

## **Annual Report for the financial year 1 January 2006 - 31 December 2006**

The Board of Directors and the Managing Director of Odd Molly International AB hereby present the following annual report.

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All amounts are accounted for in Swedish kronor (SEK), unless otherwise stated.  
Information within brackets refers to the preceding year.

## Administration report

### Information about the operations

Odd Molly International AB ("Company" or "Odd Molly") commenced its operations in the spring of 2002 and carries on design, production and sale of clothing and accessories primarily under the trademark Odd Molly. The products are sold to shops through local agents or distributors in the respective countries. Since the start, Odd Molly has in a short time successfully established itself as an international brand in the upper medium-price segment of women's fashion.

Financial position and performance Summary (Tkr)		2006	2005	2004	2003
Net sales		54 477	21 151	10 271	5 028
Result after financial items		4 702	704	-558	15
Operating profit margin		9,1%	4,2%	Negative	2,4%
Return on equity		106,9%	49,1%	Negative	4,4%
Total capital employed		10 512	4 702	2 386	1 209
Equity ratio		57,5%	58,6%	4,7%	49,8%
Average number of employees		10	5	3	1

### Key ratio definitions

*Operating margin*

Operating profit/loss as percentage of net sales.

*Return on equity*

Profit/loss after financial items as percentage of average adjusted equity.

*Equity ratio*

Adjusted equity as percentage of the balance sheet total.

#### **Significant events in the financial year**

In 2006 Odd Molly has enjoyed exceptional growth due to the strong demand for the company's products, particularly on the international market. Odd Molly is represented in 23 countries and by more than 1,000 shops globally. Odd Molly applies great care in selecting shops, and the product line can be found in many of the foremost department stores and shops in the world.

The major part of the sales takes place in Europe with an emphasis on the Nordic market, but there is a growth in sales on important future markets such as the USA, Australia and Japan.

Odd Molly is displaying its collections at exhibitions world-wide. The exhibitions form a basis of sales to customers, marketing and meetings with existing and potential agents and distributors.

Odd Molly is subject to great media interest in Sweden as well as abroad, which, in combination with its attractive product line, is the reason for enjoying growth despite limited marketing efforts.

In August 2006 the company had its first major international fashion show in Stockholm, a break-through attracting client as well as media interest.

#### **Net sales and results**

Sales in 2006 amounted to SEK 54.5 million, an increase by 158 per cent compared to last year. The gross margin increased by 176 % to SEK 29.9 million. The gross margin for the year improved from 50% to 55%.

The organization and administration of the company was improved in 2006 to cope with the strong increase in the operations. The number of employees increased from 8 to 15. All employees are stationed at the Stockholm head office. Odd Molly has during the year procured and implemented a new Microsoft business system.

Other major expense items include sales commission and exhibition expenses.

Operating profits increased significantly to SEK 4,932 thousand compared to SEK 890 thousand in 2005; an increase in the operating margin from 4.2% to 9.1%.

The company's financial position is strong and well adapted to a continued rapid expansion.

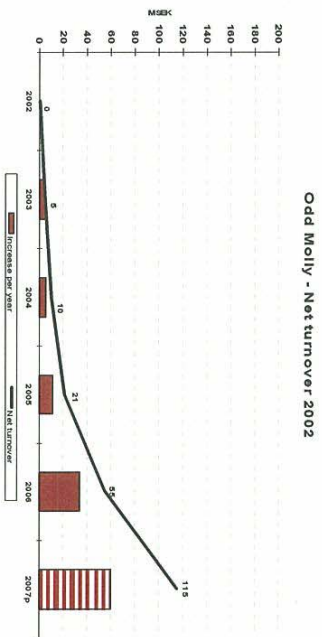
The company's balance sheet total amounted to SEK 10,512 thousand compared to SEK 4,702 in 2005. Adjusted equity amounted to SEK 6,046 thousand (SEK 2,754 last year), an equity ratio of 57.5% (58.6% last year).

#### **Future development**

Odd Molly has in a short period of time succeeded in establishing a strong position on the market, and enjoys a satisfied and growing customer base. There is a strong customer interest internationally, and further expansion will mainly take place abroad, primarily in the USA and Europe.

For the year 2007 Odd Molly is making major investments in an expansion in the USA and will open an office in Los Angeles in early summer 2007. The USA is expected to be the largest individual market of Odd Molly already in 2007. The company expects that the US market will create good additional potentials for Odd Molly's products. A wholly-owned US subsidiary (Odd Molly Inc.) is being established, with the intention that Odd Molly Inc. shall carry on all U.S. operations, commencing in the summer of 2007.

In 2007 Odd Molly will participate e.g. in exhibitions in Los Angeles, Las Vegas, New York, Barcelona, Berlin, Paris, Copenhagen and Milan.



In each of the years 2003, 2004, 2005, 2006 and probably also in 2007, Odd Molly reached a sales level that surpasses all aggregate sales since the establishment.

Sales in 2007 are expected to increase by more than 100% to more than SEK 115 million at a good profit. This equals more than SEK 230 million in the resale segment. The board is investigating the prospects of an IPO of the shares of Odd Molly in 2007.



**Proposed appropriation of profit**

The following earnings are at the disposal of the annual general meeting:

Accumulated profit	519 599
Profit for the year	3 357 629
SEK	3 877 228
The board of directors proposes that the earnings be appropriated as follows:	
To be carried forward	3 877 228
SEK	3 877 228



## Income statement

	2006-01-01 -2006-12-31	2005-01-01 -2005-12-31
Note		
<i>Operating income</i>		
Net sales	54 477 442	21 151 438
Other operating income	1 0	150 386
	<b>54 477 442</b>	<b>21 301 824</b>
<i>Operating expenses</i>		
Goods for resale	-24 570 163	-10 330 664
Other external costs	2 -19 348 412	-7 273 228
Personnel costs	2 -5 123 497	-2 037 673
Depreciation of tangible fixed assets	3 -156 347	-38 467
Other operating expenses	4 -347 476	-731 651
	<b>-49 545 895</b>	<b>-20 411 683</b>
<b>Operating profit/loss</b>	<b>4 931 547</b>	<b>890 141</b>
<i>Result from financial investments</i>		
Interest income	87 917	36 113
Interest expense	-317 768	-222 677
	<b>-229 851</b>	<b>-186 564</b>
<b>Profit after financial items</b>	<b>4 701 696</b>	<b>703 577</b>
Appropriations	5 0	-56 000
<b>Profit before tax</b>	<b>4 701 696</b>	<b>647 577</b>
Tax on profit for the year	6 -1 344 067	-47 978
<b>Profit for the year</b>	<b>3 357 629</b>	<b>599 599</b>

## Balance sheet

	Note	2006-12-31	2005-12-31
<b>ASSETS</b>			
<i>Fixed assets</i>			
	7		
<i>Tangible fixed assets</i>			
	8		
Equipment, tools, fixtures and fittings		981 758	141 455
		<b>981 758</b>	<b>141 455</b>
<b>Total fixed assets</b>		<b>981 758</b>	<b>141 455</b>
<i>Current assets</i>			
<i>Inventory, etc.</i>			
Finished products and goods for resale		1 413 903	871 672
Advance payments to suppliers		0	61 731
		<b>1 413 903</b>	<b>933 403</b>
<i>Current receivables</i>			
Accounts receivable - trade		3 437 226	1 158 872
Other receivables		222 682	243 022
Prepaid expenses and accrued income		1 182 194	666 631
		<b>4 842 102</b>	<b>2 068 525</b>
<i>Cash and bank balances</i>			
	9	3 274 488	1 558 669
<b>Total current assets</b>		<b>9 530 493</b>	<b>4 560 597</b>
<b>TOTAL ASSETS</b>		<b>10 512 251</b>	<b>4 702 052</b>

**Balance sheet**

	Note	2006-12-31	2005-12-31
<b>EQUITY AND LIABILITIES</b>			
<i>Equity</i>	10		
<i>Restricted equity</i>			
Share capital (122,000 shares)		122 000	122 000
Share premium reserve		2 006 240	2 006 240
		<b>2 128 240</b>	<b>2 128 240</b>
<i>Non-restricted equity</i>			
Accumulated profit/loss		519 599	-14 000
Profit for the year		3 357 629	599 599
		<b>3 877 228</b>	<b>585 599</b>
<b>Total equity</b>		<b>6 005 468</b>	<b>2 713 839</b>
<i>Untaxed reserves</i>	11	<b>56 000</b>	<b>56 000</b>
<i>Long-term liabilities</i>	12		
Liabilities to credit institutions		71 430	214 288
Other liabilities		0	500 000
<b>Total long-term liabilities</b>		<b>71 430</b>	<b>714 288</b>
<i>Current liabilities</i>			
Liabilities to credit institutions	12	142 856	142 856
Advance payments from customers		173 412	0
Accounts payable - trade		996 001	327 399
Current income tax liability	13	1 395 046	42 885
Other liabilities		301 631	90 287
Accrued expenses and deferred income	14	1 370 407	614 498
<b>Total current liabilities</b>		<b>4 379 353</b>	<b>1 217 925</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>10 512 251</b>	<b>4 702 052</b>
<b>MEMORANDUM ITEMS</b>			
Pledged assets	15	<b>6 328 726</b>	<b>3 356 463</b>
Contingent liabilities		None	None

**Accounting and valuation principles**

**General**

The annual report has been prepared in accordance with the Annual Accounts Act and the general standards issued by the Swedish Accounting Standards Board.

**Revenue**

Revenue is recognized at fair value of the amounts received or expected to be received.

**Tangible fixed assets**

Tangible fixed assets are recognized at cost less accumulated depreciation and impairment, where appropriate.

Straight line depreciation is made on the depreciable amount (acquisition cost less estimated residual value) over the useful life of the assets, as follows:

Equipment, tools, fixtures and fittings

3 - 5 years

**Receivables**

Receivables are recognized at the lower of nominal value and the amount at which they are expected to be received.

**Inventory**

The inventory is valued at the lower of calculated cost and net sales value. The net sales value is the estimated sales value less estimated cost of completion and estimated sales cost.

**Leasing**

All lease agreements are recognized as right-of-use agreements and leasing costs are allocated straight-line over the leasing period.



## Notes

	2006	2005
<b>Note 1 Other operating income</b>		
Exchange gain	0	114 724
Other	0	35 662
<b>Total</b>	<b>0</b>	<b>150 386</b>

	2006	2005
<b>Note 2 Personnel cost, compensation and fees</b>		
<i>Average number of employees</i>		
Men	2	1
Women	8	4
	<b>10</b>	<b>5</b>

<i>Salaries and other compensation</i>		
The Board and the managing director	1 225 808	910 000
Other employees	2 443 732	592 464
	<b>3 669 540</b>	<b>1 502 464</b>
<i>Payroll overhead</i>		
Pension cost; the Board and the managing director	0	0
Pension cost; other employees	56 267	0
Payroll overhead according to law and agreements	1 160 918	450 619
	<b>1 217 185</b>	<b>450 619</b>

### *Agreements on severance pay*

The company has not entered into any agreement on severance pay or similar benefits payable to members of the Board, the managing director or other executives of the company.

<i>Auditors' fees</i>		
Ernst & Young AB	<b>2006</b>	<b>2005</b>
Audit engagements	108 500	72 000
Other engagements	36 200	20 200
<b>Total</b>	<b>144 700</b>	<b>92 200</b>

<b>Note 3 Depreciation</b>	<b>2006</b>	<b>2005</b>
<i>Depreciation</i>		
Equipment, tools, fixtures and fittings	156 347	38 467
<b>Total</b>	<b>156 347</b>	<b>38 467</b>

	2006	2005
<b>Note 4 Other operating expense</b>		
Other operating expense*	0	731 651
Exchange loss	347 476	0
<b>Total</b>	<b>347 476</b>	<b>731 651</b>

\*A settlement reached with a supplier in 2005 resulted in a payment by the company of SEK 731,651 relating to cost of materials in 2004.

	2006	2005
<b>Note 5 Appropriations</b>		
Change in tax allocation reserve	0	-56 000
<b>Total</b>	<b>0</b>	<b>-56 000</b>

	2006	2005
<b>Note 6 Tax on profit for the year</b>		
Current tax on profit for the year	-1 343 699	-47 978
Tax on standard interest on tax allocation reserves	-368	0
<b>Recognized tax expense</b>	<b>-1 344 067</b>	<b>-47 978</b>

	2006	2005
<b>Note 7 Leasing cost</b>		
Leasing costs for the year:	96 419	19 045

	2006-12-31	2005-12-31
<b>Note 8 Tangible fixed assets</b>		
<b>Equipment, tools, fixtures and fittings</b>		
Accumulated acquisition value; opening balance	225 603	145 193
New acquisitions	996 650	80 410
<b>Accumulated acquisition value; closing balance</b>	<b>1 222 253</b>	<b>225 603</b>
Accumulated depreciation, opening balance	-84 148	-45 681
Depreciation for the year	-156 347	-38 467
<b>Accumulated depreciation; closing balance</b>	<b>-240 495</b>	<b>-84 148</b>
<b>Book value</b>	<b>981 758</b>	<b>141 455</b>

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Corp. ID 556627-6241

2006-12-31 2005-12-31

**Note 9 Bank overdraft facilities**

Overdraft facilities granted amount to 2 000 000 1 000 000

**Note 10 Equity**

	Share Capital	Statutory Reserve	Profit brought forward	Current Year Result	Total
Opening Balance	122 000	2 006 240	-14 000	599 599	2 713 839
Transfer			599 599	-599 599	0
Repaid shareholder's contribution			-66 000		-66 000
Current year result			3 357 629		3 357 629
<b>Closing Balance</b>	<b>122 000</b>	<b>2 006 240</b>	<b>519 599</b>	<b>3 357 629</b>	<b>6 005 468</b>

Conditional shareholders' contribution 2006-12-31 2005-12-31  
0 66 000

**Note 11 Untaxed reserves**

	2006-12-31	2005-12-31
Tax allocation reserve; tax 06	56 000	56 000
<b>Total untaxed reserves</b>	<b>56 000</b>	<b>56 000</b>

**Note 12 Due dates; liabilities**

	Due dates		
	Liabilities as at 2006-12-31	Within one year	One to five years
Liability			More than five years
Liabilities to credit institutions	214 286	142 856	71 430
<b>Total</b>	<b>214 286</b>	<b>142 856</b>	<b>71 430</b>

**Note 13 Current tax liabilities**

	2006-12-31	2005-12-31
Tax expense last year; assessment year 2006	47 978	47 978
Preliminary tax paid; assessment year 2006	-5 556	-5 093
Tax expense current year; assessment year 2007	1 344 067	0
Preliminary tax paid; assessment year 2007	-5 093	0
Special employer's contribution; assessment year 2007	13 650	0
<b>Total current tax liabilities</b>	<b>1 395 046</b>	<b>42 885</b>

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Note 14 Accrued expenses and deferred income	2006-12-31	2005-12-31
Holiday pay liability	156 951	37 551
Social security contribution	50 664	12 189
Accrued interest	0	25 000
Sales commission	1 019 450	514 758
Other items	143 342	25 000
<b>Total accrued expenses and deferred income</b>	<b>1 370 407</b>	<b>614 498</b>

Note 15 Pledged assets	2006-12-31	2005-12-31
Own liabilities to credit institutions		
Chattel mortgage	2 500 000	1 500 000
Pledged trade receivables (factoring limit SEK 12 000 000)	3 437 226	1 158 872
Letters of credit; import	0	306 091
Rent guarantee	251 500	251 500
Customs guarantee	140 000	140 000
<b>Total pledged assets</b>	<b>6 328 726</b>	<b>3 356 463</b>

Stockholm *March 5, 2007*

*Christer Andersson*  
Christer Andersson  
*Per Holmkræft*  
Per Holmkræft  
*Karin Jimfelt Ghatan*  
Karin Jimfelt Ghatan

*Patric Tillman*  
Patric Tillman  
*Christina Tillman*  
Christina Tillman  
Managing Director

My auditor's report was rendered on *March 16, 2007.*  
*Anders Lindby*  
Anders Lindby  
Authorized Public Accountant



## Audit Report

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### To the annual meeting of the shareholders of Odd Molly International AB

Corporate identity number 556627-6241

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I have audited the annual accounts, the accounting records and the administration of the board of directors and the managing director of Odd Molly International AB for the year 2006-01-01 - 2006-12-31. These accounts and the administration of the company and the application of the Annual Accounts Act when preparing the annual accounts are the responsibility of the board of directors and the managing director. My responsibility is to express an opinion on the annual accounts and the administration based on my audit.

I conducted my audit in accordance with generally accepted auditing standards in Sweden. Those standards require that I plan and perform the audit to obtain reasonable assurance that the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts as well as evaluating the overall presentation of information in the annual accounts. As a basis for my opinion concerning discharge from liability, I examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. I also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. I believe that my audit provides a reasonable basis for my opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The statutory administration report is consistent with the other parts of the annual accounts.

I recommend to the annual meeting of shareholders that the income statement and balance sheet be adopted, that the profit be dealt with in accordance with the proposal in the statutory administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Stockholm March 16, 2007



Anders Lindby  
Auktoriserad revisor

