



PIERCE GROUP AB (publ)

Year-end report

January – December 2023

Recalibrated strategy and new lean operating model for long term competitiveness

October – December 2023

- Net revenue decreased by 10%, totalling SEK 382 (427) million.
- Operating profit (EBIT) was SEK -45 (-31) million. Adjusted operating profit (EBIT) was SEK -24 (-23) million and the adjusted operating margin was -6.2% (-5.4%).
- Items affecting comparability were SEK 21 million, primarily from SEK 18 million in organisational downsizing costs.
- Impairment of goodwill attributable to segment Other impacted amortisation and impairment by SEK 17 million.
- Cash flow for the period was SEK 61 (16) million.
- Earnings per share before and after dilution was SEK -0.62 (-0.29).

January – December 2023

- Net revenue decreased by 8%, totalling SEK 1,537 (1,670) million.
- Changes to assumptions underlying a provision for slow moving inventory led to a net increase of SEK 39 million, which constitutes 2.6 percent of revenue, affecting cost of goods sold.
- Operating profit (EBIT) was SEK -111 (-68) million. Adjusted operating profit (EBIT) totalled SEK -85 (-53) million and the adjusted operating margin was -5.6% (-3.2%).
- Items affecting comparability were SEK 26 million, primarily from SEK 18 million in organisational downsizing costs.
- Impairment of goodwill attributable to segment Other impacted amortisation and impairment by SEK 17 million.
- Cash flow for the period was SEK 91 (117) million.
- Earnings per share before and after dilution was SEK -1.21 (-0.98).

SEKm (unless stated otherwise)	Oct-Dec		Jan-Dec	
	2023	2022	2023	2022
Net revenue	382	427	1,537	1,670
Growth (%) ¹	-10%	3%	-8%	5%
Growth in local currencies (%) ¹	-15%	-3%	-13%	1%
Gross profit	171	161	607	657
Profit after variable costs ^{1 2}	80	60	256	252
Overhead costs ¹	-72	-71	-267	-256
EBITDA ¹	-13	-19	-36	-19
Operating profit (EBIT) ³	-45	-31	-111	-68
Items affecting comparability ¹	-21	-8	-26	-15
Adjusted EBITDA ^{1 5}	8	-11	-11	-4
Adjusted operating profit (EBIT)^{1 3 5}	-24	-23	-85	-53
Profit/loss for the period	-49	-23	-96	-58
Gross margin (%) ¹	44.7%	37.8%	39.5%	39.3%
Profit after variable costs (%) ¹	20.9%	14.0%	16.7%	15.1%
Adjusted EBITDA (%) ^{1 5}	2.1%	-2.6%	-0.7%	-0.2%
Adjusted operating margin (EBIT) (%) ^{1 5}	-6.2%	-5.4%	-5.6%	-3.2%
Cash flow for the period	61	16	91	117
Net debt (+) / Net cash (-) ⁴	-222	-136	-222	-136
Earnings per share before dilution (SEK)	-0.62	-0.29	-1.21	-0.98
Earnings per share after dilution (SEK)	-0.62	-0.29	-1.21	-0.98

¹ Alternative performance measures (APM), see pages 24 - 26 for definitions and purpose of these measurements.

² Variable costs refers, in addition to cost of goods sold, to variable sales and distribution costs. These include direct marketing costs as well as other direct costs and correlates essentially with net revenue.

Other direct costs mainly consist of freight, invoicing and packaging.

³ Operating profit (EBIT) includes depreciation, amortisation and impairment. Amortisation and impairment attributable to business acquisitions¹ were SEK 18 million and 1 million during the current and the previous financial year.

⁴ Net debt refers to the alternative performance measure net debt excluding IFRS 16.

⁵ Adjusted measures exclude, among others, costs borne in relation to operational efficiency program for transition to a permanent CEO.

Significant events during the reporting period

Trademarks

To accelerate the development of market-leading private brands, on 1 November 2023 the Board of Directors decided to consolidate the Company's brand portfolio, focusing investments on fewer brands. Some private brands will be removed, and products merged into the remaining brands. This will result in an accelerated amortisation relating to certain trademarks that will be distributed over the period from the fourth quarter of 2023 to the second quarter of 2026 of approximately SEK 15 million in total. No additional impairment of the trademarks was identified. Amortisation cost of discontinued trademarks in the fourth quarter of 2023 was SEK 1 million.

Change of Chief Financial Officer

On 7 November 2023 Fredrik Idestrom (previous Chief Strategy Officer) was appointed as Group Chief Financial Officer, replacing Niclas Olsson who resigned from his role. The change was effective as of 15 December 2023.

Rightsizing the Company – Operational efficiency program

In order to improve efficiency and agility, the Company conducted an operational efficiency program to adjust the structure of the organisation. This affected approximately 50 employees, across all functions and countries where Pierce has offices. The goal was to implement a more team-based operating model with fewer managers and a greater individual mandate and responsibility. To support this planned organisational simplification, the Company has started to improve its core processes through the implementation of lean methodology across the organisation accompanied with an

increase of digitalisation and automation. The ambition for the new operating model is to generate annual cost improvement of approximately SEK 25 million, which will begin to affect earnings already from the first quarter of 2024, while the effect on cash flow will be generated gradually during the first half of 2024. The total direct cost for the reorganisation, including redundancy payments and advisory costs in Sweden, Poland and Spain was approximately SEK 18 million in the fourth quarter 2023.

Physical store closure

To continue moving forward to increased efficiency, the Company has closed the physical store in Sweden effective 31 December 2023. Revenue from store sales was disclosed in segment Other and was only a small part of total sales. Total cost of store closure, excluding redundancies described in the previous paragraph, was SEK 1 million and was included in items affecting comparability.

Goodwill impairment

The Company performed the annual impairment test and the calculated value in use, SEK 36 million, for segment Other indicated a valuation below its carrying amount, SEK 52 million. An impairment of goodwill attributable to segment Other was therefore made with SEK 17 million, affecting amortisation and impairment in the fourth quarter of 2023. The value in use was determined using the same method as described in the 2022 Annual Report with updated assumptions regarding forecast and a new WACC of 14 percent. The annual impairment test for the Offroad and Onroad segments showed no impairment.

CEO comments

Despite facing persistent challenges in consumer demand, we maintained a steady course, adhering to a more conservative approach during the black month period as planned. This strategy aimed to safeguard cash by taking a lower risk regarding purchasing and stock levels. This strategy and the weak market impacted our volumes in the fourth quarter, with sales declining by 10 percent in SEK and 15 percent in local currencies compared to the same period last year.

However, amidst these headwinds, we continued to fortify our margins, primarily through price adjustments increasing the gross margin with 6.9 percentage points versus last year to 44.7 percent. Notably, we observed no reduction in in-freight costs, versus the previous quarter, for the first time in five quarters, attributable to our focus on selling off overstocked inventory with higher associated in-freight costs. Looking ahead, we anticipate a continued decrease of in-freight costs, albeit at a more moderated rate than previous quarters. There is also a risk of potential increases in the coming quarters due to ongoing situations in the Red Sea region.

Despite underlying inflationary pressure, we managed to keep our fixed costs in SEK in line with the same period last year. In the quarter, our adjusted EBIT was SEK -24 million. The adjusted EBIT was impacted with total SEK 13 million from a goodwill impairment within the Other segment, amortisation of discontinued trademarks and the effects of our changed obsolescence assumptions. The adjusted EBIT excluding the effect of these items was SEK -11 million. While we acknowledge that a negative result is never satisfactory, it is an improvement from the SEK -23 million reported as adjusted EBIT in the fourth quarter of the previous year.

Adjusted EBIT for the full year 2023 was SEK -85 million. Adjusted EBIT was affected by a total of SEK 57 million from the same factors as in the fourth quarter (goodwill impairment, brands amortisation, changed assumptions for obsolescence provision). Adjusted EBIT excluding these items amounted to SEK -28 million, which is an improvement compared to SEK -53 million that we reported in adjusted EBIT for the previous year.

Our focus on optimising inventory levels through targeted campaigns and pricing strategies, coupled with enhanced purchasing controls, resulted in a robust cash position of SEK 222 million by year-end, SEK 86 million higher than the same period last year.

Looking forward, we see a prevailing weak consumer demand as we enter the new year. The market outlook remains uncertain, but we anticipate a modest improvement in consumer sentiment over the course of 2024.

Pierce has navigated through a period of formidable market challenges during the past two years. In response, during the third quarter, we embarked on a strategic shift to what we term "Pierce 2.0", with a resolute aim to establish ourselves as the

unquestionable leading pure-play online retailer in Europe of gear, accessories, and parts for motorcycle riding. This vision is supported by seven strategic pillars:

- To achieve absolute leadership in the Offroad segment and profitable growth in the Onroad segment
- To have the highest customer loyalty in the industry
- To create a simple and powerful go-to-market approach
- To be the best in the industry in pricing and purchasing
- To have market-leading value-for-money own brands
- A modern and scalable tech stack
- A lean, fast and agile organisation

Throughout the fourth quarter, our primary focus was on creating a leaner and faster organisation, a pivotal initial step in realising the Pierce 2.0 strategy. This involved a reduction in workforce of approximately 50 FTEs (white-collars), constituting some 25 percent of our white-collar workforce (excluding customer services personnel and certain production staff). Concurrently, we transitioned to a more collaborative team-based operational model, fostering increased individual empowerment and accountability, and embraced lean methodologies to refine our operational processes. This transformation represents a significant cultural shift, impacting the daily work of the vast majority of our employees.

With the foundation of our leaner structure in place, we are now poised to advance on the remaining pillars of our strategic roadmap. We are working hard and dedicated with this, but it's imperative to underscore that there are no quick fixes in the task ahead. Significant transformation is required to realise the objectives outlined within the seven pillars. 2024 will be a year of transformation where we lay the foundation for Pierce being a prosperous company many years ahead.

Stockholm, 20 February 2024



CEO, Pierce Group AB (publ)

Performance measures – Group

SEKm (unless stated otherwise)	Oct-Dec		Jan-Dec	
	2023	2022	2023	2022
Revenue measures				
Net revenue per geographical area				
Nordics	107	120	508	567
Outside the Nordics	276	306	1,029	1,103
Net revenue	382	427	1,537	1,670
Growth per geographical area				
Nordics (%) ¹	-11%	-12%	-10%	1%
Outside the Nordics (%) ¹	-10%	11%	-7%	7%
Growth (%)¹	-10%	3%	-8%	5%
Performance measures				
Gross margin (%) ¹	44.7%	37.8%	39.5%	39.3%
Profit after variable costs (%) ¹	20.9%	14.0%	16.7%	15.1%
Overhead costs (%) ¹	18.8%	16.6%	17.4%	15.3%
Adjusted EBITDA (%) ^{1 2}	2.1%	-2.6%	-0.7%	-0.2%
Adjusted operating margin (EBIT) (%) ¹	-6.2%	-5.4%	-5.6%	-3.2%
Earnings per share before dilution (SEK)	-0.62	-0.29	-1.21	-0.98
Earnings per share after dilution (SEK)	-0.62	-0.29	-1.21	-0.98
Cash flow and other financial measures				
Operating profit (EBIT)	-45	-31	-111	-68
Investments	-3	-4	-8	-16
Operating profit (EBIT) minus investments	-47	-35	-118	-84
Changes in net working capital	71	42	105	25
Other non-cash items ^{1 3}	28	5	91	30
Operating cash flow¹	51	12	78	-29
Net change in loans	—	-1	—	-184
Other cash flow ^{1 4}	10	5	13	329
Cash flow for the period	61	16	91	117
Cash and cash equivalents ⁵	222	136	222	136
Net debt excluding IFRS 16 ^{1 5 7}	-222	-136	-222	-136
Net debt/EBITDA ^{1 6}	5.2	4.7	5.2	4.7
Inventory ⁵	344	488	344	488
Other current operating assets ^{1 5}	14	20	14	20
Other current operating liabilities ^{1 5}	-251	-262	-251	-262
Net working capital^{1 5}	107	246	107	246
Operating measures				
Number of orders (thousands) ¹	342	433	1,456	1,749
Average order value (AOV) (SEK) ¹	1,119	985	1,055	955
Net revenue from private brands ¹	160	161	640	650
Active customers last 12 months (thousands) ¹	1,021	1,165	1,021	1,165

¹ Alternative performance measures (APM), see pages 24 - 26 for definitions and purpose of these measurements.

² Adjusted EBITDA, excluding IFRS 16, amounted during the year-end to SEK -42 (-29) million.

³ Other non-cash items refer, in all significance, to amortisation and depreciation, excluding depreciation of right-of-use assets, and changes in current short term provisions. Amortisation in current quarter and financial year was affected by goodwill impairment and amortisation of discontinued brands of total SEK 18 million. Additionally, the current financial year adjustments for non-cash items included a provision for slow moving inventory of SEK 44 million.

⁴ Other cash flow mainly regards paid/received tax, paid financial net and new share issues and issue of warrants excluding paid issue costs.

⁵ Measures correspond to each period end.

⁶ Net debt refers to the alternative performance measure net debt excluding IFRS 16, and EBITDA refers to the measure adjusted EBITDA excluding IFRS 16.

⁷ Positive values refer to net debt, whereas negative values refer to net asset. The net debt/EBITDA ratio is positive due to the combination of both negative net debt and EBITDA.



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Pierce – Riders in eCommerce

Pierce is a leading e-commerce Company that sells motorcycle and snowmobile gear, parts and accessories to riders across Europe. The Company has a unique and wide range of products, which includes a significant range of own brands. Sales are conducted through locally adapted websites that are divided in three segments: Offroad, Onroad, and Other. Offroad targets motocross and enduro riders through the website 24MX while Onroad targets customers who ride on traffic-filled roads through the website XLMOTO. The Other segment primarily targets snowmobile riders through the website Sledstore. Pierce is a European Company with headquarters in Stockholm, a centralised warehouse in Szczecin, where it also has an office with IT, Finance and Marketing expert teams, and a customer care function in Barcelona. The Company employs approximately 390 people¹.

Comments to the Group's profit/loss for the period

(Figures in parentheses refer to the equivalent period last year)

October – December 2023

Net revenue

Net revenue decreased by 10 percent to SEK 382 (427) million. In local currencies the decrease was 15 percent, which the Company estimates to be in line with overall market development combined with the changed approach during the black month period. Net revenue for the Offroad segment decreased by 9 percent. The Onroad and the Other segments declined by 19 percent and 1 percent respectively.

Gross profit and gross margin

Gross profit amounted to SEK 171 (161) million, equivalent to a gross margin of 44.7 (37.8) percent. The positive development of 6.9 percentage points was mainly achieved by increased prices to customers.

Shipping costs from Asia of SEK -17 (-27) million correspond to 4.4 (6.2) percent of revenue. The relative cost compared to the third quarter of 2023, costs as a percentage of revenue remained on the same level. Notwithstanding the upsurge in geopolitical tensions within the Red Sea region, with shipping companies reportedly having taken the precaution of rerouting vessels around the Cape of Good Hope, a continued gradual improvement is expected in the coming quarters. The positive effects from increased prices to customers and lower shipping costs were to some extent offset by higher purchasing prices.

Operating costs

Sales and distribution costs amounted to SEK -137 (-137) million and include, primarily, variable costs for marketing and freight to customers. In relation to net revenue, these costs were equivalent to 35.9 (32.1) percent.

Administration costs were SEK -76 (-55) million. Excluding items affecting comparability, these costs totalled SEK -61 (-47) million.

Adjusted EBIT and EBIT

Adjusted operating profit (EBIT) was SEK -24 (-23) million, equivalent to a margin of -6.2 (-5.4) percent.

Items affecting comparability of SEK -21 (-8) million were related mainly to the operational efficiency program in personnel expenses and costs connected to closing the physical store in Stockholm. Last year, items affecting comparability referred to external advisors' support with strategic initiatives and transition of CEO.

Operating profit (EBIT) totalled SEK -45 (-31) million.

Impairment of goodwill attributable to segment Other impacted amortisation and impairment by SEK 17 million.

Adjusted EBIT was impacted with SEK 13 million in total from the goodwill impairment, amortisation of discontinued trademarks and the effects of our changed obsolescence assumptions.

Operating profit was affected negatively by exchange rate fluctuations. The Company utilised currency derivatives to reduce risks related to these fluctuations, and the effect from these currency derivatives was SEK 2 (-4) million and was reported as a financial item.

Financial items

Financial income was SEK 3 (13) million, of which SEK 2 (0) million referred to income from short-term bank deposits. Last year financial income referred to exchange rate differences from the revaluation of financial balance sheet items.

Financial expenses were SEK -10 (-6) million, primarily due to a SEK -9 million negative impact from the revaluation of financial balance sheet items, in contrast to the positive impact seen in the previous year on the financial net. In both periods, other financial expenses included leasing expenses, credit facility fees, and, in the previous year, losses from revaluation of currency derivatives.

Taxes and result for the period

Tax result totalled SEK 2 (0) million and the result for the period was SEK -49 (-23) million.

¹ In the fourth quarter of 2023 approximately 50 employees were affected by redundancies. Many of them remain accounted for in the headcount until the conclusion of their termination period at relevant dates in 2024.

Q4/2023

January – December 2023

Net revenue

Net revenue decreased by 8 percent to SEK 1,537 (1,670) million. In local currencies, the decline was 13 percent. Decline within the main segments Offroad and Onroad was 5 percent and 13 percent, respectively.

The Company estimates that the total European online market has declined since the beginning of the year.

Due to the solid cash balance at the end of 2022, achieved with rights issue and aggressive efforts to stimulate revenue and generate cash, the Company has been able to prioritise increased margins during the year.

Gross profit and gross margin

Gross profit amounted to SEK 607 (657) million, equivalent to a margin of 39.5 (39.3) percent.

The negative development was caused mainly by an extraordinary increase in a provision for slow moving inventory. The Company made the decision to revise some of the base assumptions of its provision for slow moving inventory as a response to the current market conditions. This resulted in an increased net provision of SEK 39 million. If the effect of the extraordinary provision was excluded, gross profit would have amounted to SEK 646 million, and gross margin would have increased to 42.0 percent, i.e. with 2.5 percentage points. Shipping costs totalled SEK -74 (-102) million, and the decrease improved margins by 1.3 percentage points.

Exchange rate differences, attributable to the revaluation of net working capital items, burdened gross profit by SEK -1 (-4) million.

Operating costs

Sales and distribution costs amounted to SEK -505 (-540) million, equivalent to 32.9 (32.3) percent of net revenue. Improvement was driven by more effective marketing costs and freight to customers. These positive effects have been somewhat offset by increased costs for the warehouse, located in Poland, as the PLN has strengthened significantly compared to SEK.

Administration costs were SEK -212 (-188) million. Excluding items affecting comparability, these costs totalled SEK -191 (-173) million.

Adjusted EBIT and EBIT

Adjusted operating profit (EBIT) amounted to SEK -85 (-53) million, equivalent to a margin of -5.6 (-3.2) percent. The margin was affected negatively by an increase in provision for slow moving inventory.

Operating profit (EBIT) amounted to SEK -111 (-68) million and was impacted by items affecting comparability totalling SEK -26 (-15) million. These were related mainly to the operational efficiency program in personnel expenses and costs connected to closing the physical store in Stockholm. Last year, items affecting comparability referred to external advisors' support with strategic initiatives and transition of CEO.

Impairment of goodwill attributable to segment Other impacted amortisation and impairment by SEK 17 million.

Adjusted EBIT was impacted with SEK 57 million in total from the goodwill impairment, amortisation of discontinued trademarks and the effects of our changed obsolescence assumptions.

Operating profit was affected negatively by exchange rate fluctuations compared with the same period 2022. The Company used currency derivatives to compensate for that negative impact. There was a positive effect from these currency derivatives of SEK 8 (10) million reported in financial net.

Financial items

Financial income totalled SEK 19 (28) million, of which SEK 6 (18) million referred to exchange rate differences related to the revaluation of financial balance sheet items, and SEK 8 (10) million was attributable to gains from exchange rate effects from currency derivatives.

Financial expenses of SEK -6 (-11) million in both periods consisted of leasing expenses and credit facility fees. In the previous year, these also included interest expenses related to external financing and tax liabilities from export adjustments.

Taxes and results for the period

Tax totalled SEK 2 (-6) million and the result for the period was SEK -96 (-58) million.

Comments to the Group's cash flow

(Figures in parentheses refer to the equivalent period last year)

October – December 2023

Cash flow from operating activities was SEK 71 (27) million. Compared with last year, operating profit (EBIT) was SEK 14 million lower and amounted to SEK -45 (-31) million.

Changes in net working capital was SEK 71 (42) million, which is a result of measures taken in recent quarters to optimise inventory levels together with increased focus on more active inventory planning.

Cash flow from investments amounted to SEK -3 (-4) million and referred mainly to purchase of equipment for the distribution warehouse, and last year to investments in IT systems.

Cash flow from financing activities was SEK -7 (-7) million and consisted solely of leasing payments in both periods.

Cash flow for the period was SEK 61 (16) million and cash equivalents at the end of the period totalled SEK 222 (136) million.

January – December 2023

Cash flow from operating activities was SEK 127 (9) million. The difference between the comparative periods referred primarily to improvement in net working capital of SEK 105 (25) million.

Changes in net working capital was SEK 105 (25) million, as a result of continuous efforts to optimise inventory levels and forecasts.

Cash flow from investments totalled SEK -8 (-16) million and referred to investments in IT systems and to purchase of equipment for the distribution warehouse.

Cash flow from financing activities was SEK -28 (124) million and consisted solely of leasing payments in the current period. Last year it resulted from the receipt of proceeds from a new rights issue, offset by loan repayment and leasing payments.

Cash flow for year to date was SEK 91 (117) million. Including exchange rate differences, which totalled SEK -4 (1) million, cash and cash equivalents at the end of the period amounted to SEK 222 (136) million.

Operating cash flow during the last twelve months amounted to SEK 78 (-29) million.

Comments to the Group's financial position

(Figures in parentheses refer to the equivalent period last year)

Net working capital

Net working capital at the end of the period was SEK 107 (246) million. Several unusual factors complicate the comparability of net working capital between periods. Due to changes to assumptions underlying a provision for slow moving inventory, inventory balance was reduced by SEK 38 million. Additionally, a provision for redundancy costs increased current liabilities by SEK 15 million. Collectively, these factors contributed to a decrease in the value of net working capital by SEK 53 million.

Right-of-use assets and leasing liabilities

Right-of-use assets amounted to SEK 53 (60) million. The change was a result of new lease contracts netted against depreciation for the period. Leasing liabilities amounted to SEK 55 (65) million.

Net debt / net asset and credit facility

The net cash position at the end of the period equaled cash and cash equivalents and amounted to SEK 222 (136) million. Pierce has a credit

facility of up to SEK 150 million that had not been utilised at the end of the period. The credit facility is subject to, amongst other things, certain financial covenants regarding the Group's leverage ratio and interest coverage ratio. As of 31 December 2023, Pierce was not in breach of the covenants in accordance with the current agreements for the credit facility. Pierce has sufficient cash balance and is not utilising the credit facility, but there is a risk that in the future Pierce will not be able to comply with the covenants and therefore not be able to utilise the credit facility. Covenants are reported quarterly.

Equity

The Group's equity amounted to SEK 627 (719) million. The SEK 91 million decrease in equity is explained mainly by the loss for the period, of SEK 96 million, and by adding back of the positive effect of the translation reserve of SEK 5 million.

Development per segment

(Figures in parentheses refer to the equivalent period last year)

Pierce's operations are, in all essential aspects, carried out in Europe and primarily within the segments Offroad and Onroad. Offroad refers to sales to motocross and enduro riders, and these products are sold under the store brand 24MX. Onroad refers to sales to motorcycle riders primarily using high roads, and the products are sold under the store brand XLMOTO. Within Offroad, Pierce has significantly larger market shares compared to Onroad. The Company's addressable market within Onroad is significantly larger and more exposed to competition compared to Offroad. Pierce's sales consist of gear, parts and accessories. Pierce has one additional segment, Other, which primarily focuses on sales to snowmobile riders in the Nordics and is naturally highly seasonal and e.g. dependent on snowfall.

Overall summary

SEKm	Oct-Dec		Jan-Dec	
	2023	2022	2023	2022
Offroad	258	282	952	999
Onroad	87	107	496	569
Other	37	38	89	102
Net revenue	382	427	1,537	1,670
Offroad	120	110	393	412
Onroad	34	36	178	208
Other	17	14	37	41
Intra-group costs ¹	0	2	-1	-4
Gross profit	171	161	607	657
Offroad	61	47	188	177
Onroad	11	8	55	66
Other	8	3	14	13
Intra-group costs ¹	0	2	-1	-4
Profit after variable costs^{2 3}	80	60	256	252

¹ Intra-group costs, consist of exchange rate revaluation of net working capital items which are not divided between segments. These amounted in Q1 2023 SEK 0 (-1) million, Q2 2023 SEK 0 (-2) million, Q3 2023 SEK -1 (-2) million and Q4 2023 SEK 0 (2) million.

² Alternative performance measures (APM), see pages 24 - 26 for definitions and purpose of these measurements.

³ Variable costs refers, in addition to cost of goods sold, to variable sales and distribution costs. These include direct marketing costs as well as other direct costs and correlates essentially with net revenue.

Other direct costs mainly consist of freight, invoicing and packaging.

For more information about the segment, see Note 4.

Offroad 24MX

SEKm (unless stated otherwise)	Oct-Dec		Jan-Dec	
	2023	2022	2023	2022
Net revenue	258	282	952	999
Growth (%) ¹	-9%	8%	-5%	3%
Gross profit	120	110	393	412
Gross margin (%) ¹	46.5%	39.1%	41.3%	41.2%
Profit after variable costs ^{1 2}	61	47	188	177
Profit after variable costs (%) ¹	23.7%	16.6%	19.8%	17.7%
Number of orders (thousands) ¹	224	278	868	1,019
Average order value (AOV) (SEK) ¹	1,150	1,015	1,096	980
Active customers last 12 months (thousands) ¹	585	648	585	648

¹ Alternative performance measures (APM), see pages 24 - 26 for definitions and purpose of these measurements.

² Variable costs refers, in addition to cost of goods sold, to variable sales and distribution costs. These include direct marketing costs as well as other direct costs and correlates essentially with net revenue.

Other direct costs mainly consist of freight, invoicing and packaging.

For more information about the segment, see Note 4.

October – December 2023

Net revenue decreased by 9 percent to SEK 258 (282) million. In local currencies the revenue declined by 14 percent. Net revenue outside the Nordics decreased by 8 percent, and by 15 percent in local currencies. Net revenue in the Nordics declined by 12 percent, 12 percent in local currencies.

Profit after variable costs amounted to SEK 61 (47) million, which was equivalent to a margin of 23.7 (16.6) percent.

January – December 2023

Net revenue decreased by 5 percent, totalling SEK 952 (999) million. In local currencies the development was -11 percent. Net revenue in the Nordics decreased by 7 percent and outside the Nordics it decreased by 4 percent. In local currencies, the decrease was 8 and 11 percent, respectively.

Profit after variable costs amounted to SEK 188 (177) million, equivalent to a margin of 19.8 (17.7) percent. The slight increase in the margins was firstly attributable to increased prices to customers, lower costs for performance marketing and reduced costs for freight and packaging to customers, but it was levelled down by an extraordinary provision for slow moving inventory. If the effect of the provision was excluded, profit after variable costs would have amounted to SEK 215 million, and margin would have increased to 22.6 percent.

SEKm (unless stated otherwise)	Oct-Dec		Jan-Dec	
	2023	2022	2023	2022
Net revenue	87	107	496	569
Growth (%) ¹	-19%	8%	-13%	14%
Gross profit	34	36	178	208
Gross margin (%) ¹	38.9%	33.2%	35.9%	36.6%
Profit after variable costs ^{1 2}	11	8	55	66
Profit after variable costs (%) ¹	12.1%	7.5%	11.2%	11.6%
Number of orders (thousands) ¹	86	121	511	635
Average order value (AOV) (SEK) ¹	1,012	887	969	895
Active customers last 12 months (thousands) ¹	378	449	378	449

¹ Alternative performance measures (APM), see pages 24 - 26 for definitions and purpose of these measurements.

² Variable costs refers, in addition to cost of goods sold, to variable sales and distribution costs. These include direct marketing costs as well as other direct costs and correlates essentially with net revenue.

Other direct costs mainly consist of freight, invoicing and packaging.

For more information about the segment, see Note 4.

October – December 2023

Net revenue decreased by 19 percent to SEK 87 (107) million. The decrease in local currencies was approximately 23 percent. The decrease in the Nordics and outside the Nordics was 22 and 17 percent, respectively. In local currencies the decrease was 22 and 23 percent, respectively.

Profit after variable costs, SEK 11 (8) million, was equivalent to a margin of 12.1 (7.5) percent.

January – December 2023

Net revenue decreased by 13 percent, totalling SEK 496 (569) million. The decrease in local currencies was approximately 17 percent. Growth in the Nordics and outside the Nordics amounted to -12 and -14 percent respectively. In local currencies the change was -12 and -20 percent, respectively.

Profit after variable costs amounted to SEK 55 (66) million, equivalent to a margin of 11.2 (11.6) percent. The change in the margins was primarily a result of increased gross margin and lower packaging costs, but was negatively affected by an extraordinary provision for slow moving inventory. If the effect of the provision was excluded, profit after variable costs would have amounted to SEK 67 million, and margin would have increased to 13.5 percent.

Other sledstore

SEKm (unless stated otherwise)	Oct-Dec		Jan-Dec	
	2023	2022	2023	2022
Net revenue	37	38	89	102
Growth (%) ¹	-1%	-30%	-13%	-14%
Gross profit	17	14	37	41
Gross margin (%) ¹	45.1%	36.6%	41.1%	40.1%
Profit after variable costs ^{1 2}	8	3	14	13
Profit after variable costs (%) ¹	21.3%	9.2%	15.2%	12.4%

¹ Alternative performance measures (APM), see pages 24 - 26 for definitions and purpose of these measurements.

² Variable costs refers, in addition to cost of goods sold, to variable sales and distribution costs. These include direct marketing costs as well as other direct costs and correlates essentially with net revenue.

Other direct costs mainly consist of freight, invoicing and packaging.

For more information about the segment, see Note 4.

October – December 2023

Net revenue decreased by 1 percent to SEK 37 (38) million compared with the previous year.

Profit after variable costs, SEK 8 (3) million, was equivalent to a margin of 21.3 (9.2) percent.

January – December 2023

Net revenue decreased by 13 percent to SEK 89 (102) million compared with the previous year. The revenues were impacted by availability issues during the first quarter 2023.

Profit after variable costs amounted to SEK 14 (13) million, equivalent to a margin of 15.2 (12.4) percent. The change in the margins was negatively affected by an extraordinary provision for slow moving inventory. If the effect of the provision was excluded, profit after variable costs would have increased by SEK 1 million, and margin would have increased to 16.3 percent.

The Pierce Share

The Pierce share is listed on the Nasdaq Stockholm Small Cap and trades under the ticker symbol PIERCE and ISIN code SE0015658364.

On 6 July 2022 a total of 39,687,050 shares were registered through a new share issue. The number of registered shares, and votes, as of 31 December 2023, amounted to 79,374,100, equivalent to a quota value of SEK 0.02.

The share price at the beginning of the year was SEK 9.0 and was SEK 6.5 on the last trading day of the period. The number of shareholders was 1,421, of which the largest were Verdane Capital (29.9%), Procuritas (25.4%), Adrigo Asset Management (6.7%), Fourth AP fund (Sw. *Fjärde AP-fonden*) (6.1%) and Allianz France (5.0%).

The Company has two ongoing long-term incentive programs – LTIP, for CEO, Group Management and key employees. See the additional information provided below.

LTIP 2021/2024

LTIP 2021/2024 was issued in March 2021 as a part of an incentive program for certain senior executives and key employees of the Group. The warrant program comprises 376,443 warrants, all of which were subscribed to as of 31 March 2021. The warrants were subscribed at market value, calculated applying the Black & Scholes model, equivalent to SEK 4 million. Each warrant entitles the holder to subscribe to 1.03 ordinary shares in the Company.

The warrants can be exercised from the day after publication of the interim report for the period 1 January – 31 March 2024 however, not earlier than on 1 April 2024, up to and including 31 August 2024, at an updated predetermined share price of SEK 71.2. With the full subscription of the warrants, the Company's share capital can increase with a maximum of SEK 7,528.9, based on the current quota value.

The Company has reserved the right to repurchase warrants if, amongst other circumstances, the Participant's employment with the Company is terminated.

LTIP 2023/2026

LTIP 2023/2026 was approved by the Annual General Shareholders' Meeting on 16 May 2023, as part of an incentive program in the form of a performance-based share program for the CEO, Group Management and key employees. The program will be accounted for in accordance with IFRS 2 which stipulates that the right to receive performance shares shall be expensed as a personnel cost over the vesting period. Provided that specific targets are met, a maximum number of 950,000 shares can be issued to the participants for a subscription price of SEK 0.00. The vesting period ends on 16 May 2026 and participants will be awarded ordinary shares in accordance with the Terms and Conditions of the LTIP 2023/2026.

Significant events during the reporting period

Trademarks

To accelerate the development of market-leading private brands, on 1 November 2023 the Board of Directors decided to consolidate the Company's brand portfolio, focusing investments on fewer brands. Some private brands will be removed, and products merged into the remaining brands. This will result in an accelerated amortisation relating to certain trademarks that will be distributed over the period from the fourth quarter of 2023 to the second quarter of 2026 of approximately SEK 15 million in total. No additional impairment of the trademarks

was identified. Amortisation cost of discontinued trademarks in the fourth quarter of 2023 was SEK 1 million.

Change of Chief Financial Officer

On 7 November 2023 Fredrik Idestrom (previous Chief Strategy Officer) was appointed as Group Chief Financial Officer, replacing Niclas Olsson who resigned from his role. The change was effective as of 15 December 2023.

Rightsizing the Company – Operational efficiency program

In order to improve efficiency and agility, the Company conducted an operational efficiency program to adjust the structure of the organisation. This affected approximately 50 employees, across all functions and countries where Pierce has offices. The goal was to implement a more team-based operating model with fewer managers and a greater individual mandate and responsibility. To support this planned organisational simplification, the Company has started to improve its core processes through the implementation of lean methodology across the organisation accompanied with an increase of digitalisation and automation. The ambition for the new operating model is to generate annual cost improvement of approximately SEK 25 million, which will begin to affect earnings already from the first quarter of 2024, while the effect on cash flow will be generated gradually during the first half of 2024. The total direct cost for the reorganisation, including redundancy payments and advisory costs in Sweden, Poland and Spain was approximately SEK 18 million in the fourth quarter 2023.

Physical store closure

To continue moving forward to increased efficiency, the Company has closed the physical store in Sweden effective 31 December 2023. Revenue from store sales was disclosed in segment Other and was only a small part of total sales. Total cost of store closure, excluding redundancies described in the previous paragraph, was SEK 1 million and was included in items affecting comparability.

Goodwill impairment

The Company performed the annual impairment test and the calculated value in use, SEK 36 million, for segment Other indicated a valuation below its carrying amount, SEK 52 million. An impairment of goodwill attributable to segment Other was therefore made with SEK 17 million, affecting amortisation and impairment in the fourth quarter of 2023. The value in use was determined using the same method as described in the 2022 Annual Report with updated assumptions regarding forecast and a new WACC of 14 percent. The annual impairment test for the Offroad and Onroad segments showed no impairment.

Impact of currency effects

In all material aspects, net revenue and the sum of total costs and investments are equivalent to payments received and payments made. Payments received during the last 12-month period in EUR, SEK and NOK accounted for 57, 15 and 10 percent respectively. With regards to payments made, EUR, SEK, USD and PLN accounted for 45, 24, 16 and 9 percent respectively. In order to reduce exposure to effects on earnings and cash flow due to exchange rate fluctuations, the Group utilised currency derivatives for certain currencies, including EUR, PLN and USD.

Furthermore, operating assets and operating liabilities in foreign currency are revalued at the end of each month. This revaluation refers primarily to operating liabilities including trade payables. Exchange rate fluctuations arising from revaluations of operating balance sheet items are reported net, primarily as a part of the cost of goods sold.

If leasing agreements have been signed in a currency other than the functional currency of each Group company, the leasing liability is revalued at each month-end close. These revaluation effects, as well as the revaluation of financial balance sheet items, are reported in financial net.

Employees

The average number of employees during the quarter amounted to 388 (413). Of these, 126 (140) worked at the distribution warehouse in Poland and 250 (263) were white collar workers in Sweden, Poland and Spain.

Excluding customer services personnel and certain production staff, the number of white-collar workers was 198 (196).

Seasonal variations

As "Black Week" and Christmas occur in the fourth quarter, that quarter most often shows the highest level of net revenue, while the first quarter often shows the lowest. Together, these two quarters account for about fifty percent of annual sales.

Parent Company

Pierce Group AB (publ), Corp. ID Number 556967-4392, is the Parent Company in the Pierce Group, and is a public company with registered offices in Stockholm, Sweden. Since 26 March 2021, Pierce Group AB (publ) is listed on the Nasdaq Stockholm Small Cap.

The object of the Parent Company's business is to own and manage real property and movable property and directly or indirectly, through subsidiaries, carry out sales of equipment, accessories, and spare parts for motorcycles and other vehicles, and carry out other operations consistent therewith.

During the quarter, net revenue totalled SEK 5 (3) million and was fully attributable to sales to Group companies. The financial net consisted of interest income from an intercompany loan. The net result before tax for the quarter was SEK -15 (-8) million.

The Parent Company's equity at the end of the period was SEK 739 (739) million.

The CEO and CFO are employed in the Parent Company.

Risks and factors of uncertainty

The Group's operations and results are affected by a number of external factors. The Pierce Group is primarily exposed to operational risks which are largely comprised of competition and market developments in local markets, quality of delivered goods mainly from Asia, inventory and product assortment risks, IT-related risks, and dependency on key individuals. A more detailed description of risks and risk management can be found in Pierce's Annual Report for 2022.

As in previous periods, inflation and prevailing economic climate affect consumer behavior and demand and continue to be factors of uncertainty.

On 24 February 2022, the conflict between Russia and Ukraine started and has continued since. On October 7 2023, an armed conflict between Israel and Hamas-led Palestinian militant groups has been taking place chiefly in and around the Gaza Strip. The conflict has also spread locally and impacted some neighboring countries as well as the Red Sea area.

The general geo-political instability and the specifically mentioned conflicts might imply a major impact on prices, exchange rates, import and export restrictions, availability of raw materials and goods and

resources where Russia, Belarus and/or Ukraine as well as Israel and other countries in the middle-East are involved.

The Pierce Group has no direct operations in any of these countries which implies that the direct impact of the events is assessed as low. However, the indirect effects can prove to be significant depending on the manner in which the situation develops and how long the conflict continues. The primary effect is the impact on customer demand in general in Europe as well as on shipping through the Red Sea. Since the beginning of the Ukraine conflict, the decrease in demand has had a negative effect on Pierce's sales. Furthermore, the impact on the financial and foreign exchange markets could have a negative effect on Pierce.

Financial risks include e.g., currency risks (see previous page), interest rate risks and the risk of not being able to obtain sufficient financing. E-commerce is characterised, amongst other things, by a sharp increase in sales during certain campaign periods. If Pierce's sales do not develop in line with the Group's expectations during these periods, this may affect both the result and financial position negatively.

Pierce has a credit facility with one of the larger Swedish banks of up to SEK 150 million that had not been utilised at the end of the period. The credit facility is subject to, amongst other things, certain financial covenants regarding the Group's leverage ratio and interest coverage ratio. As of 31 December 2023, Pierce was not in breach of the covenants in accordance with the current agreements for the credit facility. Pierce has sufficient cash balance and is not utilising the credit facility, but there is a risk that in the future Pierce will not be able to comply with the covenants and therefore not be able to utilise the credit facility.

For further information, see Note 7.

Pierce performs impairment testing for assets applying a discount rate considering the risk-free interest level. There is a risk that the risk-free interest level will increase and, as a result, the discount rate used to calculate asset values will also increase, something that could lead to a recognition of impairment of assets.

Related party transactions

During the current interim period Pierce purchased goods (for resale in its ordinary business) from O'Neal Europe GmbH & Co. KG, a company controlled by Pierce Group AB Board Member Thomas Schwarz, for a price of SEK 6 (12) million. Transactions with this supplier were performed on commercial market terms.

For further information regarding related parties see Note 6.

Medium to long term financial targets

Pierce's Board of Directors has adopted the following medium to long term financial targets¹.

Growth – 15-20%

In the medium to long term, grow net revenue by 15–20 percent on average per annum.

Adjusted operating margin – around 8%

In the medium to long term, reach an adjusted operating margin of around 8 percent.

Capital structure – 2.0x

Net debt/EBITDA² not exceeding 2.0x, subject to temporary flexibility for strategic initiatives.

Dividend policy

In the coming years, free cash flows³ are planned to be used for the continued development⁴ of the Company and will, therefore, not be distributed to shareholders.

¹ The Board adopted the financial targets in December 2020. Medium to long term should be understood as 3-5 years.

² Alternative performance measures (APM), see pages 24 - 26 for definitions and purpose of these measurements.

³ Free cash flow refers to cash flow from operating activities and operations and investment activities.

⁴ Development of the company refers to e.g., investments in IT-hardware, IT-development, expansion of distribution warehouses, marketing, customer acquisition and business and asset acquisitions.

Q4/2023

Other

The year-end report was not subject to review by the Company's auditors.

Upcoming financial events

22 March 2024

Annual Report 2023

10 May 2024

Interim report January – March 2024

17 May 2024

Annual General Meeting

23 August 2024

Interim report January – June 2024

15 November 2024

Interim report January – September 2024

Telephone and web conference in conjunction with the publication of quarterly report

CEO Göran Dahlin and CFO Fredrik Idestrom will hold a web telephone conference in English on 20 February 2024, 9.00 am CET, in conjunction with the publication of the quarterly report.

To participate via telephone conference, please register via the link below.

<https://conference.financialhearings.com/teleconference/?id=50046116>

After registration, you will be provided with a telephone number and a conference ID to access the telephone conference. You can ask questions verbally via the telephone conference.

The presentation and conference can be followed via the following web link:

<https://ir.financialhearings.com/pierce-group-q4-report-2023>

The presentation material will be available prior to the start of the conference on Pierce Group's website via the following web link:

<https://www.piercigroup.com/en/reports-presentations/>

Contact information, Pierce

Göran Dahlin, CEO, +46 72 730 31 11

Fredrik Idestrom, CFO, +46 76 546 49 80

The information in this quarterly report comprises information which Pierce Group AB (publ) is obliged to disclose under the EU Market Abuse Regulation.

Signatures

The undersigned hereby confirm that the quarterly report provides a true and fair view of the Parent Company's and Group's operations, financial position and results, and that it describes the significant risks and uncertainties to which the Parent Company and the companies included in the Group are exposed.

Stockholm, 20 February 2024



Göran Dahlin

CEO

Condensed consolidated statement of profit/loss

SEKm (unless stated otherwise)	Note	Oct-Dec		Jan-Dec	
		2023	2022	2023	2022
Net revenue	3.4	382	427	1,537	1,670
Cost of goods sold		-211	-266	-930	-1,013
Gross profit	4	171	161	607	657
Sales and distribution costs		-137	-137	-505	-540
Administration costs		-76	-55	-212	-188
Other operating income and expenses		-2	0	-1	2
Operating profit	4	-45	-31	-111	-68
Financial net		-7	8	13	17
Profit/loss before tax	4	-51	-23	-98	-52
Tax		2	—	2	-6
Profit/loss for the period		-49	-23	-96	-58
Attributable to shareholders of the parent company		-49	-23	-96	-58
Earnings per share					
Earnings per share before dilution (SEK)		-0.62	-0.29	-1.21	-0.98
Earnings per share after dilution (SEK)		-0.62	-0.29	-1.21	-0.98
Average number of shares before dilution (thousands)		79,374	79,374	79,374	59,150
Average number of shares after dilution (thousands)		79,374	79,374	79,374	59,150

Consolidated statement of comprehensive income

SEKm	Note	Oct-Dec		Jan-Dec	
		2023	2022	2023	2022
Profit/loss for the period		-49	-23	-96	-58
Items that may subsequently be reclassified to income statement					
Translation difference		-2	2	5	4
Other comprehensive income for the period		-2	2	5	4
Comprehensive income for the period and attributable to shareholders of the parent company		-51	-21	-91	-53

Condensed consolidated statement of financial position

SEKm	Note	Dec 31 2023	Dec 31 2022
Assets			
Non-current assets			
Intangible assets		310	345
Property, plant and equipment		15	16
Right-of-use assets		53	60
Financial assets	7	3	4
Deferred tax assets		8	6
Total non-current assets		389	431
Current assets			
Inventory		344	488
Other current assets	5	15	27
Cash and cash equivalents		222	136
Total current assets		582	651
Total assets		970	1,083
Equity and liabilities			
Total equity attributable to shareholders of the parent company			
		627	719
Non-current liabilities			
Leasing liabilities		24	39
Deferred tax liabilities		26	29
Provisions		0	0
Total non-current liabilities		51	68
Current liabilities			
Leasing liabilities		30	26
Trade payables		81	105
Other current liabilities	5	181	165
Total current liabilities		292	296
Total equity and liabilities		970	1,083

Condensed consolidated statement of changes in equity

SEKm	Share capital	Other capital contributions	Translation reserve	Retained earnings including profit/loss for the year	Total equity attributable to shareholders of the Parent Company
Opening balance 2022-01-01	1	484	0	-44	441
Profit/loss for the year	—	—	—	-58	-58
Other comprehensive income for the year	—	—	4	—	4
Total comprehensive income for the year	—	—	4	-58	-53
Transactions with shareholders					
New share issue including issue costs	1	330	—	—	331
Total	1	330	—	—	331
Closing balance 2022-12-31	2	814	5	-101	719
Opening balance 2023-01-01	2	814	5	-101	719
Profit/loss for the year	—	—	—	-96	-96
Share-based compensation	—	0	—	—	0
Other comprehensive income for the year	—	—	0	5	5
Total comprehensive income for the year	—	0	0	-92	-91
Closing balance 2023-12-31	2	814	5	-193	627

Condensed consolidated statement of cash flow

SEKm	Note	Oct-Dec		Jan-Dec	
		2023	2022	2023	2022
Operating activities					
Operating profit		-45	-31	-111	-68
Adjustments for non-cash items ¹		36	12	122	56
Paid interest		-1	-1	-5	-11
Realised currency derivatives		4	4	9	13
Received interest		1	1	3	1
Paid/received tax		5	0	3	-8
Cash flow from operating activities before changes in net working capital		1	-15	21	-17
Changes in net working capital		71	42	105	25
Cash flow from operating activities		71	27	127	9
Investing activities					
Investments in non-current assets		-3	-4	-8	-16
Cash flow from investing activities		-3	-4	-8	-16
Financing activities					
New share issue including issue costs		—	0	—	331
Change in utilised credit facility		—	-1	—	-27
Repayment of liabilities to credit institutions		—	—	—	-157
Repayment of leasing liabilities		-7	-6	-28	-23
Cash flow from financing activities		-7	-7	-28	124
Cash flow for the period		61	16	91	117
Cash and cash equivalents at the beginning of period		171	115	136	18
Exchange rate difference in cash and cash equivalents		-9	5	-4	1
Cash and cash equivalents end of period		222	136	222	136

¹ Adjustments for non-cash items refer in all significance to amortisation and depreciation and changes in current short term provisions. Amortisation in current quarter and financial year was affected by goodwill impairment and amortisation of discontinued brands of total SEK 18 million. Additionally, the current financial year adjustments for non-cash items included a provision for slow moving inventory of SEK 44 million.

Condensed Parent Company statement of profit/loss

SEKm	Oct-Dec		Jan-Dec	
	2023	2022	2023	2022
Net revenue	5	3	21	11
Gross profit	5	3	21	11
Administration costs	-7	-16	-25	-31
Operating profit	-1	-13	-5	-20
Financial net	6	5	24	9
Profit/loss after financial items	4	-8	19	-11
Appropriations	-19	—	-19	—
Profit/loss before tax	-15	-8	0	-11
Tax	—	—	—	—
Profit/loss for the period	-15	-8	0	-11

Profit/loss for the period equals comprehensive income for the period.

Condensed Parent Company balance sheet

SEKm	Dec 31	Dec 31
	2023	2022
Assets		
Non-current assets		
Shares in group companies	409	308
Receivables from group companies	350	416
Total non-current assets	759	724
Current assets		
Receivables from group companies	—	29
Other current assets	1	1
Cash and cash equivalents	4	1
Total current assets	5	31
Total assets	763	755
Equity and liabilities		
Total equity	739	739
Current liabilities		
Liabilities to group companies	16	0
Other current liabilities	9	16
Total current liabilities	24	16
Total equity and liabilities	763	755

Note 1 - Accounting principles

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU. The Group's Interim Report has been prepared in accordance with IAS 34 Interim Financial Reporting and the applicable parts of the Swedish Annual Accounts Act.

The Interim Report for the Parent Company has been prepared in accordance with Chapter 9 of the Annual Accounts Act, Interim reports, and RFR 2 Accounting for legal entities.

For the Group and the Parent Company, the same accounting principles, basis for calculations and assessments have been applied as applied in the Annual Report for 2022. For a description of the Group's applied accounting principles, see Note 1 and Note 2 in the Annual Report for 2022.

Disclosures in accordance with IAS 34.16A are shown in the financial statements and associated Notes in this information, in addition to pages 1–14 which form an integral part of this financial report.

All amounts in this report are stated in millions of Swedish kronor (SEKm) unless stated otherwise. Rounding variances may occur.

Information on future standards

A few standards and interpretations have been updated since January 1, 2023. These have had no impact on the preparation of these financial statements. None of the IFRS or IFRIC interpretations that are yet to come into force are expected to have any significant impact on the Group.

Note 3 – Revenue

The Group's revenue consists of the sale of goods via the Group's websites and, until the end of 2023, a physical store (reported among other revenues under the Segment "Other, Sweden"). Revenue is reported at a given point in time due to the fact that the conditions for control being transferred over time are not met. In addition to the segments, geographical area is also an important attribute when specifying revenue, and this is presented in the table below.

SEKm	Oct-Dec		Jan-Dec	
	2023	2022	2023	2022
Sweden	20	24	91	104
Other Nordics	23	24	100	101
Outside the Nordics	215	234	761	793
Revenue Offroad	258	282	952	999
Sweden	10	14	86	103
Other Nordics	17	20	142	156
Outside the Nordics	60	73	268	309
Revenue Onroad	87	107	496	569
Sweden	21	20	49	56
Other Nordics	16	17	40	46
Outside the Nordics	—	—	—	—
Revenue Other	37	38	89	102
Sweden	50	58	225	264
Other Nordics	56	62	283	304
Outside the Nordics	276	306	1,029	1,103
Revenue Group	382	427	1,537	1,670

Note 2 - Estimations and assessments

The preparation of the Interim Report requires that the Company's management make assessments and estimates, as well as assumptions that affect the application of the accounting principles and the reported amounts of assets, liabilities, income and expenses. The actual outcome may differ from these estimates. Changes in estimates are recognised in the period in which the change occurs, if the change affected only that period, or in the period in which the change is made and future periods if the change affects both the current period and future periods.

Important estimations and assessments can be found in Note 2 in the 2022 Annual Report. No changes have been made to these estimations and assessments that could have a significant impact on the interim report.

Note 4 - Segment reporting

SEKm	Oct-Dec		Jan-Dec	
	2023	2022	2023	2022
Offroad	258	282	952	999
Onroad	87	107	496	569
Other	37	38	89	102
Net revenue	382	427	1,537	1,670
Offroad	120	110	393	412
Onroad	34	36	178	208
Other	17	14	37	41
Intra-group costs	0	2	-1	-4
Gross profit	171	161	607	657
Offroad	-59	-63	-205	-235
Onroad	-23	-28	-122	-142
Other	-9	-10	-23	-28
Variable sales and distribution costs¹	-91	-101	-351	-405
Offroad	61	47	188	177
Onroad	11	8	55	66
Other	8	3	14	13
Intra-group costs	0	2	-1	-4
Profit after variable costs^{1 2}	80	60	256	252
Other expenses in the operation ^{1 3}	-125	-91	-367	-320
Operating profit	-45	-31	-111	-68
Financial net ³	-7	8	13	17
Pre-tax income	-51	-23	-98	-52

¹ Alternative performance measures (APM), see pages 25 - 27 for definitions and purpose of these measurements.

² Variable costs refers, in addition to cost of goods sold, to variable sales and distribution costs. These include direct marketing costs as well as other direct costs and correlates essentially with net revenue.

³ Other direct costs mainly consist of freight, invoicing and packaging.

³ Other expenses in the operation and financial net regards intra-group costs.

Pierce sells motorcycle and snowmobile gear, parts and accessories.

The operating segments into which the Group's operations are divided are:

- **Offroad:** sales to motocross and enduro riders under the 24MX brand.
- **Onroad:** sales to customers who ride motorcycles on high roads. Sales are under the XLMOTO brand.
- **Other:** sales to snowmobile riders under the Sledstore brand and sales via a physical store in Stockholm.

▪ **Intra-group transactions:**

- Intra-group transactions included under Gross profit and Profit after variable costs refer to the revaluation of net working capital items, mainly included in cost of goods sold. These items are not allocated to segments.
- Intra-group costs, after Profit after variable costs, refers to expenses for group-wide functions, such as central administration, which are not allocated to segments.

No information is provided on segment assets or liabilities as no separate segmentation is performed in reporting the consolidated financial position.

Note 5 - Financial instruments, fair value

Currency derivatives are the only instruments reported at fair value through profit/loss. Other financial instruments are valued at amortised cost in the statement of financial position, and the reported values corresponded in all material respects with the fair value.

In accordance with IFRS 13, last year the liability regarding the currency derivatives was attributable to level 2 in the fair value hierarchy.

The valuation of currency derivatives is based on official market data for exchange rates. At the end of the period, the fair value amounted to SEK -1 (0) million and these derivatives have been classified as current liabilities.

Note 6 - Related party transactions

Other related party transactions

During the current interim period Pierce purchased goods (for resale in its ordinary business) from O'Neal Europe GmbH & Co. KG, a company controlled by Pierce Group AB Board Member Thomas Schwarz, for SEK 6 (12) million. Thomas Schwarz is a Board Member since June 2022, therefore O'Neal Europe GmbH & Co. KG was recognised as a related party since the second quarter 2022.

In March 2023 Pierce entered into an agreement to sell campaign advisory services to O'Neal Europe GmbH & Co. KG, with expected proceeds of approximately SEK 200 thousand.

All transactions with this supplier were performed on commercial market terms.

There were no other related party transactions in the current and previous interim periods.

See Note 29 in the Annual Report for 2022 for more information.

Warrant program

The Group has a warrant program as a part of an incentive program for certain senior executives and key employees in the Group. See page 12 for further information.

All transactions are based on market terms and conditions.

Performance-based share program

The Group has a performance-based share program as a part of an incentive program for certain senior executives and key employees in the Group. See page 12 for further information.

All transactions are based on market terms and conditions.

Note 7 - Pledged assets and contingent liabilities

SEKm	Dec 31 2023	Dec 31 2022
To credit institutions for the Group's own liabilities and provisions		
Deposits for fulfillment of payments	3	2
Total pledged assets	3	2

¹ Utilised credit facility refers to utilised overdraft, which does not include obtained loan or capitalised loan and interest expenses.

In conjunction with the listing, the previous financing structure was replaced by a SEK 300 million credit facility, which was first decreased during the second quarter of 2022 to SEK 200 million in connection with new share issue. During the second quarter of 2023 the credit facility was further reduced by agreement to SEK 150 million. At the end of the interim period Pierce had not utilised the credit facility, holding a positive cash position. There is a guarantee given on the credit facility provided by the Parent Company, Pierce Group AB, in

relation to the liabilities of its subsidiary, Pierce AB, to credit institutions.

The credit facility includes certain financial covenants. See more information under the "Risks and factors of uncertainty" section, page 13.

Pledged assets at the end of the quarter referred to deposits paid.

Note 8 - Significant events after the end of the reporting period

No significant events took place after the end of the reporting period.

Alternative Performance Measures

Financial measures not defined in accordance with IFRS

Pierce applies financial measurements in its interim reports which are not defined in accordance with IFRS. The Company believes that these measurements provide valuable supplementary information to investors and the Company's management. As not all companies calculate Alternative Performance Measures in the same manner, these measures are not always comparable with measures used by other companies. These financial measurements should, therefore, not be seen to comprise a replacement for measures defined according to IFRS.

Definitions

The interim report contains financial performance measures in accordance with the applied framework for financial reporting, which is based on IFRS. In addition, there are other performance measures and indicators which are used as a supplement to the financial information. These performance measures are applied to provide the Group's stakeholders with financial information for the purpose of analysing the Group's operations and goals. The various performance measures applied which are not defined according to IFRS are described below.

Financial Performance Measures – Group

Performance measure	Definition	Purpose
Adjusted EBITDA	EBITDA, excluding items affecting comparability.	This measure is used to measure the profit from the ongoing operations, excluding items affecting comparability, amortisation, depreciation and impairment.
Adjusted EBITDA (%)	Adjusted EBITDA in relation to net revenue.	The performance measure is used to assess the profitability generated by the ongoing operations, excluding items affecting comparability, amortisation, depreciation and impairment.
Adjusted EBITDA excluding IFRS 16	Operating profit (EBIT) excluding depreciation, amortisation and items affecting comparability, less the ongoing operations, including expenses for office rental costs for leasing agreements reported in the statement of financial position. Rental costs essentially correspond to depreciation on right-of-use assets and interest expenses on leasing liabilities.	The measure aims to measure the profit generated by the ongoing operations, including expenses for office rent but excluding items affecting comparability, amortisation, depreciation and impairment.
Adjusted operating margin (EBIT) (%)	Adjusted operating profit (EBIT) in relation to net revenue.	The performance measure is used to monitor the Company's profitability generated by the operating activities, including depreciation and amortisation, but excluding items affecting comparability.
Adjusted operating profit (EBIT)	Operating profit (EBIT) excluding items affecting comparability.	This measure is used to measure the profit generated by the ongoing operations, including amortisation, depreciation, and impairment, but excluding items affecting comparability.
Amortisation related to business acquisitions	Amortisation less amortisation excluding business acquisitions.	The purpose is to measure the performance measure's impact on operating profit (EBIT).
EBITDA	Operating profit (EBIT), excluding amortisation, depreciation, and impairment.	The measure is used to measure the profit generated by ongoing operations before amortisation, depreciation and impairment.
CAGR	Compound annual growth rate in percent over a given period. The formula to calculate CAGR is: $(\text{ending value}/\text{starting value})^{1/(\text{number of years between the ending value and starting value})-1}$.	The measure shows the Company's growth over time.
Gross margin (%)	Gross profit in relation to net revenue.	This measure is used to measure profitability after deduction of cost of goods sold.
Growth (%)	Net revenue for the period compared with net revenue during the corresponding period last year.	This performance measure makes it possible to analyse the Group's and the segments' growth in net revenue.

Performance measure	Definition	Purpose
Growth in local currencies (%)	Change in net revenue, adjusted for exchange rate changes and business acquisitions, in comparison with the corresponding period last year.	This measure enables follow-up of the development of net revenue excluding exchange rate effects and business acquisitions.
Growth per geographical area (%)	Net revenue for the period for a geographical area compared to net revenue for the same geographical area during the corresponding period last year.	This measure makes it possible to analyse net revenue growth for the Group specified according to geographical area.
Items affecting comparability	Items affecting comparability refers to material transactions lacking a clear connection to the ordinary operations, and which are not expected to occur regularly. These transactions include, for instance, advisory and integration costs in conjunction with business acquisitions, new share issue costs, advisory and directly attributable costs in conjunction with essential restructuring or efficiency programs/projects, changes in fair value regarding contingent consideration and share-based payments costs including related taxes (recognised under IFRS 2 and settled via issuing of shares).	This measure is excluded in calculating adjusted measures which are used to monitor the Company's underlying earnings trend over time.
Net debt/EBITDA	Net debt excluding IFRS 16 in relation to adjusted EBITDA excluding IFRS, during the last twelve months.	This measure is used to measure the debt/ equity ratio and to follow up on Pierce's financial targets on capital structure.
Net debt excluding IFRS 16	Liabilities to credit institutions, decreased by cash and cash equivalents at the end of the period. Pierce's assessment of the Groups' actual net debt corresponds to liabilities to credit institutions, and that is why leasing liabilities are excluded.	This measure is used to monitor the indebtedness, financial flexibility, and capital structure.
Net working capital	Inventory and other operating assets less other operating liabilities.	This measure is used to analyse the Company's short-term tied up capital.
Net working capital (%)	Net working capital in relation to net revenue.	This measure is a measure of how efficiently working capital is managed.
Operating cash flow	Cash flow from the ongoing operations, excluding paid interest, realised currency derivatives and tax paid/received, with deduction for investments in non-current assets, repayment of leasing liabilities and interest expenses on leasing liabilities.	This measure shows the underlying cash flow generated from the operating activities.
Other cash flow	Cash flow from financing activities, excluding net changes in loans and repayment of leasing liabilities, less realised currency derivatives, and tax paid/received as well as interest, less interest expenses on leasing liabilities.	This measure is used, together with operating cash flow, received/paid blocked funds and net changes in loans, to calculate the cash flow for the period.
Other non-cash items	Non-cash items less repayment of leasing liabilities and interest expenses on leasing liabilities.	This measure excludes other non-cash flow impacting items and is used to calculate the operating cash flow.
Other operating costs	Overhead costs, amortisation, depreciation, impairment and items affecting comparability.	This measure shows the costs for intra-Group functions such as central administration costs which are not distributed over segments.
Overhead costs	Operating costs, excluding variable sales and distribution costs, amortisation, depreciation, impairment and items affecting comparability. Operating costs refer to sales and distribution costs, administration costs, and other operating revenue and costs.	Costs that are not allocated to segments, but which each segment contributes to cover. These costs are largely fixed and semi-fixed. The measure is used to calculate the scalability of this part of the cost mass, see overhead costs (%) below for more information.
Overhead costs (%)	Overhead costs in relation to net revenue.	This measure shows the scalability of the Company's semi-fixed and fixed cost structure.
Profit after variable costs	Gross profit less variable sales and distribution costs.	The measure is used to measure contribution after all variable costs.

Performance measure	Definition	Purpose
Profit after variable costs (%)	Profit after variable costs in relation to net revenue.	This measure is used to illustrate profitability after deduction of all variable costs.
Variable sales and distribution costs	Sales and distribution costs less non-variable sales and distribution costs. Variable sales and distribution costs refer to direct marketing costs and other direct costs. Other direct costs essentially include costs for shipping to end customer, invoicing and packaging.	This measure is monitored at Group and segment level in order to calculate results after variable costs.

Operating performance measures – Group

Performance measure	Definition	Purpose
Active customers during the last 12 months	Number of customers making purchases on at least one occasion during the last 12 months in one of the online stores. One customer can be counted several times if they make purchases in different stores or use different personal identifiers.	This measure is primarily relevant at segment level and illustrates the number of individual customers choosing to order goods on several occasions, which shows the Company's capability to attract customers.
Average order value (AOV)	Net revenue for the period divided by number of orders.	This measure is used as an indicator of revenue generation per customer.
Net revenue from private brands	Net revenue for the period less net revenue for the period from external brands and net revenue not attributable to brands such as revenue from freight and accrued income.	Interesting to follow over time as these products are unique and can often be sold at attractive prices and at a relatively high gross margin.
Number of orders	Number of orders handled during the period.	This measure is used to measure customer activity generating sales.

Reconciliation of Alternative Performance Measures from statement of profit/loss

SEKm (unless stated otherwise)	Oct-Dec		Jan-Dec	
	2023	2022	2023	2022
Gross profit	171	161	607	657
Variable sales and distribution costs	-91	-101	-351	-405
Profit after variable costs	80	60	256	252
Operating profit (EBIT)	-45	-31	-111	-68
Reversal of depreciation and amortisation	32	12	75	49
EBITDA	-13	-19	-36	-19
Reversal of items affecting comparability	21	8	26	15
Adjusted EBITDA	8	-11	-11	-4
Operating profit (EBIT), past twelve months	-111	-68	-111	-68
Reversal of depreciation and amortisation, past twelve months	75	49	75	49
Reversal of items affecting comparability, past twelve months	26	15	26	15
Rental costs, past twelve months, regarding leasing agreements reported in the statement of financial position ¹	-32	-25	-32	-25
Adjusted EBITDA excluding IFRS 16	-42	-29	-42	-29
¹ Refers in all significance to depreciation of right-of-use assets and interest expenses on leasing liabilities.				
Operating profit (EBIT)	-45	-31	-111	-68
Reversal of items affecting comparability	21	8	26	15
Adjusted operating profit (EBIT)	-24	-23	-85	-53
Sales and distribution costs	-137	-137	-505	-540
Reversal of non-variable sales and distribution costs	46	36	155	135
Variable sales and distribution costs	-91	-101	-351	-405
Sales and distribution costs	-137	-137	-505	-540
Administration costs	-76	-55	-212	-188
Other operating income and expenses	-2	0	-1	2
Operating costs	-216	-192	-718	-725
Reversal of variable sales and distribution costs	91	101	351	405
Other expenses in the operation	-125	-91	-367	-320
Reversal of depreciation and amortisation	32	12	75	49
Reversal of items affecting comparability	21	8	26	15
Overhead costs	-72	-71	-267	-256
Amortisation	-24	-3	-42	-20
Reversal of amortisation excluding business acquisitions	6	3	24	19
Amortisation related to business acquisitions	-18	0	-18	-1
IPO costs	—	—	—	-1
Restructuring expenses	-21	-4	-25	-4
Share-based payments	0	—	-1	—
Share-based payments (social costs)	0	—	0	—
Other	—	-4	0	-11
Items affecting comparability	-21	-8	-26	-15

Reconciliation of Alternative Performance Measures from statement of financial position

SEKm (unless stated otherwise)	Oct-Dec		Jan-Dec	
	2023	2022	2023	2022
Inventory	344	488	344	488
Other current assets	15	27	15	27
Current tax receivables	-1	-8	-1	-8
Other current operating assets	14	20	14	20
Trade payables	-81	-105	-81	-105
Other current liabilities	-181	-165	-181	-165
Reversal of:				
Current tax liabilities	2	1	2	1
Current provisions	8	7	8	7
Other current operating liabilities	-251	-262	-251	-262
Net working capital	107	246	107	246
Cash and cash equivalents	-222	-136	-222	-136
Net debt excluding IFRS 16¹	-222	-136	-222	-136
Net debt excluding IFRS 16 (A) ¹	-222	-136	-222	-136
Adjusted EBITDA excluding IFRS 16, past twelve months (B)	-42	-29	-42	-29
Net debt/EBITDA (A) / (B)	5.2	4.7	5.2	4.7

¹ Positive values refer to net debt, whereas negative values refer to net asset

Reconciliation of Alternative Performance Measures from statement of cash flow

SEKm (unless stated otherwise)	Oct-Dec		Jan-Dec	
	2023	2022	2023	2022
Cash flow from operating activities	71	27	127	9
Investments in non-current assets	-3	-4	-8	-16
Repayment of leasing liabilities	-7	-6	-28	-23
Interest expenses on leasing liabilities	-1	-1	-3	-3
Reversal of:				
Paid interest	1	1	5	11
Realised currency derivatives	-4	-4	-9	-13
Received interest	-1	-1	-3	-1
Paid/received tax	-5	0	-3	8
Operating cash flow	51	12	78	-29
Adjustments for non-cash items ²	36	12	122	56
Repayment of leasing liabilities	-7	-6	-28	-23
Interest expenses on leasing liabilities	-1	-1	-3	-3
Other non-cash items	28	5	91	30
Cash flow from financing activities	-7	-7	-28	124
Paid interest	-1	-1	-5	-11
Realised currency derivatives	4	4	9	13
Received interest	1	1	3	1
Paid/received tax	5	0	3	-8
Reversal of:				
Interest expenses on leasing liabilities	1	1	3	3
Net change in loans ¹	—	1	—	184
Repayment of leasing liabilities	7	6	28	23
Other cash flow	10	5	13	329

¹ Net change in loans refers to changes in the utilised credit facility and repayment of liabilities to credit institutions.

² Adjustments for non-cash items refer in all significance to amortisation and depreciation and changes in current short term provisions. Amortisation in current quarter and financial year was affected by goodwill impairment and amortisation of discontinued brands of total SEK 18 million. Additionally, the current financial year adjustments for non-cash items included a provision for slow moving inventory of SEK 44 million.

Reconciliation of other Alternative Performance Measures

SEKm (unless stated otherwise)	Oct-Dec		Jan-Dec	
	2023	2022	2023	2022
Net revenue (A)	382	427	1,537	1,670
Number of orders (thousands) (B)	342	433	1,456	1,749
Average order value (AOV) (SEK) (A) / ((B) / 1,000)	1,119	985	1,055	955
Net revenue	382	427	1,537	1,670
Reversal of net revenue from external brands	-202	-245	-818	-925
Non-branded net revenue	-20	-20	-78	-95
Net revenues from private brands	160	161	640	650

Reconciliation of Alternative Performance Measures concerning growth

SEKm (unless stated otherwise)	Oct-Dec		Jan-Dec	
	2023	2022	2023	2022
Net revenue for the period (A)	382	427	1,537	1,670
Net revenue for the period previous year (B)	427	413	1,670	1,594
Growth (%) (A) / (B) -1	-10%	3%	-8%	5%
Net revenue for the period in local currencies ¹ (A)	363	399	1,453	1,603
Net revenue for the period previous year (B)	427	413	1,670	1,594
Growth in local currencies (%) (A) / (B) -1	-15%	-3%	-13%	1%
<small>¹ Net revenue for both the period and the period last year in local currencies, converted to SEK using previous year's exchange rates.</small>				
Net revenue Nordics for the period (A)	107	120	508	567
Net revenue Nordics for the period previous year (B)	120	137	567	563
Growth Nordics (%) (A)/(B) -1	-11%	-12%	-10%	1%
Net revenue outside the Nordics for the period (A)	276	306	1,029	1,103
Net revenue outside the Nordics for the period previous year (B)	306	276	1,103	1,031
Growth outside the Nordics (%) (A) / (B) -1	-10%	11%	-7%	7%
Net revenue (A)	382	427	1,537	1,670
Net revenue, 2 years ago (B)	413	414	1,594	1,523
Number of years calculated (C)	2	2	2	2
CAGR (%) ((A) / (B)) ^ (1 / (C)) -1	-4%	2%	-2%	5%

