rights based on the ILO Conventions and the UN Convention on the Rights of the Child. The Code of Conduct also requires suppliers to respect internationally recognized human rights.

Management

- The Code of Conduct is an important tool to monitor human rights compliance.
- Labor conditions in factories are monitored partly by Odd Molly's own employees and partly by independent outside organizations.
- The Fair Wear Foundation manages a whistleblower line for factory workers.

Monitoring

- Odd Molly's suppliers are randomly inspected.
- The Fair Wear Foundation annually visits the factories that manufacture Odd Molly's products.

Risks and risk management

- Ethical standards and fair working conditions at the factories that manufacture Odd Molly products are critical when choosing suppliers.

PERSONAL AND SOCIAL CONDITIONS

Odd Molly maintains an open climate with ample opportunity for every individual to develop. The company has a strong corporate culture. Odd Molly has also collaborated for years with the Fair Wear Foundation, which is dedicated to improving labor conditions for garment workers.

Management

- Odd Molly has a gender equality and diversity plan as well as routines to prevent discrimination.
- On-the-job ergonomics training, yoga and massage.
- The company has guidelines for its suppliers and follows the Fair Wear Foundation's Code of Conduct.
- The Fair Wear Foundation maintains a whistleblower line for factory workers.

Monitoring

- Odd Molly's suppliers are randomly inspected.
- Evaluations and monitoring are done in collaboration with the Fair Wear Foundation.

Risks and risk management

- Odd Molly does not have any factories of its own, but manufactures in various parts of the world.
- Workplace injuries and accidents.

ANTI-CORRUPTION

Odd Molly applies an anti-corruption policy as well as a Code of Conduct for suppliers. Ethical guidelines can also be found in Odd Molly's employee handbook.

Management

- The Fair Wear Foundation maintains a whistleblower line for factory workers among the company's suppliers.

Monitoring

- All employees sign the anti-corruption policy.

Risks and risk management

- Bribes in connection with orders.
- Internal and external fraud.
- Internal training on the Code of Conduct.

Odd Molly has codes of conduct and policy documents for employees and partners covering the environment, human rights, social conditions and anti-corruption.

Odd Molly's impact on the environment and the measures it takes to manage risks and challenges are described in more detail on pages 18-19. Specific goals and priorities are described in Odd Molly's sustainability report on pages 22-29.

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 68–71.

Future outlook

2017 was a year in which changes in the industry affected Odd Molly as well as others in the market. The shift toward e-commerce has accelerated, and for Odd Molly this has meant higher sales through its own web shop as well as other online retailers. Odd Molly is well-equipped to grow under these conditions with its strong brand and with the changes that have been made to the category and distribution strategy to meet customers' changing preferences.

Measures to adapt costs will continue in order to free up resources to invest where the company sees the biggest opportunities for profitable 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. In light of the annual result and cash flow, as well as the continued challenges and opportunities faced by the company, the Board of Directors is proposing to the Annual General Meeting that no dividend be paid for the financial year 2017. For the financial year 2016 a dividend of SEK 1.00 per share was paid.

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	–62
Retained earnings	36,188
Net loss for the year	–9,162
Total	53,599

The Board proposes that the funds be appropriated as follows:

Dividend to the shareholders	
To be carried forward	53,599
Total	53,599

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 2018

Odd Molly's Annual General Meeting for the financial year 2017 will be held at 2 PM (CET) on May 4, 2018 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, and page 80 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 4, 2018 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 and Christer Andersson are considered independent in relation to the company, management and major shareholders. Rutger Arnhult is 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, Kia Orback Pettersson, Elin Ryer, Nils Vinberg and Jacob Wall, none of whom are employed or have an employment-like relationship with the Group or any subsidiary.

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

BOARD REMUNERATION

The Chairman of the Board and other Directors received total remuneration of SEK 800 thousand (800) for 2017, 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 2017 the Board held nine meetings at which minutes were kept.

During these meetings the Board discussed the financial results, balance sheet, interim reports and annual report, market and risk analyses, 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.

ATTENDANCE NO. OF MEETINGS

	2017	2016	2015	2014
Mia Arnhult	9	10	9	10
Lennart Björk (Stepped down at AGM 2017)	1	6	8	9
Kia Orback Pettersson	9	9	8	9
Elin Ryer	9	8	6	–
Patrik Tillman	9	10	9	10
Nils Vinberg	9	9	8	10
Jacob Wall (Elected at AGM 2017)	5	–	–	–
Total number of meetings	9	10	9	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 2017 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 2017 the auditors' remuneration amounted to SEK 720 thousand as regards the Parent Company, of which SEK 560 thousand related to audit work. The corresponding amounts for the Group were SEK 1,049 thousand and SEK 824 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.

Group Management consisted on December 31, 2017 of Anna Attemark (CEO), Jennie Högstedt Björk, Johanna Palm, Kristin Roos and Linn Thor. For a detailed presentation of Group Management, see pages [XX-XX]. 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 2017 amounted to SEK 2,440 thousand (2,289). 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 2017. 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 2017. In October the number of senior executives was reduced when the position of sales manager was eliminated.

Her salary is included through October in the total compensation figure for 2017. The base salaries paid to senior executives, excluding the CEO, amounted to SEK 5,077 thousand (5,095) for 2017. 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 968 thousand (811) in 2017. 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 2017. In 2016 a total of SEK 1,314 thousand was expensed.

INCENTIVE PROGRAM

As of year-end Odd Molly had one outstanding incentive program based on warrants in Odd Molly Sverige AB. The warrant program was resolved by an Extraordinary General Meeting 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.

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 30–31 and in the section on the Odd Molly share and ownership structure in the Board of Directors' report.

DIVERSITY POLICY

Odd Molly, through the Nomination Committee, applies rule 4.1 of the Swedish Code of Corporate Governance as a diversity policy when drafting a proposal for the election of the board members. The rule states that the board is to have a composition appropriate to its operations, phase of development and other relevant circumstances, collectively exhibiting diversity and breadth in its members' qualifications, experience and background. The company strives for gender parity. The goal of the diversity policy is to ensure sufficient diversity on the board in terms of gender, age and nationality as well as experience, professional background and business areas. The Nomination Committee stated ahead of Annual General Meeting 2017 that the nominated members represent the diversity and breadth of qualifications, experience and background necessary to understand the company's operations. It also stated that the proposal means that the board will consist of three men and three women and that the share of women would be 50 percent. This is in line with the Swedish Corporate Governance Board's stated goal that the underrepresented gender account for about 40 percent.

The Board of Directors, March 28, 2018

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE REPORT

**TO THE GENERAL MEETING OF THE SHAREHOLDERS IN ODD MOLLY INTERNATIONAL AB
(PUBL), CORPORATE IDENTITY NUMBER 556627-6241**

ENGAGEMENT AND RESPONSIBILITY

It is the Board of Directors who are responsible for the corporate governance statement for the year 2017 on pages [XX-XX] and that it has been prepared in accordance with [the Annual Accounts Act.

SCOPE OF THE AUDIT

We have conducted our audit in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that our audit procedures provide a reasonable basis for our opinions.

OPINION

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, March 28, 2018

Ernst & Young AB

*Jonas Svensson
Authorized Public Accountant*



STYRELSE OCH REVISORER

PATRIK TILLMAN

Born 1965

Chairman since 2013, board member since 2004

Born: 1965

Education: MBA, Stockholm University; Certified Financial Analyst, IFL Sigtuna

Other assignments: CEO and Partner of Lenner & Partners Corporate Finance AB. Director of Lenner & Partners Corporate Finance AB and its subsidiaries, Kattvik Financial Services AB and its subsidiaries, PFG Group AB, Recence Fastighets AB and Stocksund Financial Services AB.

Background: Former financial analyst at Alfred Berg Fondkommission AB with extensive retail experience.

Holding: Through companies 1,049,763 shares and through related parties 9,000 shares*

Considered independent of the company and its management, but not of its major shareholders.

MIA ARNHULT

Born 1969

Board member since 2008

Education: MBA

Other assignments: CEO and Director of M2 Asset Management AB, M2 Gruppen AB and M2 Gruppen 1 AB. CEO of Locellus AB and Arnhult Invest AB. Director of Bactiguard Holding AB, Footway Group AB, Devyser Holding AB, Devyser AB, Suburban Properties Stockholm AB and its subsidiaries, M2 Capital Management AB and Lidingöloppet.

Background: Former CFO of Corem Property Group AB and M2 Gruppen. Many years of accounting experience at Lindebergs Grant Thornton, among other firms.

Holding: Through companies 1,187,486 shares*

Considered independent of the company and its management, but not of its major shareholders.

KIA ORBACK PETERSSON

Born 1959

Board member since 2013

Education: MBA from Lund University

Other assignments: Partner at Konzeptverktan. Chairman of Teracom AB, Mediaplanet International AB, S:t Eriks vårdbolag AB and Riksdalen AB. Director of JM AB, Kungsleden AB, Visual Art AB.

Background: Executive positions in retail, media and real estate, including as CEO of Sturegallerian, Vice CEO of Guldfynd/Hallbergs and Marketing Director at Dagens Nyheter.

Holding: 5,400 shares through related parties*

Considered independent of the company, its management and its major shareholders.

ELIN RYER

Born 1979

Board member since 2015

Education: IHM Business School and MA in art history from Stockholm University as well as studies at Haverford College and Bryn Mawr College, in Pennsylvania in the US

Other assignments: Founder and CEO of the online service Used By.

Background: Extensive branding experience from Svenskt Tenn, Cantor Fitzgerald Gallery, Stockholms Auktionsverk and Brandit, among others. One of Dr Anders Wall's scholarship winners, studying at the Swedish Chamber of Commerce in London in 2002.

Holding: 2,000 shares*

Considered independent of the company and its management, but not of its major shareholders.

NILS VINBERG

Born 1957

Board member since 2009

Education: MBA from Stockholm School of Economics

Other assignments: Chairman of Carpetvista Group AB and Vinberg Management AB. Director of Lexington Company AB.

Background: Former Chairman and CEO of Björn Borg AB, Chairman of Eton AB.

Holding: 0 shares

Considered independent of the company, its management and its major shareholders.

JACOB WALL

Born 1973

Board member since 2017

Education: Studies in finance, economic history and political science at Stockholm University, Uppsala University and Exeter University

Other assignments: Head of Business Development at Axel Johnson AB. Chairman of Novax and Skincity and director of Electra Gruppen and New Moon AB.

Background: Partner/Investment banking at ABG Sundal Collier and Portfolio Manager and Co-founder of the hedge fund Alcur; in addition to 9 years as equity analyst at ABG Sundal Collier and Alfred Berg.

Holding: 0 shares

Considered independent of the company and its management, but not of its major shareholders.

HUVUDANSVARIG REVISOR

Jonas Svensson, born 1968

Authorized Public Accountant, Ernst & Young AB



Patrik Tillman



Mia Arnhult



Kia Orback Pettersson



Elin Ryer



Nils Vinberg



Jacob Wall

MANAGEMENT

ANNA ATTEMARK

Born 1968

CEO since 2011

Education: MBA from Stockholm School of Economics

Background: Extensive retail experience. Begun her career at Björn Borg. Anna joined Hennes & Mauritz in 1994 and worked in various positions, including section head, division head, operative head of design, buying manager and development manager in H&M's buying department.

Holding: 4,872 shares, 150,000 warrants and 400 shares through related parties*

JENNIE HÖGSTEDT BJÖRK

Born 1975

Category Manager and Vice President since 2011

Education: MBA from Stockholm University

Background: Previously worked at H&M and has a background as business controller, section head, division head and as head of the online assortment.

Holding: 8,000 shares and 150,000 warrants and 21,950 shares through related parties*

JOHANNA PALM

Born 1977

CFO since 2016

Education: MBA from Stockholm School of Economics

Background: Experience from various consumer-oriented multinationals. She held a number of senior positions at Oriflame over eight years, most recently as VP Finance Commercial Division and Senior Director Investor Relations. Prior to that Johanna was Head of Financial Controlling at McDonalds Sverige and a trainee at Carlsberg.

Holding: 0 shares

KRISTIN ROOS

Born 1964

Product Manager since October 2008

Education: Textile design studies at Lennings Textiltekniska Institut and Stockholms Tillskärarakademi

Background: Extensive experience from the textile industry, including as production manager at J. Lindeberg, buyer/production manager at Peak Performance and pattern designer/buyer at Marc O'Polo.

Holding: 1,000 shares and 15,000 warrants*

LINN THOR

Born 1985

Head of Marketing & Head of E-Commerce since May 2016

Education: BS in Service Management with a Retail specialty from Lund University

Background: Five years of experience before and during her studies. After graduating, she worked as a project manager at one of Sweden's largest event agencies (Eventyr) with responsibility for corporate event and conferences. In 2012 Linn joined Odd Molly in online sales, a department she took over in 2014. Since May 2016 she is also the Head of Marketing.

Holding: 0 shares

* As of February 1, 2008



Anna Attemark



Jennie Högstedt Björk



Johanna Palm



Kristin Roos



Linn Thor

