

# Interim report

## January – September 2021

## Growth despite clear pandemic challenges

### July – September 2021

- Net revenue increased by 10% to SEK 361 (329) million. In local currencies growth was 11%.
- EBITDA totaled SEK 14 (21) million. Adjusted EBITDA was SEK 15 (23) million, equivalent to a margin of 4.1% (7.1%).
- Operating profit (EBIT) was SEK 2 (10) million. Adjusted operating profit (EBIT) was SEK 3 (12) million, equaling a margin of 0.7% (3.8%). The margin was negatively impacted by increased shipping costs of SEK 9 million.
- Cash flow for the period was SEK -4 (0) million.
- Profit/loss for the period amounted to SEK -1 (-9) million. The result improved primarily due to the change in the financing structure in conjunction with the listing.
- Earnings per share before dilution was SEK -0.03 (-0.26) and SEK -0.03 (-0.26) after dilution.

### January – September 2021

- Net revenue increased by 6% to SEK 1,181 (1,109) million. In local currencies, growth was 10%. Last year was positively impacted by Covid-19 related effects.
- EBITDA totaled SEK 75 (83) million. Adjusted EBITDA was SEK 87 (87) million, equivalent to a margin of 7.4% (7.9%).
- Operating profit (EBIT) was SEK 41 (54) million. Adjusted operating profit (EBIT) totaled SEK 52 (59) million equaling a margin of 4.4% (5.3%). This margin was negatively impacted by increased shipping costs.
- Cash flow for the period was SEK -66 (86) million, mainly due to the build-up of inventory prior to the campaign season during the fourth quarter and start of 2022.
- Profit/loss for the period amounted to SEK 20 (-6) million.
- Earnings per share before dilution was SEK 0.54 (-0.19) and SEK 0.54 (-0.19) after dilution.

SEKm (unless stated otherwise)	Jul-Sep		Jan-Sep		Oct 2020- Sep 2021	Jan-Dec 2020
	2021	2020	2021	2020		
<b>Net revenue</b>	<b>361</b>	<b>329</b>	<b>1,181</b>	<b>1,109</b>	<b>1,595</b>	<b>1,523</b>
Growth (%) <sup>1</sup>	10%	13%	6%	23%	10%	23%
Growth in local currencies (%) <sup>1</sup>	11%	16%	10%	24%	13%	24%
Gross profit	159	150	544	505	750	711
Profit after variable costs <sup>1 2</sup>	72	73	263	248	372	358
Overhead costs <sup>1</sup>	-57	-49	-176	-161	-236	-221
Adjusted EBITDA <sup>1</sup>	15	23	87	87	137	137
<b>Adjusted operating profit (EBIT)<sup>1 3</sup></b>	<b>3</b>	<b>12</b>	<b>52</b>	<b>59</b>	<b>91</b>	<b>97</b>
Items affecting comparability <sup>1</sup>	-1	-2	-12	-4	-24	-17
EBITDA <sup>1</sup>	14	21	75	83	112	121
Operating profit (EBIT) <sup>3</sup>	2	10	41	54	67	81
Profit/loss for the period	-1	-9	20	-6	26	-1
Gross margin (%) <sup>1</sup>	44.0%	45.7%	46.0%	45.5%	47.0%	46.7%
Profit after variable costs (%) <sup>1</sup>	20.0%	22.1%	22.2%	22.4%	23.3%	23.5%
Adjusted EBITDA (%) <sup>1</sup>	4.1%	7.1%	7.4%	7.9%	8.6%	9.0%
Adjusted operating margin (EBIT) (%) <sup>1</sup>	0.7%	3.8%	4.4%	5.3%	5.7%	6.4%
Cash flow for the period	-4	0	-66	86	-171	-19

<sup>1</sup> Alternative performance measures (APM), see pages 22 - 27 for definitions and purpose of these measurements.

<sup>2</sup> 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.

<sup>3</sup> Operating profit (EBIT) includes depreciation and amortisation. Amortisation attributable to business acquisitions<sup>1</sup> were SEK 1.5 million during the last twelve months and financial year.

## CEO's comments on the financial development

"The quarter was characterised by covid related macro challenges, in the form of continued production and delivery disruptions, high prices for shipping and raw materials and, in part, changed shopping behaviour. For Pierce, the decrease in traffic was compensated by a higher conversion rate and an increased average order value, which resulted in a growth of 11 percent in local currency. The profitability development was burdened, amongst other, by increasing container shipping costs, which increased by SEK 9 million compared to previous year. We deem that these macro challenges are of a transitional nature and remain confident with the long-term growth in the online market. Given the current uncertainties of product availability in the market, we have worked with extra safety margins and have built up the inventory to ensure a strong customer offering prior the campaign season during the fourth quarter and start of 2022."

*This is a translation of the Swedish original of Pierce Group's interim report for the period 1 January – 30 September 2021. In the event of any discrepancies between the two versions, the original Swedish version shall apply.*

## CEO's comments

**Growth despite clear pandemic challenges**

**The quarter was characterised by covid related macro challenges, primarily in the form of continued production and delivery disruptions, high prices for shipping and raw materials and, in part, changed shopping behaviour. We deem that these effects are of a transitional nature and remain confident with the long-term growth in the online market.**

Net revenue in Q3 grew to SEK 361 million, an increase of 11 percent in local currencies. Q3 is usually weaker than Q2 in terms of net revenue, which is the start of the season for our customers, and also Q4 which comprises a strong campaign period with the Black Week and Christmas trade. If we extend the perspective and compare Q3 with the same quarter 2019, average growth (CAGR) in local currencies was 14 percent, compared with 17 percent in Q2.

We deem that online-traffic in the market continued to decrease somewhat during the quarter compared with last year due to the lifting of pandemic restrictions in Europe. For Pierce, the decrease in traffic was compensated by a higher conversion rate and an increased average order value (AOV).

The Offroad segment grew by around 10 percent in local currencies. Due to the current production issues, several launches of new collections from external suppliers have been delayed, which have resulted in clearly fewer clearance deals. This decreased our possibilities to offer reduced prices on products at a good margin.

The Onroad segment grew by around 15 percent in local currencies. We succeeded particularly in the Nordics where, amongst other things, our private brand development drives growth, while the assortment in Southern Europe still is in the build-up phase. In addition, a couple of private brand releases adapted to the Southern Europe market have been delayed due to bottlenecks with the manufacturers.

Our KPIs continued to develop well. The number of customers was 1,155,000, an increase of 9 percent compared with Q3 2020. Customer satisfaction, which we measure through Trustpilot, reached an all-time high for a single month in September. This was very positive and was a result of our ongoing work to upgrade systems, automate processes and improve the customer offering. During the quarter, we entered into new delivery agreements with, amongst others, Oakley and FXR, two strong brands, and we look forward to adding their products to the assortment.

**Pressed margins from increased shipping rates and cost of goods**

The major characteristic of the period's results is the significant increased costs for container traffic from Asia which is well known and documented at this point. During the quarter, these costs increased by SEK 9 million compared with last year. For the second quarter the equivalent figure was SEK 8 million, however, based on higher sales volume. In addition, as expected, increased global raw material prices began to have a certain effect on purchase prices.

For many years, we have booked our container traffic in the spot market to ship our private brand products to the warehouse. These products are primarily produced in Asia. In Q3, prices for container shipping have increased six times over compared with last year and the prices are now at a historically extreme level. Shipping costs affects profit and loss first when the products are sold, hence the cost increases will affect the income statement over time and will impact our margins during forthcoming periods. Currently, it is impossible to state when the shipping situation will be normalised. The increased shipping costs will also impact us

indirectly on products from external brands as many of our European suppliers have their production in Asia and are, then, also impacted by higher costs. This, together with increased raw materials prices, implies higher costs for the products we buy.

These cost increases impacted our gross margins in the third quarter, and, as stated, will also impact forthcoming quarters. Adjusted EBIT during the third quarter totaled SEK 3 million, equivalent to an adjusted margin of 0.7 percent. This was SEK 9 million lower than in the previous year. The decrease is explained by, amongst other things, that we have succeeded in transferring cost increases to the customers to only a limited degree and is also due to overhead costs having increased through growth-oriented activities. The increase in costs has partially been compensated for by volume growth.

During the quarter, we noted only small signs of the industry beginning to increase prices vis á vis end customers to compensate for increased costs, which can appear to be surprising. I believe this is explained by the fact that our industry is very fragmented within both the supplier and retail chain. Our assessment is that, over time, the cost increases in the industry will be transferred over to the customers. We work ourselves on several fronts to ward off, to the degree possible, these cost increases, including work in such areas as price increases, logistics optimisation, changes in purchasing routines, changes in campaign activities and demand shaping.

**Short-term uncertainty, long-term potential remains**

There is limited visibility as we face the next quarters, with major uncertainties regarding both the supply and customer demand. Like other e-tailers, we noted a somewhat decreased traffic compared with last year when eased restrictions resulted in competition from physical stores. However, we know that riding motorcycles is a passion and is a prioritised activity with our customers. In the long-term, I believe that the pandemic will have shown to have a positive effect in driving growth as more customers, especially on the continent, are shopping online. Since the start of the pandemic, many more people have discovered e-commerce and our position in the industry is strong with a broad assortment with low prices and attractive campaigns based on a scalable platform. All in all, there is good opportunity for continuous profitable growth, and we are confident with the long-term course.

**The campaign season is now getting started**

Just now we are finalising our preparations for what is the most important campaign period of the year which starts with Black Week. Given the uncertainty regarding access to products in the market, we have worked with an extra safety margin and have, during the quarter, built up the inventory with both external, but not the least our private, brand products to ensure a strong customer offering prior to the campaign season during the fourth quarter and beginning of 2022. Now we are looking forward to welcoming the customers!

In closing, I wish to thank all our employees for such excellent and hard work during a very dynamic period.

Stockholm, 11 November 2021



Henrik Zadig  
CEO, Pierce Group AB



## Performance measures – Group

SEKm (unless stated otherwise)	Jul-Sep		Jan-Sep		Oct 2020- Sep 2021	Jan-Dec 2020
	2021	2020	2021	2020		
<b>Revenue measures</b>						
<b>Net revenue per geographical area</b>						
Nordics	129	108	425	382	550	507
Outside the Nordics	231	221	755	727	1,044	1,016
<b>Net revenue</b>	<b>361</b>	<b>329</b>	<b>1,181</b>	<b>1,109</b>	<b>1,595</b>	<b>1,523</b>
<b>Growth per geographical area</b>						
Nordics (%) <sup>1</sup>	20%	7%	11%	13%	12%	13%
Outside the Nordics (%) <sup>1</sup>	5%	16%	4%	29%	9%	28%
<b>Growth (%)<sup>1</sup></b>	<b>10%</b>	<b>13%</b>	<b>6%</b>	<b>23%</b>	<b>10%</b>	<b>23%</b>
<b>Performance measures</b>						
Gross margin (%) <sup>1</sup>	44.0%	45.7%	46.0%	45.5%	47.0%	46.7%
Profit after variable costs (%) <sup>1</sup>	20.0%	22.1%	22.2%	22.4%	23.3%	23.5%
Overhead costs (%) <sup>1</sup>	15.9%	15.0%	14.9%	14.5%	14.8%	14.5%
Adjusted EBITDA (%) <sup>1 2</sup>	4.1%	7.1%	7.4%	7.9%	8.6%	9.0%
Adjusted operating margin (EBIT) (%) <sup>1</sup>	0.7%	3.8%	4.4%	5.3%	5.7%	6.4%
Earnings per share before dilution (SEK)	-0.03	-0.26	0.54	-0.19	0.71	-0.02
Earnings per share after dilution (SEK)	-0.03	-0.26	0.54	-0.19	0.70	-0.02
<b>Cash flow- and other financial measures</b>						
Operating profit (EBIT)	2	10	41	54	67	81
Investments <sup>3</sup>	-3	-5	-17	-23	-23	-29
<b>Operating profit (EBIT) minus investments</b>	<b>-1</b>	<b>5</b>	<b>23</b>	<b>31</b>	<b>44</b>	<b>52</b>
Changes in net working capital	-48	-4	-80	52	-87	45
Other non-cash items <sup>1 4</sup>	3	3	13	10	23	20
<b>Operating cash flow<sup>1</sup></b>	<b>-46</b>	<b>4</b>	<b>-43</b>	<b>93</b>	<b>-20</b>	<b>117</b>
Net change in loans	45	—	-379	—	-494	-115
Paid/received blocked funds	—	—	14	—	—	-14
Other cash flow <sup>1 5</sup>	-2	-4	343	-8	343	-8
<b>Cash flow for the period</b>	<b>-4</b>	<b>0</b>	<b>-66</b>	<b>86</b>	<b>-171</b>	<b>-19</b>
Cash and cash equivalents <sup>6</sup>	23	194	23	194	23	87
Net debt excluding IFRS 16 <sup>1 6</sup>	105	196	105	196	105	312
Net debt/EBITDA <sup>1 7</sup>	0.9	2.4	0.9	2.4	0.9	2.8
Inventory <sup>6</sup>	479	322	479	322	479	334
Other current operating assets <sup>1 6</sup>	27	25	27	25	27	29
Other current operating liabilities <sup>1 6</sup>	-305	-230	-305	-230	-305	-244
<b>Net working capital<sup>1 6</sup></b>	<b>200</b>	<b>116</b>	<b>200</b>	<b>116</b>	<b>200</b>	<b>120</b>
<b>Operating measures</b>						
Number of orders (thousands) <sup>1</sup>	385	385	1,290	1,260	1,754	1,724
Average order value (AOV) (SEK) <sup>1</sup>	936	856	915	880	909	884
Net revenue from private brands <sup>1</sup>	129	122	452	397	625	571
Active customers last 12 months (thousands) <sup>1</sup>	1,155	1,057	1,155	1,057	1,155	1,118

<sup>1</sup> Alternative performance measures (APM), see pages 22 - 27 for definitions and purpose of these measurements.

<sup>2</sup> Adjusted EBITDA, excluding IFRS 16, amounted during the past twelve months' period to SEK 113 (81) million.

<sup>3</sup> Investments regards cash flow from investments excluding paid/received blocked funds.

<sup>4</sup> Other non-cash items refers in all significance to amortisation and depreciation, excluding depreciation of right-of-use assets, and change in current short term provisions.

<sup>5</sup> Other cash flow mainly regards paid tax, paid financial net and new share issues and issue of warrants excluding paid issue costs.

<sup>6</sup> Measures correspond to each period end.

<sup>7</sup> Net debt refers to the alternative performance measure net debt excluding IFRS 16, and EBITDA refers to the measure adjusted EBITDA excluding IFRS 16.



## Pierce – Riders in eCommerce

Pierce is a leading and fast-growing e-commerce company selling gear, parts, accessories and streetwear to riders across all of Europe via some forty websites adapted to local markets. Pierce has two major segments, Offroad – sales to motocross and enduro riders, and Onroad – sales to high road riders. Pierce also has a smaller segment, Other, which primarily focuses on sales to snowmobile riders. With a large and unique product assortment, including several private brands, an excellent customer experience and attractive prices, Pierce is changing the motorcycle enthusiast market in Europe. Headquarters are located in Stockholm, the central warehouse is in Szczecin in Poland, and, in addition, the major portion of our customer support services is located in Barcelona. The Company has approximately 450 employees.

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

(The figures in parentheses refer to the equivalent period last year)

### July – September 2021

#### Net revenue

Net revenue increased by 10 percent to SEK 361 (329) million. The increase in local currencies amounted to 11 percent. Net revenue within Offroad and Onroad increased by 9 and 14 percent respectively.

During this current year, the market has been characterised by low stock availability and a somewhat lower level of online-traffic. Net revenue for the quarter is assessed, similar to last year, to be somewhat negatively impacted by Covid-19 related effects. The stock availability shortages referred primarily to the lack of clearance deals from suppliers to the Offroad segment, which impacted possibilities to offer price-reduced external brands at a high margin. This was linked to production problems in supply chains and to delayed launches of new collections.

During the third quarter 2020, net revenue was impacted somewhat negatively by low stock availability, primarily related to the very high level of sales during the second quarter.

#### Gross profit and gross margin

Gross profit amounted to SEK 159 (150) million, which is equivalent to a gross margin of 44.0 (45.7) percent. Effects of the pandemic also continued to negatively impact the operations through significantly increased shipping costs from Asia. These shipping costs amounted to SEK 18 (9) million. As only a limited portion of the increase has been transferred, to date, to end customers, this comprised the major explanation for the margin decline.

The margin was also negatively impacted by focused price adjustments vis á vis customers on selected portions of the assortment. This was partially compensated for by fewer sell-out activities compared with the third quarter 2020.

Gross margin continued to be benefited to some degree by the weakened USD compared with the EUR which began in the third quarter 2020. This is the case as the Company has outflows in USD in terms of its purchases of goods. In addition, exchange rate differences, mainly referring to revaluation of working capital items impacted gross profit by SEK 0 (-1) million.

The costs for shipping will, most likely, increase as a portion of net revenue during the forthcoming quarters. This depends on the fact that higher shipping prices initially increase the value of the inventory and impact the costs of goods when the sale of the goods occurs.

#### Operating costs

Sales and distribution costs amounted to SEK -117 (-107) million and primarily include variable costs for marketing and shipping to customers. These costs were equivalent to 32.5 (32.6) percent of total net revenue.

Administration costs were SEK -40 (-33) million. The increase was explained for the large part by activities within product development and IT.

#### Adjusted EBIT and EBIT

Adjusted operating profit (EBIT) was SEK 3 (12) million, equivalent to a margin of 0.7 (3.8) percent. This decrease was primarily explained by higher costs of goods attributable to higher shipping prices and increased overhead costs. These higher cost levels were partially compensated for by the increased contribution arising from increased sales.

Operating profit (EBIT) amounted to SEK 2 (10) million.

#### Financial items

Financial items amounted to SEK -4 (-17) million, of which SEK -2 (0) million referred, largely, to exchange rate differences related to the revaluation of financial balance sheet items.

Other financial items, SEK -2 (-17) million referred mainly to interest expenses on external financing. These expenses reduced notably as the Company's borrowing, shortly after the listing, decreased and was replaced by a credit facility with significantly lower interest rate than previously.

#### Taxes and result for the period

Tax income (expenses) totaled SEK 1 (-1) million and the result for the period was SEK -1 (-9) million.

## January – September 2021

## Net revenue

Net revenue increased by 6 percent to SEK 1,181 (1,109) million. In local currencies growth was 10 percent. Growth within Offroad, respective Onroad, was 6 percent, respective 9 percent.

The equivalent period last year, was impacted, overall, positively by Covid-19 related effects, primarily attributable to the second quarter's high level of sales growth, of 39 percent.

## Gross profit and gross margin

Gross profit amounted to SEK 544 (505) million, equivalent to a gross margin of 46.0 (45.5) percent. Gross profit was positively impacted by exchange rate effects related to the weakening of the USD vis à vis the EUR beginning in the third quarter 2020. This is since the Company has outflows only in USD as regards purchases of goods.

A lower portion of sell-out activities compared with last year, and improvements in the Company's processes for pricing have, also, strengthened the margin. The above-mentioned positive effects was partially offset by increased shipping costs related to the global container shortages. Total shipping costs amounted to SEK 51 (30) million.

Furthermore, exchange rate differences attributable to the cost of goods sold, primarily regarding the revaluation of net working capital items, impacted gross profit by SEK -4 (-1) million.

## Operating costs

Sales and distribution costs amounted to SEK -375 (-345) million, equivalent to 31.8 (31.1) percent of net revenue. The increase, in relation to net revenue, is explained by, amongst other things, somewhat higher costs for marketing.

Administration costs were SEK -126 (-104) million. Excluding items affecting comparability, administration costs totaled SEK -117 (-102) million. The increase was primarily explained by activities within product development and IT.

## Adjusted EBIT and EBIT

Adjusted operating profit (EBIT) amounted to SEK 52 (59) million, equivalent to a margin of 4.4 (5.3) percent. The decrease in profit of SEK 6 million was explained primarily by SEK 21 million in higher shipping costs and SEK 15 million in increased overhead costs. These cost increases were compensated, to a large degree, by the contribution arising from increased sales of SEK 71 million.

Totally, adjusted operating profit (EBIT) during the interim period in 2020 was positively impacted by Covid-19 related effects of approximately SEK 15 million.

Operating profit (EBIT) amounted to SEK 41 (54) million and was negatively impacted by items affecting comparability of SEK -12 (-4) million attributable to the Company's listing in March 2021.

## Financial items

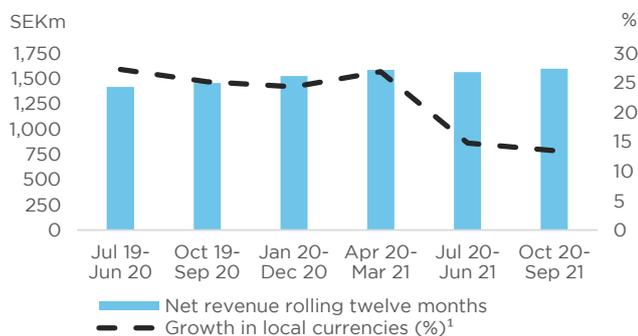
Financial items totaled SEK -23 (-54) million, of which SEK 0 (-10) million referred to exchange rate differences related to revaluation of financial balance sheet items. In addition, SEK -8 (-) million referred to the early repayment of bond loans.

Other financial items, SEK -15 (-43) million referred primarily to interest expenses on the Company's bond and shareholders' loans. The decrease compared with the previous year was due to the previous financing structure being repaid, at the beginning of the second quarter in conjunction with the listing, and was replaced by a credit facility totaling SEK 300 million.

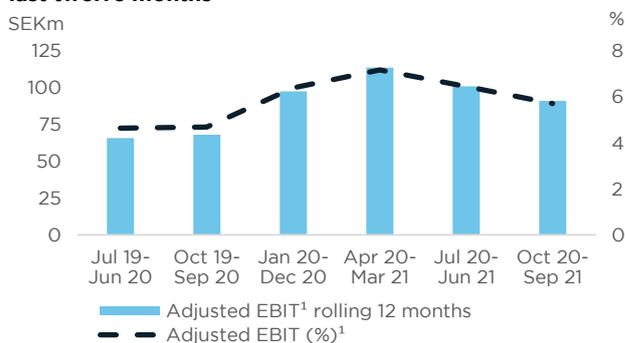
## Taxes and result for the period

Tax income (costs) totaled SEK 3 (-7) million and the profit/loss for the period was SEK 20 (-6) million.

Tax income of SEK 3 million was comprised of SEK 7 million in tax income and tax costs of SEK 3 million. The first of these referred primarily to deferred tax receivables on previous years' non-deductible interest expenses. These expenses are deemed to be able to be treated as deductible costs in future income tax returns. The changed assessment is based on significantly lower expected interest expenses, due to the new financing structure implemented in conjunction with the stock exchange listing.

Net revenue and growth in local currencies (%)<sup>1</sup>, last twelve months

<sup>1</sup> Alternative Performance Measures (APM), see pages 22 – 27 for definitions and the purpose of these measures.

Adjusted EBIT<sup>1</sup> and adjusted EBIT (%)<sup>1</sup>, last twelve months

## Comments to the Group's cash flow

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

### July – September 2021

Cash flow from operating activities was SEK -41 (9) million. The difference compared with 2020 referred mainly to changes in net working capital, SEK -48 (-4) million and to operating profit (EBIT) totaling SEK 2 (10) million.

Changes in net working capital were attributable primarily to increased inventory, SEK 105 million. During the third quarter, the inventory usually increases prior to the fourth quarter's campaign season. Last year, the inventory was at unusually low levels, partly due to the high level of sales during the second quarter and partly since the delivery of goods was delayed from September to October. The inventory increase was partially compensated for increased operating liabilities, which totaled SEK 40 million.

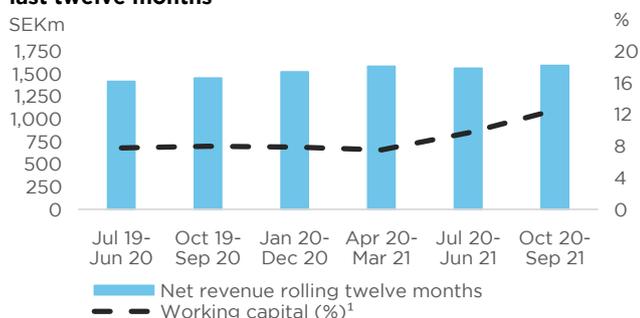
Recently, a new European VAT regulation was introduced, 'One-stop-shop', which implies that VAT is paid quarterly instead of monthly. This impacted operating liabilities positively at the end of the third quarter by SEK 22 million. Excluding this amount, changes in net working capital totaled SEK -70 million.

Cash flow from investments amounted to SEK -3 (-5) million and referred mainly to the development of internal systems and equipment for the distribution warehouse.

Cash flow from financing activities was SEK 40 (-4) million and referred primarily to changes in utilised credit facility.

Cash flow for the period was SEK -4 (0) million and cash and cash equivalents totaled SEK 23 (194) million.

### Net revenue and net working capital (%)<sup>1</sup>, last twelve months



<sup>1</sup> Alternative Performance Measures (APM), see pages 22 - 27 for definitions and the purpose of these measures.

### January – September 2021

Cash flow from operating activities was SEK -22 (122) million. This was explained primarily by the changes in net working capital SEK -80 (52) million and operating profit (EBIT) which was SEK 41 (54) million.

Cash flow from investments totaled SEK -3 (-23) million, of which repaid blocked funds amounted to SEK 14 (-) million. Investments, SEK -17 (-23) million, referred primarily to internal systems and the purchase of equipment for the distribution warehouse. Last year, the equivalent figure also included investments in the new e-commerce platform which was completed during the second quarter 2020.

Cash flow from financing activities was SEK -40 (-13) million, primarily attributable to the repayment of the previous financing structure, proceeds from the new share issue in conjunction with the listing and utilised credit facility.

Cash flow during the interim period was SEK -66 (86) million. Considering exchange rate differences, which totaled SEK 2 (-2) million, cash and cash equivalents amounted to SEK 23 (194) million at the end of the period.

Operating cash flow totaled during the last twelve months SEK -20 (132) million. In the previous year, the cash flow was positively impacted by a decrease in net working capital referring to the second quarter's high level of sales and, thereby, reduced inventory levels. The two most recent twelve-month periods were affected by payments, SEK 20 million, related to the stock exchange listing.

### Operating cash flow<sup>1</sup>, last twelve months



## Comments to the Group's financial position

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

Net working capital at period end was SEK 200 (116) million and increased primarily due to higher inventory levels.

Right-of-use assets decreased by SEK 23 million to SEK 67 million, compared with the same point in time last year, primarily due to depreciation for the period. Leasing liabilities decreased by SEK 22 million to SEK 76 million.

Net debt, excluding IFRS 16, amounted to SEK 105 (196) million at the end of the period. The decrease, since the same point in time last year, SEK 91 million, was due to lower cash and cash equivalents of SEK 171 million and reduced interest-bearing liabilities of SEK 262 million.

During the second quarter of the current year, the previous

financing structures were replaced by a SEK 300 million credit facility of which SEK 130<sup>1</sup> million had been utilised at period end. Of the utilised credit facility, SEK 127 million referred to short-term loans raised at the beginning of the third quarter and SEK 3 million in utilised overdraft facilities. At the end of the period, cash and cash equivalent totaled SEK 23 (194) million.

The Group's equity amounted to SEK 432 (54) million at the end of the period, an increase of SEK 375 million during the interim period. The change in equity was explained by total comprehensive income of SEK 21 million, new share issues of SEK 336 million and the issue of warrants SEK 17 million. The amount of the new share issues includes issue costs.

<sup>1</sup> The variance between "Utilised credit facility" in the Group's statement of cash flow and "Liabilities to credit institutions" in the Group's statement of financial position is explained by capitalised loan and interest expenses.

## 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 brand 24MX. Onroad refers to sales to motorcycle riders primarily using high roads and the products are sold under the 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, accessories and streetwear. Pierce has one more segment, Other, which primarily focuses on sales to snowmobile riders.

## Overall summary

SEKm	Jul-Sep		Jan-Sep		Oct 2020- Sep 2021	Jan-Dec 2020
	2021	2020	2021	2020		
Offroad	226	208	714	676	990	952
Onroad	128	112	401	369	493	461
Other	8	10	65	64	111	110
<b>Net revenue</b>	<b>361</b>	<b>329</b>	<b>1,181</b>	<b>1,109</b>	<b>1,595</b>	<b>1,523</b>
Offroad	104	100	344	323	482	460
Onroad	51	47	170	155	210	195
Other	4	4	34	28	56	50
Intra-group costs <sup>1</sup>	0	-1	-4	-1	2	5
<b>Gross profit</b>	<b>159</b>	<b>150</b>	<b>544</b>	<b>505</b>	<b>750</b>	<b>711</b>
Offroad	52	55	182	177	259	254
Onroad	18	16	67	58	82	73
Other	2	2	18	14	30	26
Intra-group costs <sup>1</sup>	0	-1	-4	-1	2	5
<b>Profit after variable costs<sup>2 3</sup></b>	<b>72</b>	<b>73</b>	<b>263</b>	<b>248</b>	<b>372</b>	<b>358</b>

<sup>1</sup> Intra-group costs, consists of exchange rate revaluation of net working capital items which are not divided between segments. These amounted in Q1 to SEK -4 (-5) million, Q2 SEK 0 (5) million, Q3 SEK 0 (-1) million and in Q4 2020 to SEK 6 million.

<sup>2</sup> Alternative performance measures (APM), see pages 22 - 27 for definitions and purpose of these measurements.

<sup>3</sup> 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 segments, see Note 4.

Offroad  24MX

SEKm (unless stated otherwise)	Jul-Sep		Jan-Sep		Oct 2020- Sep 2021	Jan-Dec 2020
	2021	2020	2021	2020		
Net revenue	226	208	714	676	990	952
<i>Growth (%)<sup>1</sup></i>	9%	18%	6%	30%	11%	30%
Gross profit	104	100	344	323	482	460
Gross margin (%) <sup>1</sup>	46.1%	48.3%	48.2%	47.7%	48.7%	48.3%
Profit after variable costs <sup>1 2</sup>	52	55	182	177	259	254
Profit after variable costs (%) <sup>1</sup>	23.0%	26.4%	25.5%	26.1%	26.2%	26.7%
Number of orders (thousands) <sup>1</sup>	238	230	783	743	1,085	1,045
Average order value (AOV) (SEK) <sup>1</sup>	947	904	912	910	912	911
Net revenue from private brands <sup>1</sup>	87	76	285	250	395	360
Active customers last 12 months (thousands) <sup>1</sup>	668	582	668	582	668	630

<sup>1</sup> Alternative performance measures (APM), see pages 22 - 27 for definitions and purpose of these measurements.

<sup>2</sup> 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.

<sup>3</sup> Other direct costs mainly consist of freight, invoicing and packaging.

For more information about the segment, see Note 4.

## July - September 2021

Net revenue increased by 9 percent to SEK 226 (208) million compared with the equivalent period in 2020. The growth in the Nordics and outside the Nordics was 15 percent and 6 percent respectively. Increased costs and post-Brexit supply challenges have resulted in decreased net revenue in the UK. This decline affected growth outside the Nordic region by around -5 percent. Adjusted for the UK and exchange rate effects, growth outside the Nordics was around 13 percent.

The supply of clearance deals was limited in the quarter, which negatively impacted growth. Production and delivery disruptions related to the pandemic have, among other things, delayed new collections, which are usually launched after the summer. This resulted in remaining stock not being offered from suppliers, which is normally sold at attractive prices with high margins.

Profit after variable costs amounted to SEK 52 (55) million, equivalent to a margin of 23.0 (26.4) percent. The decline in margin was mainly referring to increased shipping costs, selective price adjustments to drive growth and increased variable marketing costs.

## January - September 2021

Net revenue increased by 6 percent to SEK 714 (676) million compared with 2020, as last year was positively impacted by Covid-19 related effects, especially in the second quarter.

Profit after variable costs amounted to SEK 182 (177) million, equivalent to a margin of 25.5 (26.1) percent. The decrease in margins was mainly linked to the increase in shipping costs, where, to date, only a limited share of the increase has been passed on to the end customers.

SEKm (unless stated otherwise)	Jul-Sep		Jan-Sep		Oct 2020- Sep 2021	Jan-Dec 2020
	2021	2020	2021	2020		
Net revenue	128	112	401	369	493	461
Growth (%) <sup>1</sup>	14%	5%	9%	13%	8%	11%
Gross profit	51	47	170	155	210	195
Gross margin (%) <sup>1</sup>	39.9%	41.9%	42.3%	42.0%	42.5%	42.3%
Profit after variable costs <sup>1 2</sup>	18	16	67	58	82	73
Profit after variable costs (%) <sup>1</sup>	14.3%	14.7%	16.7%	15.8%	16.5%	15.9%
Number of orders (thousands) <sup>1</sup>	143	148	448	465	571	588
Average order value (AOV) (SEK) <sup>1</sup>	896	755	897	794	865	785
Net revenue from private brands <sup>1</sup>	39	41	134	124	173	162
Active customers last 12 months (thousands) <sup>1</sup>	418	418	418	418	418	428

<sup>1</sup> Alternative performance measures (APM), see pages 22 - 27 for definitions and purpose of these measurements.

<sup>2</sup> 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.

### July – September 2021

Net revenue increased by 14 percent to SEK 128 (112) million compared with the equivalent period in 2020. Growth in local currencies was approximately 15 percent. The growth in the Nordics and outside the Nordics was 34 and 0 percent respectively.

In previous year, there were larger price-reduced sales of private brands, and these did not take place to the same extent in 2021. This negatively impacted private brand growth but improved average order value (AOV). New private collection launches partially compensated for the decline in growth. This segment's assortment is slightly more developed towards Northern Europe and collections adapted to customers in Southern Europe have been delayed, which has reduced growth outside the Nordics.

Profit after variable costs amounted to SEK 18 (16) million, equivalent to a margin of 14.3 (14.7) percent. The margin was positively impacted by fewer price-reduced activities and was somewhat benefited from a positive exchange rate development. However, this was offset by increased shipping costs, resulting in a slightly lower margin than last year.

### January – September 2021

Net revenue increased by 9 percent compared with 2020 to SEK 401 (369) million. Onroad was deemed to have been less positively affected than Offroad by Covid-19-related effects.

Profit after variable costs amounted to SEK 67 (58) million, corresponding to a margin of 16.7 (15.8) percent. The margin improvement was primarily explained by a lower share of price-reduced sales and positive exchange rate effects, as well as lower freight costs to end customers connected to the increased average order value. This was offset to some degree by increased shipping costs and increased variable costs for marketing.

### Other sledstore

SEKm (unless stated otherwise)	Jul-Sep		Jan-Sep		Oct 2020- Sep 2021	Jan-Dec 2020
	2021	2020	2021	2020		
Net revenue	8	10	65	64	111	110
Growth (%) <sup>1</sup>	-22%	13%	3%	19%	5%	14%
Gross profit	4	4	34	28	56	50
Gross margin (%) <sup>1</sup>	49.4%	45.8%	51.4%	44.5%	50.1%	46.1%
Profit after variable costs <sup>1 2</sup>	2	2	18	14	30	26
Profit after variable costs (%) <sup>1</sup>	30.7%	24.6%	27.8%	22.7%	26.7%	23.7%

<sup>1</sup> Alternative performance measures (APM), see pages 22 - 27 for definitions and purpose of these measurements.

<sup>2</sup> 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.

### July – September 2021

Net revenue decreased by 22 percent to SEK 8 (10) million, compared with the equivalent period last year. Sales in the third quarter are very low as the season has not started yet.

### January – September 2021

Net revenue increased by 3 percent to SEK 65 (64) million compared with previous year.

The margin after variable costs was positively impacted by fewer clearance activities compared with the snow-poor winter of 2020.

## The Pierce share

At an extraordinary general meeting on 20 January 2021, a resolution was adopted regarding a division of Pierce Group AB's (publ) shares, a so-called share split with a 300:1 ratio. In conjunction with the change of company form from private to public company, it was resolved to increase the share capital through a bonus issue of SEK 0.5 million.

The Pierce share was listed on the Nasdaq Stockholm Mid Cap on 26 March and trades under the ticker symbol PIERCE with ISIN code SE0015658364. In conjunction with the listing, a total of 5,468,750 shares were issued.

On 6 April 2021, 534,600 shares were registered through a new share issue based on the exercise of warrants from LTIP 2020/2025. The number of registered shares, and votes, as of 30 September 2021 amounted to 39,687,050, equivalent to a quota value of SEK 0.02.

The share price at listing was SEK 64.0, and was SEK 70.1 on the last trading day of the period. Number of shareholders was 1,201, of which the largest were Procuritas (32.9%), Handelsbanken Fonder (7.2%), Daniel Petersén via company (7.0%), Stefan Rönn via company (7.0%), and Allianz (5.0%).

The Company has launched warrant programs, long-term incentive programs – LTIP, (entailing the right to acquire shares according to certain terms and conditions). See the additional information provided below.

### LTIP 2020/2025

During 2020 a warrant program was launched for the CEO. The CEO subscribed to 1,782 warrants at market value, calculated using the Black & Scholes model. The subscription period ran from 30 January 2025 to 13 February 2025, alternatively earlier in the case of an ownership change.

In conjunction with the listing in March 2021, all warrants were exercised, whereby 534,600 shares<sup>1</sup> were subscribed at a subscription price of SEK 24.8. The new share issue registered in April added SEK 10,692 in share capital to Pierce Group.

### LTIP 2021/2024

LTIP 2021/2024 was issued in March 2021 as part of an incentive program for certain senior executives and key employees of the Group. The program comprises 376,443 warrants, all warrants were subscribed as of 31 March 2021. Each warrant grants the right to subscribe one (1) ordinary share in the Company. The warrants were subscribed at market value, calculated using the Black & Scholes model, equivalent to SEK 4 million.

The warrants can be exercised from the date after publication of the interim report for the period 1 January to 31 March 2024, however not earlier than 1 April 2024, up to and including 31 August 2024, at a pre-determined share price of SEK 73.6. With 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.

## Significant events after the end of the reporting period

No significant events have taken place after the end of the reporting period.

## 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 in the last twelve-month period, EUR, SEK and NOK accounted for 56, 17 and 10 percent respectively. With regards to payments, EUR, SEK, USD and PLN accounted for 46, 26, 13 and 9 percent respectively. To reduce exposure to significant exchange rate fluctuations, the Group purchases, since 2020, currency derivatives for certain currencies, including EUR 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.

## Change of functional currency in subsidiary

From 1 January 2021, the subsidiary Pierce AB uses EUR as its functional currency. The background to this is the successively increased operations outside the Nordics which means that the subsidiary's operating assets and liabilities, as well as its purchases and sales, are, primarily, in currencies other than SEK. The currency having the single largest impact on the underlying transactions is EUR. With the change of functional currency from SEK to EUR in the subsidiary, exchange rate effects will have a more limited effect on the Group's financial reporting. However, upon consolidation of the subsidiary, the translation exposure of the profit and loss and net assets from EUR to SEK will increase and affect other comprehensive income. See Note 8 for a description of the effects on the Group's reporting and key ratios as a result of the change.

## Employees

The average number of employees during the third quarter was 446 (421). Of these, 151 (138) worked at the distribution warehouse in Poland and 295 (282) were white collar workers in Sweden, Poland, and Spain.

## Seasonal variations

As "Black Week" and Christmas take place in the fourth quarter, this quarter most often shows the highest level of net revenue, while the first quarter often shows the lowest. Together, these two quarters account for approximately 50 percent of annual sales.

<sup>1</sup> Number of warrants adjusted for the 300:1 share split that took place in January 2021.

## 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 office in Stockholm, Sweden. Since 26 March 2021, Pierce Group AB (publ) is listed on Nasdaq Stockholm Mid Cap.

The Parent Company undertakes no business activities and is comprised of owning and managing the subsidiaries.

Net revenue during the second quarter amounted to SEK 2 (2) million and during the interim period to SEK 9 (7) million and was fully attributable to sales to Group companies. Financial net mainly comprised of interest expenses regarding bond and shareholders' loans up until April in the current year when the previous financing structure was repaid. Profit/loss before tax during the quarter was SEK 0 (-8) million and SEK -21 (-18) million during the interim period.

At the end of the period, the Parent Company's equity was SEK 392 (63) million. This change was mainly attributable to the new share issue in conjunction with the listing of the Company.

The CEO and CFO are employed in the Parent Company.

## Risks and factors of uncertainty

The Group's operations and results are affected by several 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 2020 and in the Company's listing prospectus.

Covid-19 has primarily affected the Group indirectly via the pandemic's effects on the macroeconomic development in the markets in which Pierce operates. Some of Pierce's main markets have been affected due to strict quarantine restrictions that have applied at certain times, and which affect the possibility of motorbike riding.

During the second quarter 2020, the Company's sales growth, which totaled 39 percent, was clearly positively impacted by Covid 19-related closures of physical stores with offerings similar to Pierce's. This took place in combination with the Company's internal decisions to drive short-term sales volume. During the third quarter 2020, net revenue was impacted somewhat negatively because of stock availability shortages due to the unexpected high level of net revenue experienced during the second quarter, and Covid-19 related production problems in supply chains.

During 2021, the Covid-19 pandemic has impacted operations through certain product availability shortages in the market and delivery delays. Shipping costs from Asia have increased due to the global shortage in containers. This has only marginally affected the gross margin during the first quarter but had a significantly negative effect during the remaining interim period when the sale of these purchases has taken place. This negative impact is expected to continue in the forthcoming quarters. Continuous uncertainties exist in the supply chain in the form of shortages of products and delays which challenges stock availability and purchase prices. The pandemic's effect on customer behavior and demand constitutes a factor of uncertainty.

## Financial risks

At the beginning of the second quarter, the Group received a credit facility from one of the major Swedish banks of SEK 300 million.

The credit facility contains certain financial covenants, stipulating that the Group's leverage ratio<sup>1</sup> may not exceed 3.5 times (3.0 times, during the period within one year from the termination of the facility) and that the Group's interest coverage ratio<sup>2</sup> may not be less than 4.0 times. Pierce fulfils the covenant terms associated with the credit facility.

For further information, see Note 7.

## Related party transactions

During the interim period, costs for consulting fees to Stefan Rönn and Daniel Petersén, founders, and shareholders in Pierce Group via companies, totaling SEK 197 (1,478) thousand were charged against the Group's earnings. All transactions with related parties have been concluded on market terms. For further information regarding related parties, see Note 6.

## Financial targets

The Board of Directors of Pierce has adopted the following financial targets<sup>3</sup>: These are unchanged compared with the previous quarter.

### Growth - 15-20%

In the medium to long term, grow net revenue by 15-20% in 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/EBITDA<sup>4</sup> not exceeding 2.0x, subject to temporary flexibility for strategic initiatives.

### Dividend policy

In the coming years, free cash flows<sup>5</sup> are planned to be used for the continued development<sup>6</sup> of the Company and will, therefore, not be distributed to the shareholders.

<sup>1</sup> Calculated according to the definition in the credit facility agreement, which differs slightly from the Net debt/EBITDA found in the Company's Alternative Performance Measures.

<sup>2</sup> The measure is equivalent to the Group's EBITDA excluding IFRS 16, in the same manner as the measure defined in the credit facility agreement, which differs slightly from the Company's definition.

<sup>3</sup> The Board adopted the financial goals in December 2020. Medium to long term refers to 3-5 years.

<sup>4</sup> Alternative performance measures (APM), see pages 22-27 for the definitions and purposes of these measurements.

<sup>5</sup> Free cash flow refers to cash flow from operating activities and operations and investment activities.

<sup>6</sup> 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.

Q3/2021

Other

**Upcoming financial reports**

**16 February 2022**

Year-end report January–December 2021

**31 March 2022**

Annual report 2021

**11 May 2022**

Interim report January–March 2022

**18 May 2022**

Annual General Meeting 2021

**Telephone and web conference in conjunction with the publication of quarterly reports**

On 11 November at 09.30 CET, CEO Henrik Zadig and CFO Tomas Ljunglöf will hold a web telephone conference in English in conjunction with the publication of the quarterly report.

To participate in the conference, please call in on any of the following telephone numbers.

SE: +46 856 642 705

UK: +443 333 009 263

US: +16 467 224 957

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

<https://tv.streamfabriken.com/pierce-group-q3-2021>

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.piercegroup.com/en/reports-presentations/>

Contact information, Pierce

Henrik Zadig, CEO, +46 73 146 14 60

Tomas Ljunglöf, CFO and Head of IR, +46 73 378 01 54

The information was submitted for publication by the above-mentioned contact persons on 11 November 2021 at 08.00 CET.

Signatures

The undersigned certify that the interim report provides a true and fair view of the Parent Company's and Group's operations, financial positions, 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, 11 November 2021

Henrik Zadig

CEO

Q3/2021

*THIS IS A TRANSLATION FROM THE SWEDISH ORIGINAL*

## Review report

Pierce Group AB (publ), Corporate Identity Number 556967-4392

### **Introduction**

We have reviewed the condensed interim report for Pierce Group AB as of September 30, 2021 and for the nine months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### **Scope of review**

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 Review of Interim Financial Statements Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

Stockholm, 11 November, 2021  
Ernst & Young AB

Jonatan Hansson  
Authorized Public Accountant

Q3/2021

Condensed consolidated statement of profit/loss

SEKm (unless stated otherwise)	Note	Jul-Sep		Jan-Sep		Oct 2020- Sep 2021	Jan-Dec 2020
		2021	2020	2021	2020		
Net revenue	3,4	361	329	1,181	1,109	1,595	1,523
Cost of goods sold		-202	-179	-637	-604	-845	-812
<b>Gross profit</b>	<b>4</b>	<b>159</b>	<b>150</b>	<b>544</b>	<b>505</b>	<b>750</b>	<b>711</b>
Sales and distribution costs		-117	-107	-375	-345	-503	-473
Administration costs		-40	-33	-126	-104	-176	-154
Other operating income		0	0	1	1	2	1
Other operating expenses		0	-1	-3	-2	-6	-5
<b>Operating profit</b>	<b>4</b>	<b>2</b>	<b>10</b>	<b>41</b>	<b>54</b>	<b>67</b>	<b>81</b>
Financial net		-4	-17	-23	-54	-43	-73
<b>Profit/loss before tax</b>	<b>4</b>	<b>-2</b>	<b>-7</b>	<b>17</b>	<b>1</b>	<b>24</b>	<b>8</b>
Tax		1	-1	3	-7	2	-8
<b>Profit/loss for the period</b>		<b>-1</b>	<b>-9</b>	<b>20</b>	<b>-6</b>	<b>26</b>	<b>-1</b>
<b>Attributable to shareholders of the parent company</b>		<b>-1</b>	<b>-9</b>	<b>20</b>	<b>-6</b>	<b>26</b>	<b>-1</b>
<b>Earnings per share</b>							
Earnings per share before dilution (SEK) <sup>1</sup>		-0.03	-0.26	0.54	-0.19	0.71	-0.02
Earnings per share after dilution (SEK) <sup>1</sup>		-0.03	-0.26	0.54	-0.19	0.70	-0.02
Average number of shares before dilution (thousands) <sup>1</sup>		39,687	33,672	37,818	33,656	36,776	33,663
Average number of shares after dilution (thousands) <sup>1</sup>		39,687	33,672	37,941	33,656	36,951	33,663

<sup>1</sup> Adjusted for the share split (300:1) that occurred in January 2021.

Consolidated statement of comprehensive income

SEKm	Note	Jul-Sep		Jan-Sep		Oct 2020- Sep 2021	Jan-Dec 2020
		2021	2020	2021	2020		
Profit/loss for the period		-1	-9	20	-6	26	-1
<b>Items that may subsequently be reclassified to income statement</b>							
Translation difference		0	0	1	-1	-1	-3
<b>Other comprehensive income for the period</b>		<b>0</b>	<b>0</b>	<b>1</b>	<b>-1</b>	<b>-1</b>	<b>-3</b>
<b>Comprehensive income for the period</b>		<b>-1</b>	<b>-9</b>	<b>21</b>	<b>-7</b>	<b>25</b>	<b>-4</b>
<b>Attributable to shareholders of the parent company</b>		<b>-1</b>	<b>-9</b>	<b>21</b>	<b>-7</b>	<b>25</b>	<b>-4</b>

Q3/2021

Condensed consolidated statement of financial position

SEKm	Note	Sep 30 2021	Sep 30 2020	Dec 31 2020
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets		350	353	353
Property, plant and equipment		16	15	14
Right-of-use assets		67	90	79
Financial assets	7	2	3	16
Deferred tax assets		13	6	6
<b>Total non-current assets</b>		<b>448</b>	<b>469</b>	<b>469</b>
<b>Current assets</b>				
Inventory		479	322	334
Other current assets	5	29	26	30
Cash and cash equivalents		23	194	87
<b>Total current assets</b>		<b>531</b>	<b>542</b>	<b>451</b>
<b>Total assets</b>		<b>979</b>	<b>1,010</b>	<b>920</b>
<b>Equity and liabilities</b>				
<b>Total equity attributable to shareholders of the parent company</b>				
		<b>432</b>	<b>54</b>	<b>57</b>
<b>Non-current liabilities</b>				
Liabilities to credit institutions	7	—	390	399
Shareholder loans	6	—	175	—
Leasing liabilities		54	78	64
Contingent consideration	5.6	—	25	—
Deferred tax liabilities		29	27	29
<b>Total non-current liabilities</b>		<b>83</b>	<b>695</b>	<b>492</b>
<b>Current liabilities</b>				
Liabilities to credit institutions	7	128	—	—
Shareholder loans	6	—	—	63
Leasing liabilities		22	19	22
Contingent consideration	5.6	—	—	27
Trade payables		128	97	86
Other liabilities	5	186	144	172
<b>Total current liabilities</b>		<b>464</b>	<b>261</b>	<b>371</b>
<b>Total equity and liabilities</b>		<b>979</b>	<b>1,010</b>	<b>920</b>

Condensed consolidated statement of changes in equity

SEKm	Sep 30 2021	Sep 30 2020	Dec 31 2020
<b>Opening balance beginning of period</b>	<b>57</b>	<b>59</b>	<b>59</b>
Profit/loss for the period	20	-6	-1
Other comprehensive income for the period	1	-1	-3
<b>Comprehensive income for the period</b>	<b>21</b>	<b>-7</b>	<b>-4</b>
<b>Transactions with shareholders</b>			
New share issue	350	1	1
Issue costs referring to new share issue	-14	0	0
Issue of warrants	18	2	2
Issue costs referring to warrants	0	—	0
<b>Closing balance end of period</b>	<b>432</b>	<b>54</b>	<b>57</b>

Q3/2021

Condensed consolidated statement of cash flow

SEKm	Note	Jul-Sep		Jan-Sep		Oct 2020- Sep 2021	Jan-Dec 2020
		2021	2020	2021	2020		
<b>Operating activities</b>							
Operating profit		2	10	41	54	67	81
Adjustments for non-cash items		9	9	31	29	47	44
Paid interest		-1	-3	-10	-5	-11	-6
Realised cash hedges		0	-2	0	0	-2	-2
Paid tax		-2	-2	-3	-7	-2	-5
<b>Cash flow from operating activities before changes in net working capital</b>		<b>8</b>	<b>13</b>	<b>58</b>	<b>70</b>	<b>99</b>	<b>111</b>
Changes in net working capital		-48	-4	-80	52	-87	45
<b>Cash flow from operating activities</b>		<b>-41</b>	<b>9</b>	<b>-22</b>	<b>122</b>	<b>12</b>	<b>156</b>
<b>Investing activities</b>							
Investments in non-current assets		-3	-5	-17	-23	-23	-29
Paid/ricieved blocked funds		—	—	14	—	—	-14
<b>Cash flow from investing activities</b>		<b>-3</b>	<b>-5</b>	<b>-3</b>	<b>-23</b>	<b>-23</b>	<b>-42</b>
<b>Financing activities</b>							
New share issue including issue costs		—	1	337	1	337	1
Issue of warrants including issue costs		—	—	17	2	17	2
Change in utilised credit facility		45	—	129	—	129	—
Repayment of shareholder loans <sup>1</sup>		—	—	-64	—	-179	-115
Repayment of liabilities to credit institutions <sup>2</sup>		—	—	-414	—	-414	—
Repayment of leasing liabilities		-5	-5	-15	-16	-20	-21
Paid contingent consideration		—	—	-30	—	-30	—
<b>Cash flow from financing activities</b>		<b>40</b>	<b>-4</b>	<b>-40</b>	<b>-13</b>	<b>-160</b>	<b>-133</b>
Cash flow for the period		-4	0	-66	86	-171	-19
Cash and cash equivalents		27	194	87	111	194	111
Exchange rate difference		0	1	2	-2	0	-4
<b>Cash and cash equivalents end of period</b>		<b>23</b>	<b>194</b>	<b>23</b>	<b>194</b>	<b>23</b>	<b>87</b>

<sup>1</sup> Repaid amount referred to capitalised interest expenses, which for the interim period amounted to SEK -3 million, and for the previous twelve month period and the previous financial year, SEK -73 million and SEK -70 million respectively.

<sup>2</sup> Of which SEK 64 million referred to capitalised interest expenses during the interim period and last twelve months.

Q3/2021

Condensed Parent Company statement of profit/loss

SEKm	Jul-Sep		Jan-Sep		Jan-Dec
	2021	2020	2021	2020	2020
Net revenue	2	2	9	7	11
<b>Gross profit</b>	<b>2</b>	<b>2</b>	<b>9</b>	<b>7</b>	<b>11</b>
Administration costs	-3	-4	-18	-9	-25
<b>Operating profit</b>	<b>-1</b>	<b>-2</b>	<b>-9</b>	<b>-2</b>	<b>-14</b>
Financial net	1	-6	-12	-16	-23
<b>Profit/loss after financial items</b>	<b>0</b>	<b>-8</b>	<b>-21</b>	<b>-18</b>	<b>-37</b>
Appropriations	—	—	—	—	15
<b>Profit/loss before tax</b>	<b>0</b>	<b>-8</b>	<b>-21</b>	<b>-18</b>	<b>-22</b>
Tax	—	—	—	—	—
<b>Profit/loss for the period</b>	<b>0</b>	<b>-8</b>	<b>-21</b>	<b>-18</b>	<b>-22</b>

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

Condensed Parent Company balance sheet

SEKm	Sep 30 2021	Sep 30 2020	Dec 31 2020
<b>Assets</b>			
<b>Non-current assets</b>			
Shares in group companies	308	308	308
Receivables from group companies	77	343	236
<b>Total non-current assets</b>	<b>385</b>	<b>651</b>	<b>544</b>
<b>Current assets</b>			
Receivables from group companies	1	10	19
Other current assets	1	1	2
Cash and cash equivalents	8	0	3
<b>Total current assets</b>	<b>10</b>	<b>11</b>	<b>23</b>
<b>Total assets</b>	<b>395</b>	<b>662</b>	<b>567</b>
<b>Equity and liabilities</b>			
<b>Total equity</b>	<b>392</b>	<b>63</b>	<b>59</b>
<b>Non-current liabilities</b>			
Liabilities to credit institutions	—	390	399
Shareholder loans	—	175	—
Contingent consideration	—	30	—
<b>Total non-current liabilities</b>	<b>—</b>	<b>595</b>	<b>399</b>
<b>Current liabilities</b>			
Shareholder loans	—	—	63
Contingent consideration	—	—	30
Other liabilities	3	4	16
<b>Total current liabilities</b>	<b>3</b>	<b>4</b>	<b>109</b>
<b>Total equity and liabilities</b>	<b>395</b>	<b>662</b>	<b>567</b>

## Not 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 2020. For a description of the Group's applied accounting principles, see Note 1 and Note 2 in the Annual Report for 2020.

Disclosures in accordance with IAS 34.16A are shown, in the financial statements and associated Notes in the interim information, in addition to pages 1-12 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**

The application of a number of new standards and interpretations which will be compulsory from the next financial year have not been applied in 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.

## Not 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 the 2020 Annual Report on page 20. No changes have been made to these estimations and assessments that could have a significant impact on the interim report.

## Not 3 – Revenue

The Group's revenue consists exclusively of the sale of goods via the Group's websites and a physical store. Revenue is reported at a given point in time as 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	Jul-Sep		Jan-Sep		Oct 2020- Sep 2021	Jan-Dec 2020
	2021	2020	2021	2020		
Sweden	31	30	87	90	115	118
Other Nordics	28	21	74	63	95	84
Outside the Nordics	166	156	553	523	780	750
<b>Revenue Offroad</b>	<b>226</b>	<b>208</b>	<b>714</b>	<b>676</b>	<b>990</b>	<b>952</b>
Sweden	26	20	77	72	90	84
Other Nordics	37	26	122	94	139	111
Outside the Nordics	65	65	202	204	265	266
<b>Revenue Onroad</b>	<b>128</b>	<b>112</b>	<b>401</b>	<b>369</b>	<b>493</b>	<b>461</b>
Sweden	6	6	39	40	66	67
Other Nordics	2	4	26	23	45	43
Outside the Nordics	—	—	—	—	—	—
<b>Revenue Other</b>	<b>8</b>	<b>10</b>	<b>65</b>	<b>64</b>	<b>111</b>	<b>110</b>
Sweden	63	56	203	202	270	269
Other Nordics	66	52	222	180	280	238
Outside the Nordics	231	221	755	727	1,044	1,016
<b>Revenue Group</b>	<b>361</b>	<b>329</b>	<b>1,181</b>	<b>1,109</b>	<b>1,595</b>	<b>1,523</b>

## Not 4 – Segment reporting

SEKm	Jul-Sep		Jan-Sep		Oct 2020-	Jan-Dec
	2021	2020	2021	2020	Sep 2021	2020
Offroad	226	208	714	676	990	952
Onroad	128	112	401	369	493	461
Other	8	10	65	64	111	110
<b>Net revenue</b>	<b>361</b>	<b>329</b>	<b>1,181</b>	<b>1,109</b>	<b>1,595</b>	<b>1,523</b>
Offroad	104	100	344	323	482	460
Onroad	51	47	170	155	210	195
Other	4	4	34	28	56	50
Intra-group costs	0	-1	-4	-1	2	5
<b>Gross profit</b>	<b>159</b>	<b>150</b>	<b>544</b>	<b>505</b>	<b>750</b>	<b>711</b>
Offroad	-52	-45	-162	-146	-223	-206
Onroad	-33	-30	-103	-97	-128	-122
Other	-1	-2	-15	-14	-26	-25
<b>Variable sales- and distribution costs<sup>1</sup></b>	<b>-86</b>	<b>-78</b>	<b>-281</b>	<b>-257</b>	<b>-377</b>	<b>-353</b>
Offroad	52	55	182	177	259	254
Onroad	18	16	67	58	82	73
Other	2	2	18	14	30	26
Intra-group costs	0	-1	-4	-1	2	5
<b>Profit after variable costs<sup>1 2</sup></b>	<b>72</b>	<b>73</b>	<b>263</b>	<b>248</b>	<b>372</b>	<b>358</b>
Other expenses in the operation <sup>1 3</sup>	-70	-63	-222	-194	-306	-277
<b>Operating profit</b>	<b>2</b>	<b>10</b>	<b>41</b>	<b>54</b>	<b>67</b>	<b>81</b>
Financial net <sup>3</sup>	-4	-17	-23	-54	-43	-73
<b>Pre-tax income</b>	<b>-2</b>	<b>-7</b>	<b>17</b>	<b>1</b>	<b>24</b>	<b>8</b>

<sup>1</sup> Alternative performance measures (APM), see pages 22 - 27 for definitions and purpose of these measurements.

<sup>2</sup> 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.

<sup>3</sup> Other direct costs mainly consist of freight, invoicing and packaging.

<sup>3</sup> Other expenses in the operation and financial net regards intra-group costs.

The segments' results are followed up by the CEO, who is the Chief Operating Decision Maker (CODM), to Profit after variable costs, in other words gross profit less variable sales and distribution costs. Variable sales and distribution costs refers to direct marketing costs, as well as other direct costs. Other direct costs essentially include costs for freight, invoicing and packaging.

See the section titled "Alternative Performance Measures" for more information.

Pierce sells gear, parts, and accessories to riders. 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 highroads. 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 revaluation of net working capital items, mainly included in cost of goods sold. These 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.

## Not 5 – Financial instruments, fair value

Contingent consideration and 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.

The liability regarding the contingent consideration was attributable to level 3 and the currency derivatives to level 2 in the fair value hierarchy, in accordance with IFRS 13.

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

**Change in Level 3 financial liabilities**

	Sep 30 2021	Sep 30 2020	Dec 31 2020
Contingent consideration, SEKm			
At beginning of period	27	23	23
Recalculation through profit/loss for the period	3	2	4
Repayment	-30	—	—
<b>At period end</b>	<b>—</b>	<b>25</b>	<b>27</b>

**Applied data for the valuation of level 3 financial liabilities**

SEKm	Sep 30 2021	Sep 30 2020	Dec 31 2020
Discount rate	N/A	10.2%	10.3%
Probability	N/A	95%	95%
Expected payment date of contingent consideration	N/A	Dec 2021	2021 <sup>1</sup>

<sup>1</sup> Expected time of change of ownership is divided 60% in March 2021, and 40% in December 2021.

**Sensitivity analysis**

	Sep 30 2021	Sep 30 2020	Dec 31 2020
- Other operating expenses/+ Other operating income			
Change of discount factor, +/- one percentage points	N/A	+/- 0	+/- 0
Change of probability: +/- five percentage points	N/A	+/- 1	+/- 1
Change of expected date of payment: +/- one year	N/A	+/- 3	+/- 3

## Not 6 – Related party transactions

**Shareholder loans**

At the beginning of the financial year, there were eight loans from shareholders to Pierce Group, of which three were also board members. All shareholder loans were fully redeemed in the second quarter.

**Contingent consideration**

A contingent consideration was agreed upon when Pierce Group acquired the group in which Pierce AB was included. The liability referred to the Company's founders, one of whom is a board member in Pierce Group.

The contingent consideration was paid during the second quarter 2021, after Pierce Group was listed on the stock exchange. See Note 5 for more information.

**Applied input for the valuation of level 3 financial liabilities**

The valuation of the contingent consideration took place in two steps; a probability adjustment was assigned to an assumed value in the case of a listing or sale, as well as a date for payment and then, this probability-adjusted value was discounted to present value based on a discount rate. The contingent consideration has been classified as a current liability since the end of the financial year 2020 and was paid during the second quarter of 2021.

**Other related party transactions**

The Group has consulting agreements with Stefan Rönn and Daniel Petersén, founders as well as shareholders in Pierce Group. These agreements relate primarily to advisory services in conjunction with business development and strategic decision-making. These costs amounted to SEK 9 (477) thousand during the quarter and to SEK 197 (1,478) thousand during the interim period. In addition, the sale of goods has taken place to the above related parties, these costs amounted to SEK 51 (33) thousand. See Note 30 in the Annual Report for 2020 for more information.

**Warrant programs**

The Group has warrant programs as part of an incentive program for certain senior executives and key employees of the Group. See page 10 for more information.

All transactions are based on market terms.

## Not 7 – Pledged assets and contingent liabilities

SEKm	Sep 30 2021	Sep 30 2020	Dec 31 2020
<b>To credit institutions for the Group's own liabilities and provisions</b>			
Group's share of net assets in group companies	—	294	303
Deposits for fulfillment of payments	2	2	2
Paid blocked funds	—	—	14
Utilised credit facility <sup>1</sup>	3	—	—
<b>Total pledged assets</b>	<b>5</b>	<b>296</b>	<b>319</b>

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

During the second quarter 2021, the previous financing structure was replaced by a SEK 300 million credit facility, of which SEK 130<sup>1</sup> million had been utilised at the end of the quarter. There is a surety given on the credit facility provided by the Parent Company, Pierce Group AB, in favor of the subsidiary, Pierce AB's, liabilities to credit institutions.

The credit facility includes certain financial covenants, see more information under the "Financial risks" section, page 11.

Pledged shares in Pierce AB relating to bond loans, as well as blocked funds, were released in connection with the early redemption that took place in the beginning of the second quarter. Pledged assets at the end of the referred to deposits paid and utilised credit facility.

## Not 8 – Change of functional currency

As of 1 January 2021, the subsidiary Pierce AB changed its functional currency from SEK to EUR, as EUR has become the dominant currency in the Company's transactions and net assets. The following table shows the most significant effects on the Group's financial statements and key figures as a result of this change.

SEKm	Effect on the Group	
	Jul-Sep	Jan-Sep
<b>Consolidated statement of profit/loss</b>		
Net revenue	0	1
Gross profit	1	-1
Operating profit (EBIT)	2	0
Profit/loss for the period	3	2
Gross margin (%) <sup>1</sup>	0.3%	-0.1%
Operating margin (EBIT) (%) <sup>1</sup>	0.4%	0.0%
<b>Consolidated statement of financial position<sup>2</sup></b>		
Non-current assets	0	1
Inventory	2	1
Other current assets	0	0
Equity	-3	-2
Non-current liabilities	0	0
Current liabilities	0	0

<sup>1</sup> Alternative performance measures (APM), see pages 22 - 27 for definitions and purpose of these measurements.

<sup>2</sup> Changes in equity and liabilities are presented as + (decrease) and - (increase).

## Not 9 – Significant events after the end of the reporting period

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

<sup>1</sup> The difference between "Change in utilised credit facility" in the condensed consolidated statement of cash flow and "Repayment of liabilities to credit institutions" in the balance sheet is explained by capitalised borrowing and interest costs.

## 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**

<b>Performance measure</b>	<b>Definition</b>	<b>Purpose</b>
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 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.
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.
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.

Performance measure	Definition	Purpose
Items affecting comparability	<p>Items affecting comparability refers to material transactions lacking a clear connection to the ordinary operations, and which are not expected to occur regularly.</p> <p>These transactions include, for instance, relocations of group-wide functions to Poland and Spain, advisory and integration costs in conjunction with business acquisitions, IPO costs, and changes in fair value regarding contingent consideration.</p>	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.	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	<p>Liabilities to credit institutions, decreased by cash and cash equivalents at the end of the period.</p> <p>Pierce's assessment of the Groups' actual net debt corresponds to liabilities to credit institutions, and that is why shareholder loans and leasing liabilities are excluded.</p>	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 cash hedges and paid tax, 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 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	<p>Operating costs, excluding variable sales and distribution costs, amortisation, depreciation, impairment, and items affecting comparability.</p> <p>Operating costs refer to sales and distribution costs, administration costs, and other operating revenue and costs.</p>	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.
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 cash flow	Cash flow from financing activities, less interest expenses on leasing liabilities, excluding net changes in loans and repayment of leasing liabilities, less realised cash hedges, paid interest, and tax.	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.
Profit after variable costs	Gross profit less variable sales and distribution costs.	The measure is used to measure contribution after all variable costs.
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	<p>Sales and distribution costs less non-variable sales and distribution costs.</p> <p>Variable sales and distribution costs refers to direct marketing costs and other direct costs. Other direct costs essentially include costs for shipping to end customer, invoicing, and packaging.</p>	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.	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, net revenue from Motobuyers 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)	Jul-Sep		Jan-Sep		Oct 2020-	Jan-Dec
	2021	2020	2021	2020	Sep 2021	2020
Gross profit	159	150	544	505	750	711
Variable sales- and distribution costs	-86	-78	-281	-257	-377	-353
<b>Profit after variable costs</b>	<b>72</b>	<b>73</b>	<b>263</b>	<b>248</b>	<b>372</b>	<b>358</b>
Operating profit (EBIT)	2	10	41	54	67	81
Reversal of depreciation and amortisation	12	11	35	29	46	40
<b>EBITDA</b>	<b>14</b>	<b>21</b>	<b>75</b>	<b>83</b>	<b>112</b>	<b>121</b>
Reversal of items affecting comparability	1	2	12	4	24	17
<b>Adjusted EBITDA</b>	<b>15</b>	<b>23</b>	<b>87</b>	<b>87</b>	<b>137</b>	<b>137</b>
Operating profit (EBIT), past twelve months	67	63	67	63	67	81
Reversal of depreciation and amortisation, past twelve months	46	36	46	36	46	40
Reversal of items affecting comparability, past twelve months	24	5	24	5	24	17
Rental costs, past twelve months, regarding leasing agreements reported in the statement of financial position <sup>1</sup>	-24	-23	-24	-23	-24	-24
<b>Adjusted EBITDA excluding IFRS 16</b>	<b>113</b>	<b>81</b>	<b>113</b>	<b>81</b>	<b>113</b>	<b>113</b>
<sup>1</sup> Refers in all significance to depreciation of right-of-use assets and interest expenses on leasing liabilities.						
Operating profit (EBIT)	2	10	41	54	67	81
Reversal of items affecting comparability	1	2	12	4	24	17
<b>Adjusted operating profit (EBIT)</b>	<b>3</b>	<b>12</b>	<b>52</b>	<b>59</b>	<b>91</b>	<b>97</b>
Sales and distribution costs	-117	-107	-375	-345	-503	-473
Reversal of non-variable sales- and distribution costs	31	29	94	88	126	120
<b>Variable sales- and distribution costs</b>	<b>-86</b>	<b>-78</b>	<b>-281</b>	<b>-257</b>	<b>-377</b>	<b>-353</b>
Sales and distribution costs	-117	-107	-375	-345	-503	-473
Administration costs	-40	-33	-126	-104	-176	-154
Other operating income	0	0	1	1	2	1
Other operating expenses	0	-1	-3	-2	-6	-5
<b>Operating costs</b>	<b>-157</b>	<b>-141</b>	<b>-503</b>	<b>-450</b>	<b>-683</b>	<b>-630</b>
Reversal of variable sales- and distribution costs	86	78	281	257	377	353
<b>Other expenses in the operation</b>	<b>-70</b>	<b>-63</b>	<b>-222</b>	<b>-194</b>	<b>-305</b>	<b>-277</b>
Reversal of depreciation and amortisation	12	11	35	29	46	40
Reversal of items affecting comparability	1	2	12	4	24	17
<b>Overhead costs</b>	<b>-57</b>	<b>-49</b>	<b>-176</b>	<b>-161</b>	<b>-236</b>	<b>-221</b>
Amortisation	-6	-4	-15	-9	-20	-14
Reversal of amortisation excluding business acquisitions	5	4	14	8	18	12
<b>Amortisation related to business acquisitions</b>	<b>0</b>	<b>0</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>
IPO costs	-1	-2	-9	-2	-19	-13
Change in fair value, contingent consideration	—	-1	-3	-2	-5	-4
<b>Items affecting comparability</b>	<b>-1</b>	<b>-2</b>	<b>-12</b>	<b>-4</b>	<b>-24</b>	<b>-17</b>

**Reconciliation of Alternative Performance Measures from statement of financial position**

SEKm (unless stated otherwise)	Jul-Sep		Jan-Sep		Oct 2020- Sep 2021	Jan-Dec 2020
	2021	2020	2021	2020		
<b>Inventory</b>	<b>479</b>	<b>322</b>	<b>479</b>	<b>322</b>	<b>479</b>	<b>334</b>
Other current assets	29	26	29	26	29	30
Reversal of:						
Current tax receivables	-2	-1	-2	-1	-2	0
<b>Other current operating assets</b>	<b>27</b>	<b>25</b>	<b>27</b>	<b>25</b>	<b>27</b>	<b>29</b>
Trade payables	-128	-97	-128	-97	-128	-86
Other liabilities	-186	-144	-186	-144	-186	-172
Reversal of:						
Current tax liabilities	2	2	2	2	2	1
Current investments	—	1	—	1	—	1
Current provisions	6	9	6	9	6	12
<b>Other current operating liabilities</b>	<b>-305</b>	<b>-230</b>	<b>-305</b>	<b>-230</b>	<b>-305</b>	<b>-244</b>
<b>Net working capital</b>	<b>200</b>	<b>116</b>	<b>200</b>	<b>116</b>	<b>200</b>	<b>120</b>
Liabilities to credit institutions	128	390	128	390	128	399
Cash and cash equivalents	-23	-194	-23	-194	-23	-87
<b>Net debt excluding IFRS 16</b>	<b>105</b>	<b>196</b>	<b>105</b>	<b>196</b>	<b>105</b>	<b>312</b>
Net debt excluding IFRS 16 (A)	105	196	105	196	105	312
Adjusted EBITDA excluding IFRS 16, past twelve months (B)	113	81	113	81	113	113
<b>Net debt/EBITDA (A) / (B)</b>	<b>0.9</b>	<b>2.4</b>	<b>0.9</b>	<b>2.4</b>	<b>0.9</b>	<b>2.8</b>

**Reconciliation of Alternative Performance Measures from statement of cash flow**

SEKm (unless stated otherwise)	Jul-Sep		Jan-Sep		Oct 2020- Sep 2021	Jan-Dec 2020
	2021	2020	2021	2020		
Cash flow from operating activities	-41	9	-22	122	12	156
Investments in non-current assets	-3	-5	-17	-23	-23	-29
Repayment of leasing liabilities	-5	-5	-15	-16	-20	-21
Interest expenses on leasing liabilities	-1	-1	-3	-3	-4	-4
Reversal of:						
Paid interest	1	3	10	5	11	6
Realised cash hedges	0	2	0	0	2	2
Paid tax	2	2	3	7	2	5
<b>Operating cash flow</b>	<b>-46</b>	<b>4</b>	<b>-43</b>	<b>93</b>	<b>-20</b>	<b>117</b>
Adjustments for non-cash items	9	9	31	29	47	44
Repayment of leasing liabilities	-5	-5	-15	-16	-20	-21
Interest expenses on leasing liabilities	-1	-1	-3	-3	-4	-4
<b>Other non-cash items</b>	<b>3</b>	<b>3</b>	<b>13</b>	<b>10</b>	<b>23</b>	<b>20</b>
Cash flow from financing activities	40	-4	-40	-13	-160	-133
Paid interest	-1	-3	-10	-5	-11	-6
Realised cash hedges	0	-2	0	0	-2	-2
Paid tax	-2	-2	-3	-7	-2	-5
Reversal of:						
Interest expenses on leasing liabilities	1	1	3	3	4	4
Net change in loans <sup>1</sup>	-45	—	379	—	494	115
Repayment of leasing liabilities	5	5	15	16	20	21
<b>Other cash flow</b>	<b>-2</b>	<b>-4</b>	<b>343</b>	<b>-8</b>	<b>343</b>	<b>-8</b>

<sup>1</sup> Net change in loans refers to changes in the utilised credit facility, repayment of shareholder loans, repayment of liabilities to credit institutions and paid contingent consideration.

**Reconciliation of other Alternative Performance Measures**

SEKm (unless stated otherwise)	Jul-Sep		Jan-Sep		Oct 2020- Sep 2021	Jan-Dec 2020
	2021	2020	2021	2020		
Net revenue (A)	361	329	1,181	1,109	1,595	1,523
Number of orders (thousands) (B)	385	385	1,290	1,260	1,754	1,724
<b>Average order value (AOV) (SEK) (A) / ((B) / 1,000)</b>	<b>936</b>	<b>856</b>	<b>915</b>	<b>880</b>	<b>909</b>	<b>884</b>
Net revenue	361	329	1,181	1,109	1,595	1,523
Reversal of net revenue from private brands	-200	-185	-654	-644	-875	-865
Reversal of Motorbuyers <sup>1</sup> and non-branded net revenue	-31	-23	-75	-68	-95	-87
<b>Net revenues from private brands</b>	<b>129</b>	<b>122</b>	<b>452</b>	<b>397</b>	<b>625</b>	<b>571</b>

<sup>1</sup> Motorbuyers only refers to the comparison year when the company was liquidated in December 2020.

## Reconciliation of Alternative Performance Measures concerning growth

SEKm (unless stated otherwise)	Jul-Sep		Jan-Sep		Oct 2020- Sep 2021	Jan-Dec 2020
	2021	2020	2021	2020		
Net revenue for the period (A)	361	329	1,181	1,109	1,595	1,523
Net revenue for the period previous year (B)	329	291	1,109	899	1,453	1,243
<b>Growth (%) (A) / (B) -1</b>	<b>10%</b>	<b>13%</b>	<b>6%</b>	<b>23%</b>	<b>10%</b>	<b>23%</b>
Net revenue for the period in local currencies <sup>1</sup> (A)	365	338	1,218	1,113	1,649	1,545
Net revenue for the period previous year (B)	329	291	1,109	899	1,453	1,243
<b>Growth in local currencies (%) (A) / (B) -1</b>	<b>11%</b>	<b>16%</b>	<b>10%</b>	<b>24%</b>	<b>13%</b>	<b>24%</b>
<small><sup>1</sup> 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)	129	108	425	382	550	507
Net revenue Nordics for the period previous year (B)	108	101	382	337	492	447
<b>Growth Nordics (%) (A) / (B) -1</b>	<b>20%</b>	<b>7%</b>	<b>11%</b>	<b>13%</b>	<b>12%</b>	<b>13%</b>
Net revenue outside the Nordics for the period (A)	231	221	755	727	1,044	1,016
Net revenue outside the Nordics for the period previous year (B)	221	190	727	562	962	796
<b>Growth outside the Nordics (%) (A) / (B) -1</b>	<b>5%</b>	<b>16%</b>	<b>4%</b>	<b>29%</b>	<b>9%</b>	<b>28%</b>



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