ANNUAL REPORT 2021

Pierce Group AB (publ)

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Pierce in brief

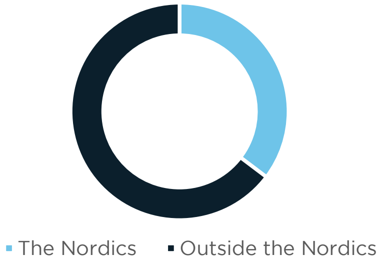
A leading European e-commerce company

Pierce is a leading European e-commerce company selling motorcycle and snowmobile gear, parts, and accessories to passionate customers through our online stores 24MX, XLMOTO, and Sledstore. The Company has some forty locally adapted websites in 16 European countries. Pierce has two larger segments, Offroad – sales to motocross and enduro riders – and Onroad - sales to high road riders. In addition, the Company has a smaller segment, Other, which primarily focuses on snowmobile riders in the Nordics.

With a large and unique product assortment, including several private brands, an excellent customer experience and attractive prices, Pierce is changing the market for motorcycle enthusiasts in Europe. The Company's headquarters are in Stockholm, the distribution warehouse is in the Polish city of Szczecin and the main portion of customer support services is located in Barcelona. The Company has approximately 450 employees.

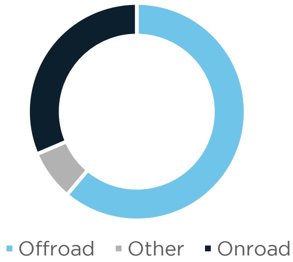
Pan-European operation

Geographical net revenue 2021 (%)[1]



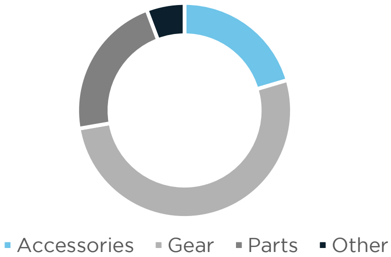
Motorcycle Specialist

Net revenue split by segment 2021 (%)[1]



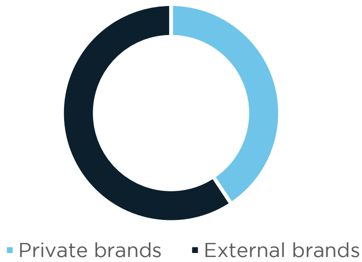
One-stop-shop offering

Net revenue split by category 2021 (%)[1]

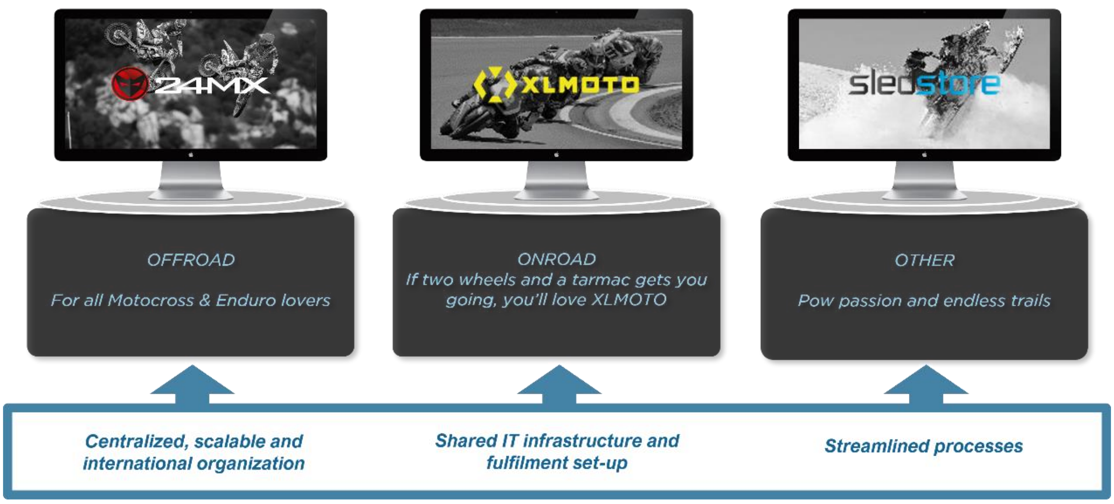


Strong private brands

Net revenue split by brand 2021 (%)[1]



Three niche sites on an operating platform



[1] Alternative Performance Measures (APM), see pages 76 - 81 for definitions and the purposes of these measures.

2021 in brief

SEKm (unless stated otherwise)	2021	2020	2019	2018
Net revenue	**1,594**	**1,523**	**1,243**	**942**
Growth[1]	*5%*	*23%*	*32%*	-
Growth in local currencies (%)[1]	*7%*	*24%*	*29%*	-
Gross profit	728	711	573	449
Profit after variable costs[1 2]	343	358	294	231
Overhead costs, depreciation and amortisation[1]	-285	-261	-266	-205
Adjusted operating profit (EBIT)[1 3]	**58**	**97**	**29**	**26**
Items affecting comparability[1]	-12	-17	-10	-30
Operating profit/loss (EBIT)[3]	46	81	19	-4
Profit /loss for the year	26	-1	-38	-26
Gross margin (%)[1]	45.7%	46.7%	46.1%	47.7%
Profit after variable costs (%)[1]	21.5%	23.5%	23.7%	24.5%
Overhead costs, depreciation and amortisation (%)[1]	17.9%	17.1%	21.4%	21.7%
Adjusted operating profit (EBIT) (%)[1]	3.6%	6.4%	2.3%	2.8%
Equity	441	57	59	95
Operating cash flow[1]	-96	117	-37	-63
Net debt excluding IFRS 16[1]	160	312	252	182

[1] See pages 76 - 81 for additional measurements, as well as definitions and purpose of those.
[2] Variable costs refers, in addition to cost of goods sold, to variable sales- and distribution costs. These include direct marketing costs as well as other direct costs and correlates essentially with net revenue. Other direct costs mainly consist of freight, invoicing and packaging.
[3] Operating profit (EBIT) includes depreciation and amortisation. Amortisation attributable to business acquisitions[1] amounted in 2021 to SEK 1.5 million, 2020 SEK 1.5 million, 2019 SEK 1.7 million and in 2018 to SEK 1.0 million.

- Average annual growth (CAGR) in net revenue, in local currencies, has been 16 percent since 2019. During the same period, adjusted EBIT varied significantly. In addition, both 2020 and 2021 were clearly impacted by Covid-19 related effects.
- The Company was listed on Nasdaq Stockholm during 2021 and, in conjunction with the listing, equity was strengthened, and, at the same time, net debt was reduced through the implementation of a new financing structure.
- Net revenue totalled SEK 1,594 million, an increase of 5 percent compared with 2020. In local currencies, growth was 7 percent. Financial year 2020 was positively impacted by Covid-19 related effects.
- Adjusted EBIT was SEK 58 (97) million, equivalent to a margin of 3.6 percent (6.4 percent). The change in EBIT was explained primarily by a combination of increased net revenue, lower gross margins and increased overhead costs.
- Operating profit (EBIT) was SEK 46 (81) million and was negatively impacted by items affecting comparability, SEK -12 (-17) million, comprised of costs primarily attributable to the Company's listing on the stock exchange.
- Both 2021 and 2020 were clearly impacted by Covid-19 related effects.
  - During 2020, it was, first and foremost, the second quarter's net revenue which had a positive impact from Covid-19, and growth for that quarter was 39 percent. Roughly estimated, it has been deemed that Covid-19 related effects impacted adjusted EBIT positively in an amount of SEK 15 million.
  - During 2021, shipping costs from Asia increased by just over SEK 30 million due to the global lack of containers. To date, Pierce has succeeded to only a limited degree in transferring these cost increases to its end customers.
  - Furthermore, Covid-19 related production and delivery disruptions took place during both 2020 and 2021. In addition, during the second half of 2021, customer behaviour patterns changed, and online traffic in the market developed less advantageously.
- The positive operating cash flow during 2020, totalling SEK 117 million, was explained largely by the strong increase in sales during the second quarter, which reduced net working capital. Operating cash flow during 2021 of SEK -96 million, was primarily related to increased inventories. Inventory had been adapted to meet an expected higher level of sales during the second half of the year and was also impacted by the increased buffer inventory built up due to the previous uncertainties in the production chain.

CEO's comment

A challenging year impacted by pandemic-related effects

A terrible war is taking place in Europe and we feel for all of those who have been, and are, suffering in this conflict. I want to express a huge sense of gratitude to all employees, in particular, to my Polish colleagues who are helping the victims of this tragic situation in many different ways. Our market is impacted by the war and we have also seen continued effects from the pandemic thus far in 2022. Even if the challenges and uncertainties are significant in the short-term, we expect the long-term driving forces for profitable growth, in line with our financial targets, to remain intact.

2021 was characterised by the extensive consequences of the pandemic. Net revenue totalled just below SEK 1.6 billion during the year, which was equivalent to a growth of 7 percent in local currencies. The effects of the pandemic impacted 2020 positively, and 2021 negatively, which complicates the comparison between the two years. If we extend the perspective and compare with 2019, compound annual growth (CAGR) during 2021 was just below 16 percent in local currencies.

Adjusted EBIT deteriorated from SEK 97 million to SEK 58 million, primarily due to several different pandemic-related effects such as decreased online traffic during parts of the year, increased shipping costs from Asia and higher purchase prices, partly as a result of increased raw materials costs for our suppliers. We succeeded to only a limited degree in transferring these cost increases to the end customers, given the market situation in hand.

We also saw challenges in terms of the weak predictability of deliveries during large parts of the year, particularly from Asia. The situation improved at the end of 2021 and prior to the start of the campaign season, stock availability was good. A weaker demand, in combination with the build-up of our inventories, implied that we chose to drive sales during the fourth quarter through a higher level of discounts and increased marketing. Despite these measures, the inventory was larger than planned at the end of the year. As a result, during the start of 2022, we focused on a variety of measures to increase sales and decrease the inventory. At the same time, the ambition is, going forward, to pass on the cost increases to the customers as much as possible through, amongst other things, price increases when the market allows, changed campaign activities, and changed purchasing routines.

Our long-term work with increasing and improving the assortment continues. A strong and unique assortment is the key to long-term success. It is gratifying that we have launched several additional attractive external brands during the past year, particularly within the Onroad segment where the growth potential for the coming years is the greatest. We are also continuing to develop new private brand products and launched a greater number of new products during 2021 than in 2020, even if the pandemic has implied major delays.

In addition, during the year we have worked to further improve both the IT infrastructure and the customer offering. Our IT systems have been stable and the customer satisfaction, which we measure via TrustPilot, reached a new record level at the end of 2021. Happy and satisfied customers are a positive confirmation of the work that is being done.

Building blocks to keep long-term targets intact

Last year was challenging and difficult to assess given the volatile market. Our opinion is that the difficulties and uncertainties will continue for some time to come. At the same time, we expect the building blocks to achieve growth in line with our long-term financial targets, that is, to grow by an average of 15 - 20 percent per year, to remain intact. Growth is expected to be primarily driven by a continued sales channel shift in the market as sales move from physical shops to online. We deem that the pandemic will not, in the long term, have a negative impact on this shift as more and more customers, not the least those on the Continent, have discovered online shopping during the restrictions. In addition, we have good opportunities to continue to take market shares in a very fragmented market.

Although profitability has been impacted by pandemic-related effects during a period, our long-term target of an adjusted operating margin of around 8 percent remains. Certain of the cost increases we have experienced are of a transitional nature and, over time, we estimate that the market will adapt to new cost levels. We also see strong possibilities to improve profitability in the future through decreased overhead costs in relation to net revenue as during recent years we have, amongst other things, launched a new and scalable platform.

Our leading position in the European market, with a broad assortment and competitive prices, suits current and future circumstances well. Uncertainties and the threat of inflation can impact our customers' wallets, but we believe that we are well positioned to deal with these challenges. A major portion of our customers are passionate motorcycle riders, both on the road and when they are not riding. Enjoying their hobby or travelling to work will continue to be a prioritised expense item and, with our broad assortment and price-worthy products, we can continue to serve the more price-conscious customers.

Preferential rights issue to strengthen the balance sheet

Pierce's credit facility is subject to financial covenants. The external environment, in combination with our plans to promote long-term sustainable and successful business operations, can imply challenges to comply with these covenants. As a result, the Board of Directors has determined to undertake a preferential rights issue, up to SEK 350 million, planned for the second quarter 2022. The purpose is to reduce Pierce's net debt and to continue the long-term growth strategy and implement measures for increased profitability. The Company's largest shareholder, Procuritas, has stated its support for the Rights Issue, as well as its intention to subscribe for its pro rata share. For more information refer to the section "Comments on the Group's financial position."

Finally, I wish to thank all our employees in Poland, Spain and Sweden for their whole-hearted involvement and important contributions during last year.

Stockholm, 10 May 2022

Henrik Zadig
CEO, Pierce Group AB

Market

Pierce's customer offering is primarily focused on the European market for motorcycle gear, parts, and accessories. This market is still in a relatively early phase in the shift from traditional, physical shops to online shops. The online portion of the market is expected, therefore, to grow by around 15 percent per year and to double[1] in size between 2019 and 2024. The market is divided into the segments, Offroad and Onroad.

Online shopping for motorcycle riders offers better accessibility, a larger product offering and comfort. It is often difficult to find products in physical shops due to the customers looking for accessories or parts which can be used with only a limited number of motorcycle models, particularly within the Offroad category. As a result, small physical shops, which comprise the majority of the market, cannot offer a similar competitive assortment, not the least as regards parts, as the assortment that can be offered by online retailers.

Motorcycle riders, particularly within Offroad, and the Onroad riders who are not urban commuters, are often passionate and can, themselves, repair their motorcycles. They are usually well informed and the need for guidance is, therefore, limited. The customers often look for niche products, such as parts and accessories. They return regularly to the shops as a high level of wear and tear, particularly within Offroad, implies that the parts and gear need to be continually exchanged. This leads to repeat purchases and a low level of returns.

The fragmented market provides a major potential for a shift to online trading

The European market for motorcycle gear, parts and accessories continues to be dominated by small local shops with a limited possibility to compete in the current shift toward online sales. The value of the European market totalled just over SEK 100[2] billion, of which the online market share was estimated at slightly more than 15 percent[3].

In total the market is expected to grow by approximately 3 percent per year. The online market share is expected to grow significantly quicker, around 15 percent per year[4] and is deemed by Pierce to reach around 25 percent [5] per year in 2024. This shift is facilitated by the fact that the products are well suited to online shopping.

Stable market with passionate customers

The market has shown to stand firm against economic swings and has historically grown in pace with the number of registered motorcycles. This strength is partially explained by the high level of engagement in the purchase of motorcycle products and partly by the high degree of wear and tear, as well as by repeat purchasing patterns when it comes to certain product categories. Motorcycle riders, particularly within Offroad, and the Onroad riders who are not urban commuters, are often very passionate about their riding.

The market is comprised of gear (about 55%), parts (about 25%) and accessories (about 20%). Examples of gear include streetwear and helmets. Accessories include, amongst other things, oils and tools, while parts include tires and air filters.

Two major segments, large geographical differences

Motorcycle riding, including riding in competitions, for pleasure and in urban commuting, is widespread in all of Europe, and is characterised by clear geographical differences. Onroad riders in southern Europe see motorcycle riding, to a greater degree, as a form of transport compared with northern and central Europe where it is seen to be more of a leisure activity.

Onroad motorcycles are developed to be ridden on asphalt roads and tracks, while Offroad motorcycles, such as motocross and enduro, are usually ridden on special tracks or in terrain where there is no tarmac. Motorcycle riders in competitions, riding for leisure or who commute, belong to the Onroad segment, while Offroad riders are either competition or leisure riders. Onroad is the largest market segment with approximately 88 percent of the market while the Offroad segment accounts for about 12 percent.

Offroad riders are usually younger than Onroad riders and usually generate a larger degree of wear and tear due to the tougher conditions. As a result, they incur higher annual costs for the gear, accessories and parts. In addition, often the Offroad riders go over to Onroad riding when they get a bit older.

The online penetration in the Onroad market was estimated[6] at slightly more than 13 percent in 2019, while it was higher in the Offroad market, slightly more than 22 percent. The higher online penetration in the Offroad market was explained by, amongst other things, fewer physical shops with relevant products, implying that the motorcycle riders turned, to a greater degree, to the online sellers, such as Pierce.

Both segments have historically been characterised by low, one digit growth levels, and have been relatively insensitive to low economic cycles, parallel with the rapid transition to online sales.

The Offroad and Onroad segments are expected[7] to grow by around 1 and 3 percent, respectively, while the online market for the respective segments is expected to grow by slightly more than 10 and 15 percent per year over time.

Environmental trend and electric motorcycles comprise a long-term potential

The environmental trend is driving the interest in electric motorcycles, particularly within Offroad segment. This interest is driven by electric motorcycles' lower noise levels and their environmental impact compared with gas powered motorcycles, which limits the accessibility to racing tracks today. Even if the interest in electric motorcycles has increased, it has not yet been possible to see a breakthrough for electric motorcycles.

[1] Source: Pierce Group AB prospectus, page 38.
[2] Source: Pierce Group AB prospectus, page 38.
[3] Source: Pierce Group AB prospectus, page 38.
[4] Source: Pierce Group AB prospectus, page 38.
[5] Source: Pierce Group AB prospectus, page 38.
[6] Source: Pierce Group AB prospectus, page 39.
[7] Source: Pierce Group AB prospectus, page 39.

Pierce is leading within Offroad in Europe

Pierce has a strong market position within the Offroad segment in Europe and within the Onroad in the Nordics. The Company is the online market leader in the European Offroad market with an estimated online market share of approximately 30 percent[1]. Pierce has been a challenger in the European Onroad market since 2017 when XLMOTO was launched and since that time has secured an online market share in Europe of about 4 percent[2].

Pierce's competitive advantages are comprised primarily of a scalable European platform, long-term relationships with a number of leading brands and the fact that the Company has private brands for which there is a large and recurrent demand from its customers.

Outside the Nordics, Pierce sells, mainly, to other European markets. Italy, Germany, and Spain are the largest European markets with about 25 percent, 18 percent and 14 percent of the total European market, respectively[3].

Pierce is a leading player in the Nordics as regards accessories and gear for snowmobiles

Pierce is a leading player in the Nordic market for accessories and gear for snowmobiles. This market shares the attractive characteristics of the motorcycle riding market, that is, products with a high degree of customer involvement, wear and tear and repeat purchases. The market is, naturally, seasonal, and dependent on weather conditions. The market has shown growth during that last ten years, partly driven by the number of snowmobile riders increasing in Sweden, with a historical annual growth rate of approximately 3 percent. Finland and Norway have shown a similar development. Snowmobile riders are deemed to spend the same amount on accessories and gear as Offroad riders.

[1] Source: Pierce Group AB prospectus, page 43.
[2] Source: Pierce Group AB prospectus, page 43.
[3] Source: Pierce Group AB prospectus, page 39.

Offering, strategies and financial targets

Offering

Offering to customers

Pierce is an online destination for motorcycle riders and has approximately 1.1 million active customers.

Pierce offers its customers:

- a broad and relevant product offering,
- competitive prices and attractive campaigns,
- a competitive user experience – entirely locally adapted websites, its own developed tool, Fit-My-Bike, which helps customers find the right parts, and executes efficient deliveries, as well as
- a strong and engaged online community, with 1.3 million followers in the social media.

Offering to suppliers

Pierce is a partner of more than 150 suppliers striving to reach customers in the European online market. With long-term and good relationships with its suppliers, the Company can by-pass distributors and make its purchases directly from the various brands.

Pierce offers its suppliers:

- access to a quickly growing online sales channel,
- scalability and range – the industry is fragmented, with only a few major players having the ability to offer access to customers in Europe to the same degree as Pierce can offer, and financial strength in placing large orders.

Major strategies

Growth through taking advantage of the transition to online commerce

Pierce's market is experiencing a structural shift from traditional physical shops to online shops and the online market is expected to grow on average by 15 percent per year up and until 2024. This is equivalent to a doubling between 2019 and 2024[1] .

In continuing to strengthen our market shares through attracting both new and returning customers, the customer experience is decisive. The goal is to further improve this by offering competitive prices, attractive campaigns, further strengthening of the assortment with popular external and private brands and to offer a locally adapted user experience.

Strengthened range

Pierce has a broad assortment of its private brands and popular external brands. Private brands are particularly important as they drive loyalty, protect against price competition and secure a good level of profitability. The sale of private brands comprised about 40 percent of total sales during 2021. The possibilities to become a product leader within further popular categories in the different segments in the market is evaluated on an ongoing basis and the assortment is successively expanded through both popular external brands and new private brands. Pierce continually invests in its own product development in order to create strong brands within its chosen segments.

Strengthened loyalty from existing customers

Pierce invests, on an ongoing basis, in initiatives aimed at improving customer loyalty. Through the analysis of customer data, the premises are created to segment the customer base and increase the relevance of the offerings. The goal is to offer, over time, an increasingly personal shopping experience and even more focused and relevant marketing activities.

Additional economies of scale in the business

The structure and scope of the operations can manage significant future increases in volume. The Company has undertaken several initiatives with the aim of improving scalability and optimising the business processes and, in this manner, creating the possibility for long-term growth and increased scalability effects, leading to improved profitability in pace with the Company's expansion.

Further geographical expansion over time

Pierce regularly evaluates the possibility of launching into new European markets and there is also the potential to expand to selected markets outside Europe. During the next 12 months it is unlikely that any major investment in new markets will take place.

Selective company acquisitions

In order to grow the operations, selective company acquisitions also give a possibility for expansion, on the condition that they provide access to new brands, new geographies or with closely related verticals that can be added onto Pierce's existing platform.

[1] Source: Pierce Group AB prospectus, page 38.

Pierce's financial targets

The Board of Directors has adopted the following financial targets[1]:

Growth – 15-20%
In the medium to long term, grow net revenue by 15-20 percent 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[2] not to exceed 2.0x, subject to temporary flexibility for strategic initiatives.

Dividend policy
In the coming years, free cash flows[3] are planned to be used for the continued development[4] of the Company and will, therefore, not be distributed to the shareholders.

Pierce major strategies

[1] The Board of Directors adopted the financial targets in December 2020. By medium to long term is meant 3-5 years.
[2] Alternative Performance Measures (APM), see pages 76 - 81 for definitions and the purposes of these measures.
[3] Free cash flow refers to cash flow from operating activities and investing activities.
4 Development of the company refers to e.g., investments in IT-hardware, IT-development, expansion of distribution warehouses, marketing, customer acquisition and business and asset acquisitions.

Our segments

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 and accessories. Pierce has one more segment, Other, which primarily focuses on sales to snowmobile riders.

Overall summary

SEKm	2021	2020	2019	2018
Net revenue				
Offroad	974	952	731	553
Onroad	500	461	416	306
Other	119	110	96	83
Net revenue	**1,594**	**1,523**	**1,243**	**942**
Gross profit				
Offroad	462	460	361	282
Onroad	209	195	172	131
Other	59	50	45	41
Intra-group costs[1]	-2	5	-5	-4
Gross profit	**728**	**711**	**573**	**449**
Profit after variable costs[2 3]				
Offroad	238	254	209	167
Onroad	78	73	65	45
Other	29	26	26	23
Intra-group costs[1]	-2	5	-5	-4
Profit after variable costs[2 3]	**343**	**358**	**294**	**231**

[1] Intra-group costs, consists of exhange rate revaluation of net working capital items which are not divided between segments.
[2] See pages 76 - 81 for additional measurements, as well as definitions and purpose of those.
[3] Variable costs refers, in addition to cost of goods sold, to variable sales- and distribution costs. These include direct marketing costs as well as other direct costs and correlates essentially with net revenue. Other direct costs mainly consist of freight, invoicing and packaging.
For more information about segments, see Note 4.

Pierce originally operated within the Offroad segment and launched Onroad outside the Nordics in a large scale as late as 2018. This is the reason net sales continue to be approximately double as high in Offroad compared with Onroad, in spite of this submarket being several times larger than the Offroad market. Pierce estimates that its market share of the total European online market within Offroad at 30[1] percent and about 5 percent[2] within Onroad. The margin after variable costs is higher within Offroad primarily as a result of the competition being generally greater in the significantly larger Onroad market.

[1] Source: Pierce Group AB prospectus, page 43.
[2] Source: Pierce Group AB prospectus, page 43.

Offroad 24MX

SEKm (unless stated otherwise)	2021	2020	2019	2018
Net revenue	974	952	731	553
Growth (%)[1]	2%	30%	32%	-
Gross profit	462	460	361	282
Gross margin (%)[1]	47.5%	48.3%	49.4%	51.1%
Profit after variable costs[1 2]	238	254	209	167
Profit after variable costs (%)[1]	24.5%	26.7%	28.6%	30.2%
Number of orders (thousands)[1]	1,064	1,045	803	644
Average order value (AOV) (SEK)[1]	916	911	911	859
Net revenue from private brands[1]	381	360	294	227
Active customers last 12 months (thousands)[1]	660	630	468	N/A

[1] See pages 76 - 81 for additional measurements, as well as definitions and purpose of those.
[2] Variable costs refers, in addition to cost of goods sold, to variable sales- and distribution costs. These include direct marketing costs as well as other direct costs and correlates essentially with net revenue. Other direct costs mainly consist of freight, invoicing and packaging.
For more information about segments, see Note 4.

Net revenue approaching one billion

- Average annual growth (CAGR) in net revenue from 2019 totalled 15 percent.
- Profit after variable costs in relation to net revenue decreased somewhat during recent years. This is explained by a lower gross margin and increased variable customer acquisition costs. However, the segment continues to show good profitability.
- Growth during 2020 was positively impacted by Covid-19 related effects and during the second quarter of that year totalled 48 percent. At the same time, growth was negatively impacted by Covid-19 related effects during 2021. This explains the relatively low growth experienced during the 2021 financial year.
- Growth in the second half year 2021 was negatively affected by the online traffic in the market developing less favourably. During the same period, shipping prices from Asia increased sharply due to the global lack of containers, which had a negative effect on gross margin and profitability.

Onroad XLMOTO

SEKm (unless stated otherwise)	2021	2020	2019	2018
Net revenue	500	461	416	306
Growth (%)[1]	8%	11%	36%	-
Gross profit	209	195	172	131
Gross margin (%)[1]	41.8%	42.3%	41.3%	42.7%
Profit after variable costs[1 2]	78	73	65	45
Profit after variable costs (%)[1]	15.6%	15.9%	15.6%	14.7%
Number of orders (thousands)[1]	568	588	601	595
Average order value (AOV) (SEK)[1]	881	785	692	514
Net revenue from private brands[1]	166	162	128	95
Active customers last 12 months (thousands)[1]	414	428	344	N/A

[1] See pages 76 - 81 for additional measurements, as well as definitions and purpose of those.

[2] Variable costs refers, in addition to cost of goods sold, to variable sales- and distribution costs. These include direct marketing costs as well as other direct costs and correlates essentially with net revenue. Other direct costs mainly consist of freight, invoicing and packaging.

For more information about segments, see Note 4.

Stable profitability during recent years

- Average annual growth (CAGR) in net revenue from 2019 totalled 10 percent.
- Profit after variable costs in relation to net revenue has been stable during the last three years and has been positively impacted by a higher average order value.
- The growth rate during 2020 was somewhat positively impacted by Covid-19 related effects, but not to the same degree as for Offroad.
- Growth during the second half year 2021 was negatively impacted by the online traffic in the entire market developing less favourably. During the same period, shipping prices from Asia increased greatly due to the global lack of containers, which had a negative effect on gross margin and profitability.

Performance measures - Group

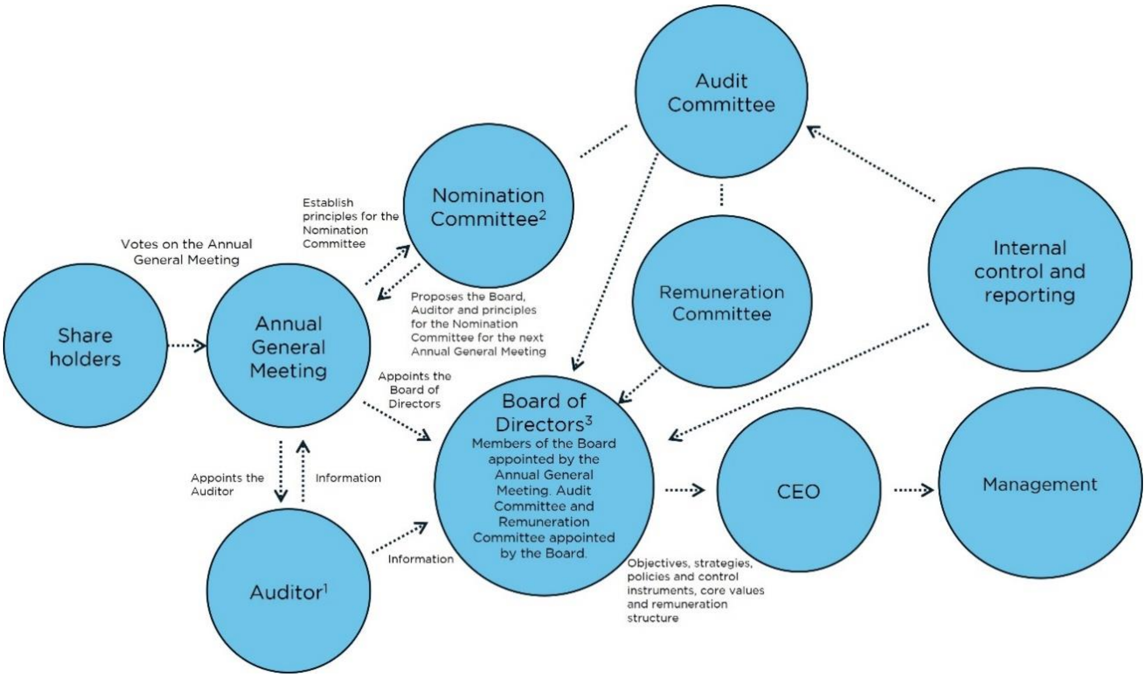
SEKm (unless stated otherwise)	2021	2020	2019	2018
Revenue measures				
Net revenue per geographical area				
Nordics	563	507	447	370
Outside the Nordics	1,031	1,016	796	572
Net revenue	**1,594**	**1,523**	**1,243**	**942**
Growth per geographical area				
Nordics (%)[1]	11%	13%	21%	—
Outside the Nordics (%)[1]	1%	28%	39%	—
Growth (%)[1]	**5%**	**23%**	**32%**	**—**
Performance measures				
Gross margin (%)[1]	45.7%	46.7%	46.1%	47.7%
Profit after variable costs (%)[1]	21.5%	23.5%	23.7%	24.5%
Overhead costs (%)[1]	15.0%	14.5%	19.0%	21.0%
Amortisation and depreciation (%)[1]	2.9%	2.6%	2.3%	0.8%
Adjusted operating margin (EBIT) (%)[1]	3.6%	6.4%	2.3%	2.8%
Earnings per share before dilution (SEK)	0.68	-0.02	-1.12	-0.76
Earnings per share after dilution (SEK)	0.68	-0.02	-1.12	-0.76
Cash flow- and other financial measures				
Operating profit (EBIT)	46	81	19	-4
Investments[2]	-26	-29	-26	-27
Operating profit (EBIT) minus investments	**20**	**52**	**-6**	**-31**
Changes in net working capital	-137	45	-40	-47
Other non-cash items[1 3]	21	20	9	14
Operating cash flow[1]	**-96**	**117**	**-37**	**-63**
Net change in loans	-331	-115	140	76
Paid/received blocked funds and business acquisitions	14	-14	—	-23
Other cash flow[1 4]	342	-8	-15	-8
Cash flow for the period	**-71**	**-19**	**88**	**-18**
Cash and cash equivalents[5]	18	87	111	23
Net debt excluding IFRS 16[1 5]	160	312	252	182
Net debt/EBITDA[1 6]	2.0	2.8	6.6	5.4
Net working capital[1 5]	260	120	168	136
Operating measures				
Number of orders (thousands)[1]	1,735	1,724	1,485	1,313
Average order value (AOV) (SEK)[1]	919	884	837	717
Net revenue from private brands[1]	609	571	459	345
Active customers last 12 months (thousands)[1]	1,148	1,118	868	706

[1] See pages 76 - 81 foradditional measurements, as well as definitions and purpose of those.
[2] Investments regards cash flow from investments excluding paid/received blocked funds and business acquisitions. Business acquisitions only refers to the financial year 2018.
[3] 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.
[4] Other cash flow mainly regards paid tax, paid financial net and new share issues and issue of warrants excluding paid issue costs.
[5] Measures correspond to each period end.
[6] Net debt refers to the alternative performance measure net debt excluding IFRS 16, and EBITDA refers to the measure adjusted EBITDA excluding IFRS 16. Adjusted EBITDA excluding IFRS 16, amounted to SEK 81 (113; 38; 34) million.

Corporate governance report

Corporate governance report

Pierce's corporate governance serves to strengthen the confidence of customers, the general public and the capital markets through a clear division of responsibilities and well-balanced rules between owners, the Board of Directors, management and the different control functions. Pierce Group AB (publ) (”Pierce”, ”the Company”) is a Swedish public limited company domiciled in Stockholm. The Pierce share is listed on Nasdaq Stockholm (Mid Cap).



Corporate governance within Pierce

Examples of external regulations affecting the governance of Pierce:

- Swedish Companies Act
- Accounting regulations and recommendations
- Nasdaq's Nordic Main Market Rulebook for Issuers of Shares
- Market Abuse Regulation (MAR)
- Swedish Corporate Governance Code

Examples of internal regulations affecting the governance of Pierce:

- Articles of Association
- Rules of Procedures for the Board of Directors and committees and instructions for the CEO
- Other internal regulations (comprised of policy documents and instructions) such as the Code of Conduct, decision-making and delegation procedures, internal control policy, etc.

General information

This Corporate Governance Report has been prepared in accordance with the regulations stipulated in the Annual Accounts Act and the Swedish Corporate Governance Code **(”the Code”)** with the purpose of describing Pierce's corporate governance during 2021. Corporate governance within Pierce includes the structures and procedures for the governance, management and control of the operations and aims at creating value for Pierce's owners and other stakeholders.

Pierce applies the Code in its entirety as of the listing of its shares on Nasdaq Stockholm. In addition, Pierce adheres to the applicable regulations found in the Swedish Companies Act, Annual Accounts Act, Nasdaq's Nordic Main Market Rulebook for Issuers of Shares, the resolutions of the Swedish Securities Council, Pierce's Articles of Association, laws, ordinances, and governmental regulations, as well as with the regulations in those countries in which Pierce undertakes operations.

The Code is based on the principle ”comply or explain”, which implies that a company can deviate from the Code if an explanation for such deviation is provided. During the period to which the annual report refers, Pierce has complied with the Code in its entirety.The Code can be accessed on www.bolagsstyrning.se, where the Swedish Corporate Governance Model is also described. www.bolagsstyrning.se,

Pierce's Articles of Association are found on www.piercegroup.com.

Shareholders

At the end of 2021, Pierce's largest shareholder, Procuritas, owned 32.9 percent of all of the outstanding shares in Pierce. See also the section ”The share and ownership” below.

Meeting of shareholders

The meeting of shareholders is Pierce's highest decision-making body, at which the shareholders exercise their right to decide regarding Pierce's affairs. Each share is equivalent to one vote. A shareholder has the right to have a matter addressed at a meeting of shareholders, and at the annual meeting of shareholders the shareholders also have the possibility of presenting questions regarding Pierce's operations.

Prior to the listing of Pierce, two extraordinary meetings of shareholders were held, on 20 January 2021 and on 25 March 2021, at which resolutions were adopted, inter alia, to change the corporate category from private to a public limited liability company, new articles of association, to undertake a share split, to increase share capital through a bonus issue, a new share issue with deviation from the shareholders'

[1] The auditor's assignment is to examine the company's annual report and accounting as well as the Board's and the CEO's administration on behalf of the shareholders.
[2] The Nomination Committee prepares proposals for resolutions to be presented for the Annual General Meeting. The Annual General Meeting resolves on principles for the appointment of a Nomination Committee
[3] Board establishes the committees and appoints the committee members.

preferential rights and to issue a warrant program, as well as to issue such warrants with deviation from the shareholders' preferential rights.

The annual meeting of shareholders is to be held within six months from the end of each financial year. At the annual meeting of shareholders on 23 February 2021:

- the income statements and balance sheets for the Company and Group were adopted,
- it was resolved to grant the Board of Directors and CEO discharge from liability for financial year 2020,
- members of the Board of Directors, the chairman of the Board and an auditor were elected,
- remuneration to the Board of Directors and auditor were determined,
- guidelines for remuneration to senior executives were adopted,
- instructions for the Company's Nomination Committee were adopted, and
- the Board of Directors was authorised to resolve on new share issues and issuance of warrants and convertibles.

Resolutions taken at meetings of shareholders are made public in a press release after the meeting and the minutes of the meetings are published on Pierce's home page.

The annual meeting of shareholders 2022 is planned to take place on 3 June 2022.

Nomination Committee

The Nomination Committee is appointed according to guidelines adopted by the annual meeting of shareholders and is a drafting body for the annual meeting of share-holders, which is regulated by the Code. The Nomination Committee is responsible for preparing and presenting proposals for the chairman, Board Members, Board remuneration (to be divided between the chairman, Board Members and for committee work), the chairman of the annual meeting of shareholders, auditors' fees and the appointment of the auditors, and also presents a proposal for the rules/instructions for the Nomination Committee. The Nomination Committee's proposals are presented in the notice of the annual meeting of shareholders and on Pierce's home page.

At the annual meeting of shareholders 2021, the chairman of the Board was assigned the task of convening the three largest shareholders in Pierce, based on information from Euroclear Sweden AB on the last banking day in August and on other reliable shareholder information provided to the Company at such time, and to offer each of these share-holders the possibility to appoint a representative to serve on the Nomination Committee.

The composition of the Nomination Committee prior to the annual meeting of shareholders 2022 was published on 8 October 2021. The Nomination Committee is comprised of:

- Johan Conradsson (Chairman; appointed by Procuritas Capital Partners V LP),
- Daniel Petersen (appointed by Dimela Ltd), and
- Suzanne Sandler (appointed by Handelsbanken Fonder).

The chairman of the Board has been assigned to serve as adjunct member of the Nomination Committee. Pierce's General Counsel serves as the Nomination Committee's secretary. The chairman of the Board reported the results of the 2021 Board evaluation to the Nomination Committee, which also held separate meetings with all of the Board Members and with the CEO. The shareholders have been provided the possibility to present proposals to the Nomination Committee. The Nomination Committee has held, at the point in time this report is presented, five meetings at which minutes have been recorded. No remuneration is paid to the Nomination Committee members.

In preparing its proposals to the annual meeting of share-holders 2022, the Nomination Committee has applied 4.1 of the Code as its diversity policy.

Board of Directors

General information

The Board of Directors has the overall responsibility for the management of the Company's affairs in the interest of the shareholders. In accordance with the Articles of Association, the Board shall be comprised of a minimum of three, and a maximum of ten, members with a maximum of ten deputies. At the annual general meeting it was resolved that the Board shall comprise of six Board Members without deputies (the Board composition was unchanged in comparison with the 2020 annual meeting of shareholders with the exception of Thomas Ekman who had been elected Board Member at an extraordinary meeting of shareholders on 15 December 2020): Ketil Eriksen, Gunilla Spongh, Stefan Rönn, Mattias Feiff, Shu Sheng and Thomas Ekman. Ketil Eriksen was elected Chairman of the Board. The Board has no union representatives. Further information regarding the Board Members, including their shareholdings, is found in pages 22-24.

Ketil Eriksen, Gunilla Spongh and Thomas Ekman have been deemed by the Nomination Committee to be independent in relation to the Company and its executive management, as well as in relation to the major shareholders. Mattias Feiff and Shu Sheng have been deemed by the Nomination Committee to be independent in relation to the Company and its executive management but not in relation to the major shareholders. Stefan Rönn has been deemed by the Nomination Committee to be independent in relation to the major shareholders, but not in relation to the Company and its executive management. The Board composition thus meets the requirements of the Code in this regard.

The Company's CEO is not a Board Member, but participates in Board meetings, except when the Board addresses questions regarding the evaluation of the Board's work or evaluation of the work of the CEO. The Company's General Counsel serves as the secretary of the Board. The Board has established an Audit Committee and a Remuneration Committee. The Board have also had separate meetings with the auditor of the Company.

The committees have, primarily, a preparatory role and do not assume the obligations and responsibilities incurred by the Board Members. The committees are presented in more detail below.

The rules of procedure for the Board of Directors

Each year, the Board of Directors evaluates and adopts rules of procedure, instructions to the committees, an instruction to the CEO, as well as instructions regarding the financial reporting. These governance documents include instructions both as regards the segregation of duties between the Board, the CEO and Board committees, respectively, and the Company's ongoing financial reporting. The Board's rules of procedure are based on the Swedish Companies Act's overall regulations regarding the segregation of duties between the Board and CEO, respectively and, in general, on the Board's approved decision-making authority.

The rules of procedure also regulate other matters, such as;

- the number of Board meetings and the matters to be addressed at the meetings,
- the chairman's, committees' and CEO's duties and the decision-making authority they have, as well as determining a clear regulation of matters subject to Board resolution,
- evaluation of the Board and the work performed by the Board and evaluation of the work of the CEO and work performed by the CEO,
- Board meetings practicalities and formalities and minutes of the Board meetings.

Board meetings

The Board of Directors meets regularly in accordance with the schedule in the rules of procedures. Each Board meeting follows a predetermined agenda. The agenda, as well as documentation regarding each topic of information or decision-making matter on the agenda, is distributed well in advance of each meeting to all Board Members. Resolutions by the Board are adopted after an open discussion led by the chairman. During 2021, the Board held 22 (16) minuted meetings. During the year, the Board has placed special attention on the following matters:

- the Company's listing and associated matters,
- strategy matters,
- follow-up of the operations (sales, marketing, purchase, logistics matters, etc.),
- the Group's results and financial position,
- sustainability issues,
- financial reporting,
- the Company's financing,
- corporate governance, risk management and internal control,
- potential company acquisitions and investments,
- the Company's risk appetite,
- compliance with laws and regulations,
- incentive programs, and
- evaluation of the work performed by the Board of Directors and the CEO.

Pierce's auditors participated in one Board meeting during the year (and in four of the Audit Committee's meetings).

Evaluation of the Board of Directors and CEO

The Board undertakes an annual evaluation of its composition and work with the aim of highlighting matters regarding its composition, focus areas of the Board, Board material, meeting environment, and to identify areas for improvement. The chairman has reported the results of the evaluation to the Nomination Committee and to the Board. The Board evaluates, on an ongoing basis, the CEO and work performed by the CEO and addresses these matters on a regular basis.

Attendance at Board meetings 2021:

Ketil Eriksen	22/22
Gunilla Spongh	22/22
Mattias Feiff	21/22
Shu Sheng	21/22
Stefan Rönn	22/22
Thomas Ekman	21/22

Remuneration to the Board of Directors

The 2021 annual meeting of shareholders resolved on the granting of remuneration totalling SEK 850,000 to be paid to the Board, of which SEK 450,000 to Ketil Eriksen and SEK 200,000 each to Thomas Ekman and Gunilla Spongh. In addition, the 2021 annual meeting of shareholders resolved that remuneration was to be paid for work undertaken in the Board's committees – however not to Mattias Feiff, Stefan Rönn and Shu Sheng – in a total of SEK 120,000, of which SEK 60,000 to the Chairman of the Audit Committee, SEK 30,000 to the members of the Audit Committee and SEK 30,000 to the Chairman of the Remuneration Committee.

Audit Committee

The Audit Committee has a preparatory role and reports its work to the Board. The duties of the Audit Committee include:

- monitoring of the Company's financial reporting,
- monitoring of the effectiveness of the Company's internal control, internal audit, and risk management about the financial reporting and in general,
- keeping informed as regards the audit,
- assessing the auditor's impartiality and independence and assisting the Nomination Committee in conjunction with the appointment of auditor.

The Committee has established guidelines regarding non-audit services provided by the Company's external auditor.

Since the annual meeting of shareholders 2021, the Audit Committee is comprised of Gunilla Spongh (Chairman), Thomas Ekman, Mattias Feiff and Shu Sheng. The two first named individuals are deemed independent in relation to the Company, the Company's executive management and the major shareholders. Mattias Feiff and Shu Sheng are deemed independent in relation to the Company and Company's executive management, but not in relation to the major shareholders.

The Company's CFO, Head of Financial Control and General Counsel usually participate in the audit committee's meetings. The General Counsel has also served as the secretary for the Audit Committee.

The Audit Committee met 9 (17) times during 2021.

The Company's external auditors participated in four meetings. The matters addressed by the Audit Committee during the year have, inter alia, pertained to the following:

- the listing,
- financial reporting,
- risk management,
- compliance with laws and regulations
- internal control matters, and
- accounting matters.

In addition, the committee has addressed the annual accounts and the audit work performed for the Company, presented a recommendation for the appointment of an external auditor to the annual meeting of shareholders, addressed tax and financing issues the quality assurance the Company's financial reporting.

Attendance at Audit Committee meetings 2021:

Gunilla Spongh	9/9
Mattias Feiff	7/9
Shu Sheng	9/9
Thomas Ekman	9/9

Remuneration Committee

The duties of the Remuneration Committee include:

- the preparation of the Board's resolutions in matters regarding the principles for remuneration and other terms of employment for the Company's senior executives,
- the follow-up and evaluation of the programmes for variable remuneration to the senior executives, and
- the follow-up and evaluation of the application of the guidelines for remuneration and remuneration levels within the Group.

Furthermore, the Remuneration Committee assists the Board in formulating proposed guidelines for remuneration to senior executives which the Board presents to the annual meeting of shareholders, and it also monitors and evaluates the application of these guidelines.

The CEO usually attends the meetings of the Remuneration Committee, and on occasion the Company's Chief People Officer and General Counsel. The latter also serves as the Remuneration Committee's secretary. During 2021 the Committee had 3 (4) meetings with all committee members in attendance. The work has been focused on proposing goals and on the outcome of incentive programs, succession planning and preparations for the 2022 annual meeting of shareholders.

Guidelines for remuneration to senior executives

The 2021 annual meeting of shareholders adopted the Board's proposal for guidelines for remuneration and other terms of employment for senior executives. The guidelines regulate, inter alia, the relationship between fixed and variable remuneration, between remuneration and performance, non-financial benefits, matters regarding pensions, termination of employment and severance pay, and how these issues are addressed by the Board.

The guidelines for remuneration to senior executives are reported in Note 8 – Employees and personnel costs. In accordance with the Swedish Companies Act and the Swedish Corporate Governance Board's Rules on Remuneration of the Board and Executive Management and on Incentive Programmes, the Remuneration Report is available on www.piercegroup.com.

Executive management

Pierce's executive management is comprised of the Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Purchasing Officer (CPO), Strategy & Corporate Development Director, Chief People Officer (CHRO), Chief Operating Officer (COO) and Sales Director (SD). The management meets regularly and discusses and takes decisions regarding strategic and operational issues, financial developments, and guidelines. These discussions, decisions, and guidelines also a part of the risk management, the control of the financial reporting and internal control in general. Further information regarding the management is found in pages 25-26.

Internal audit

The Board of Directors annually evaluate the requirement of a separate independent review function (internal audit). Currently, the Company has no such separate independent function, as the Board has deemed that there are no special circumstances in the operations or other conditions motivating the establishment of such a function, and that the existing structure for follow-up and the activities undertaken within the framework of internal control (see next page) provide a sufficient basis for review.

Auditors

At the 2021 annual meeting of shareholders, the auditing firm Ernst & Young AB ("EY") was reappointed as auditors of Pierce until the end of the 2022 annual meeting of shareholders. Jonatan Hansson, Authorised Public Accountant and member of FAR, has served as auditor-in-charge for Pierce since 2020.

The Company's Audit Committee has adopted guidelines for EY's provision of services to Pierce in addition to the audit assignment services. As auditor of the Company, EY is obliged to test its independence prior to each decision to provide services which are in addition to the audit assignment services. The amount of remuneration paid to EY is stated in Note 7 – Remuneration to Auditors.

Internal control

General information

The Board is responsible for Company having sound internal control and ensuring that it has formalised routines assuring compliance with the adopted principles for financial reporting and internal control. The Board's Audit Committee monitors compliance with the adopted guidelines for financial reporting and internal control and has ongoing contact with the Company's auditors. The goal is to ensure that applicable laws and regulations are complied with, that the financial reporting follows the Company's accounting principles according to IFRS and that the operations are carried out in an effective and appropriate manner.

The Company has established a routine for internal control aimed at achieving an effective organisation which fulfils the goals established by the Board. This routine includes ensuring that the Company's operations are carried out in a correct and effective manner, that laws and regulations are complied with and that the financial reporting is correct and reliable and in accordance with the applicable laws and regulations. The Company has chosen to structure the work with internal control in accordance with the COSO framework which includes the following components: control environment, risk assessment, control activities, information and communication and monitoring and follow-up.

Control environment

Pierce's control environment is based on the segregation of duties between the Board, Board committees and the CEO, as well as on the values which the Board and Company management communicate and on which its work is based. In order to maintain and develop a well-functioning control environment, in compliance with applicable laws and regulations, and in order for Pierce to undertake its operations in the manner in which it desires throughout the entire Group, the Board has, as ultimately responsible corporate body, established a number of fundamental governance documents, policies, routines and instructions which are significant to the risk management and internal control of the Company. These documents include, for example:

- the rules of procedure for the Board,
- instructions for the CEO,
- instructions for financial reporting,
- Code of Conduct,
- risk management instruction,
- Corporate Governance policy, and
- internal control policy.

Pierce's executive management also establishes, other, more detailed, governance documents for its operations. Policies, descriptions of routines and instructions are distributed to the employees concerned within the Pierce Group. All new employees must sign the Code of Conduct and other applicable governance documents.

Risk assessment

Pierce has established a routine for risk assessment entailing that the Company annually undertakes a risk analysis and risk assessment. According to this routine, risks are identified and categorised based on the following four main areas:

- strategic risks,
- operational risks,
- legal and regulatory risks, and
- financial risks (see Note 24).

The Company's goal with the risk analysis is to identify the most material risks which could hinder the Company from achieving its goals or from implementing its strategy. The purpose is also to evaluate these risks based on the likelihood of them arising in the future and the degree to which the risks could impact the Company's goals should they arise. The risk analysis also serves the purpose of assessing the effectiveness of risk measures.

The risks are evaluated and graded on a scale from 1-5 based on the likelihood that they will arise and their potential impact. As regards the most material risks, with a total risk value of 12 or higher, there is a concrete action plan to decrease or eliminate the risk exposure. The risks with a risk value of 9 or higher are monitored carefully during the year.

For all risks, regardless of risk value, potential risk measures are documented to decrease or eliminate the risk exposure and a specific risk owner is assigned. Identified risks are reported by the Company's management to the Board. The Board evaluates the Company's risk management system, including risk assessments, in an annual risk management report in which the 20 most significant risks are presented together with the relevant risk measures.

Control activities

In addition to the annual risk assessment, the risks are continually evaluated on an ongoing basis as a part of the daily operations by the Company's management and the individual risk owners. The CEO reports regularly to the Board regarding possible risk related issues.

The Company focuses on mapping and evaluating the most material risks related to the financial reporting to ensure that the Company's reporting is correct and reliable.

Information and communication

Internal communication to employees is made via a variety of channels, including newsletters, regular forums/ meetings at various levels (from so-called ”Townhall meetings”, which include all employees, to meetings in operative groups), as well as via an internal portal for employees which contains overarching policies, descriptions of routines and instructions. Detailed descriptions of routines and instructions are also distributed within the various operating groups.

Pierce also has established routines for the appropriate handling and limitation of the dissemination of information, both internally and externally. In this context, the Company has established an investor relations function and an insider committee which is monitored by the Company's CEO and CFO. The investor relations-function's major responsibility is to support the CEO and executive management in relation to the capital markets. The investor relations function also works with the preparation of Pierce's financial reports, the annual meetings with shareholders, capital market presentations and other reporting. The purpose of the Company's insider committee is to assure that Pierce discloses information in accordance with applicable laws and regulations. In addition to the CEO and CFO, the Company's General Counsel is a member of the committee and is, from time to time, involved in investor relations issues. The investor relations function has also received assistance during the year from an external consultant to ensure correct management of these matters.

Monitoring and follow-up

The Company has appointed a so-called Internal Control Coordinator (currently the CFO) ("ICC") who monitors the framework for, and the follow-up of, the internal control. The ICC is responsible for the coordination, reporting and monitoring of the internal control activities undertaken in the entire organisation and for initiating training, as well as for the updating of the applicable governance documentation. In addition, individual process and control owners are assigned within the organisation.

The ICC produces an annual plan for internal control stipulating the specific focus areas within internal control for the forthcoming year, including an overview of the framework for internal control and the processes and controls which are to be tested through self-evaluation or in another appropriate manner. The annual internal control plan is adopted by the Board and monitored by the Audit Committee.

Evaluations of the effectiveness of the internal controls, and possible deviations, are performed annually, including reports summarising the executed internal controls and any possible deviations which need to be addressed. The reports are presented annually to the Audit Committee and the Board. The follow-up of deviations which need to be addressed and the follow-up of the risk assessment referred to above, are also reported annually to the Audit Committee and to the Board. In addition, the results of the external audit are monitored, whereby relevant measures are taken and progress in these areas is followed-up (also this with reporting to the Audit Committee and the Board).

The Board receives reports on the Company's revenue, profit and financial position at least once a month and, otherwise, when needed. The Company's financial reports are always reviewed and addressed by the Audit Committee and the Board prior to disclosure.

Furthermore, all of Pierce's overarching policies, descriptions of routines and instructions are subject to an annual review by the Board.

Presence at Board Meetings

Board of directors 2021			Independent in relation to		Attendance			
Name	Position	Member since	The Company and executive management	Major shareholders	Board meetings	Audit Committee meetings	Remuneration Committee meetings	Directors' fees - SEK (000)
Ketil Eriksen	Chairman of the Board	2019	Yes	Yes	22/22	–	3/3	480
Gunilla Spongh	Board member	2018	Yes	Yes	22/22	9/9	–	260
Mattias Feiff	Board member	2014	Yes	No	21/22	7/9	3/3	–
Shu Sheng	Board member	2019	Yes	No	21/22	9/9	–	–
Stefan Rönn	Board member	2014	No	Yes	22/22	–	–	–
Thomas Ekman	Board member	2020	Yes	Yes	21/22	9/9	–	230

Directors' fees cover the period from AGM 2021 to AGM 2022.

THIS IS A TRANSLATION FROM THE SWEDISH ORIGINAL

Auditor's report on the corporate governance statement

To the general meeting of the shareholders of Pierce Group AB (publ), corporate identity number 556967-4392

Engagement and responsibility

It is the Board of Directors who is responsible for the corporate governance statement for the year 2021 on pages 15-20 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's standard RevR 16 *The auditor's examination of the corporate governance statement*. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

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

Stockholm, May 10, 2022

Ernst & Young AB

Jonatan Hansson

Authorized Public Accountant

Board of Directors

According to Pierce's Articles of Association, the Company's Board of Directors is to comprise of a minimum of three, and a maximum of ten, Board Members without deputies. All Members, except for Stefan Rönn, are independent in relation to the Company, its executive management and major shareholders. According to the assessment of the Nomination Committee, two of the Members are not independent in relation to the major owner, Procuritas.

Ketil Eriksen

Born: 1963.

Chairman since: 2019.

Chairman of the Remuneration Committee

Education: B.Sc.Economics, Oslo School of Business Administration.

Other current positions: Board Member of Oy Karl Fazer.

Background: CEO of Absolut Company AB, CEO of Vin & Sprit AB, Chairman of Ellos Group Holding AB (publ), Chairman of Britax Group Limited, and Chairman of Plantasjen ASA

Independence: Independent in relation to the Company, its executive management and major shareholders.

Own holdings and holdings of closely affiliated persons: 48,000 shares.

Gunilla Spongh

Year of birth: 1966.

Board Member since 2018.

Chairman of the Audit Committee

Education: M.Sc.Industrial Engineering and Management, Linköping University.

Other current positions: Board Member of Systemair Aktiebolag, AQ Group AB, Lernia AB, Byggmax Group AB, Swedish Stirling AB, Consivo Group AB, Momentum Group AB and Meds Apotek AB, viaCon AB, and Chairman of Bluefish Pharmaceuticals AB.

Background: CFO of Mekonomen AB, CFO of Preem AB, CFO of CashGuard AB (publ), and CFO of Enea AB (publ).

Independence: Independent in relation to the Company, its executive management and major shareholders.

Own holdings and holdings of closely affiliated persons: 24, 600 shares.

Mattias Feiff

Born: 1972.

Board Member since 2014.

Member of the Remuneration Committee and the Audit Committee

Education: MBA, INSEAD, France and Singapore M.Sc. Industrial Engineering and Management, Royal Institute of Technology, Sweden, French and Business French, Université de la Sorbonne, France.

Other current positions: Co-Managing Partner of Procuritas Investors, Chairman of Werksta Nordic AB, and Board Member of Cutters AS.

Background: Several positions in companies within the Procuritas Group, Management Consultant at Ericsson.

Independent: Independent in relation to the Company and its executive management, but not to the Company's major shareholders.

Own holdings and holdings of closely affiliated persons: -

Shu Sheng

Born: 1991.

Board Member since 2019.

Member of the Audit Committee

Education: M.Sc. Finance, Stockholm School of Economics.

Other current positions: Investment Manager of Procuritas Investors, Board Member of Medtanken Group, and Board Member of Cutters AS.

Background: Management Consultant, McKinsey & Company.

Independence: Independent in relation to the Company and is executive management, but not to the Company's major shareholders.

Own holdings and holdings of closely affiliated persons: -

Stefan Rönn

Born: 1972.

Board Member since 2014.

Education: High School.

Other current positions: –

Background: Founder of Pierce, Sales Manager of Omron, CEO and founder of 24Moto.

Independence: Not independent in relation to the Company and its executive management. Independent in relation to the Company's major shareholders.

Own holdings and holdings of closely affiliated persons: 2,795,777 shares.

Thomas Ekman

Born: 1969.

Board Member since 2020.

Member of the Audit Committee

Education: M.Sc., Business Administration and Economics, Stockholm University

Other current positions: President and CEO of Dustin Group AB and Board Member of Axsol AB.

Background: CEO of Cabonline Group AB, CEO of Tele2 Sverige AB, Board Member of Cabonline Group AB, Board Member of Sportamore AB, and Board Member of Comhem Holding AB.

Independence: Independent in relation to the Company, its executive management and major shareholders.

Own holdings and holdings of closely affiliated persons: 5,000 shares.

Management

Henrik Zadig

Chief Executive Officer (CEO)

Born: 1970.

Pierce Rider since 2016.

Education: MBA, INSEAD, France, M.Sc. International Business Administration & Economics, Lund University.

Background: SVP/General Manager Online of Staples Europe, Vice President of Global Marketing of American Express, Director Strategy & Business Development of American Express, and Management consultant of McKinsey & Company.

Shares: 699,908 shares.

Warrants: 128,205 warrants.

Tomas Ljunglöf

Chief Financial Officer (CFO)

Born: 1966.

Pierce Rider since 2018.

Education: M.Sc. Business and Economics, Stockholm University.

Background: Interim CFO of Evidensia Djursjukvård AB, CFO of Tradedoubler AB (publ.), CFO of Orc Group AB (publ.), and CFO of Glocalnet AB (publ).

Shares: 97,200 shares

Warrants: -

Ullrika Eliasson

Chief Purchasing Officer (CPO)

Born: 1967.

Pierce Rider since 2019.

Education: Strategic Leadership Development Program, Harvard Business School, IFL Executive Education, Stockholm School of Economics.

Background: Director of Category Management of Staples Europe, Head of Merchandising Sweden/Denmark of Staples Sweden AB, and Assortment & Purchasing Director of Kronans Droghandel Apotek AB.

Shares: 7,807 shares.

Warrants: -

Fredrik Ideström

Strategy & Corporate Development Director and Interim Chief People Officer

Born: 1977.

Pierce Rider since 2017.

Education: M.Sc., Economics and Business, Stockholm School of Economics.

Background: Partner of PK Partners, Associate of The Boston Consulting Group.

Shares: 90,000 shares.

Warrants: 25,641 warrants.

Willem Vos

Chief Operating Officer (COO)

Born: 1968.

Pierce Rider since 2017.

Education: M.Sc. Electrical Engineering, Delft University of Technology, Nyenrode Business University Executive Program.

Background: Head of E-Commerce of Staples Europe, Managing Director of SapientNitro, Vice President/Group Director of Digitas UK, and Senior Consultant of Accenture.

Shares: 186,736 shares.

Warrants: 85,470 warrants.

Nikolaj Gejsing

Sales Director (SD)

Born: 1980.

Pierce Rider since 2021.

Education: M. Sc., Management, ESERP, B Sc., Business Administration, Staffordshire University

Background: Global Head of Sales operations and Margin Management of Rubix, Global Pricing and Analytics Director of Diebold Nixdorf, Head of Margin Management and Pricing of Staples, Head of Online and Retail Pricing Europe of Staples, and Head of Pricing Europe of Office Depot.

Shares: -

Warrants: -

Financial information

Director's report

The Board of Directors and CEO of Pierce Group AB (publ), Corp. ID No. 556967-4392 domiciled in Stockholm, hereby present the annual report and consolidated accounts for the financial year 2021. The annual report is prepared in millions of Swedish krona (SEK million). Unless stated otherwise, the comparative figures for 2020 are stated in parentheses.

The Pierce Group in brief

Pierce is a leading e-commerce company selling gear, parts, accessories and streetwear to riders across all of Europe via some forty websites adapted to local markets.

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 is sold under the brand 24MX. Onroad refers to the sales to customers who primarily ride on highroads and is sold under the brand XLMOTO. Within Offroad, Pierce has a significantly larger market share compared with Onroad. The Company's addressable markets within Onroad are significantly larger and more exposed to competition compared with Offroad. Pierce also has another segment, Other, which is primarily focused on sales to snowmobile riders.

Headquarters are located in Stockholm, the distribution warehouse in the Polish city of Szczecin and, in addition, the major portion of customer support services is located in Barcelona. The Group has approximately 450 employees.

Since 26 March 2021, the Pierce Group AB (publ) is listed on the Nasdaq Stockholm Mid Cap.

Financial targets

Pierce's Board of Directors has adopted the following financial targets[1]:

Growth – 15-20%

In the medium and long term, grow net revenue by 15-20 percent in average per annum.

Adjusted operating margin – approximately 8%

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

Capital structure – 2.0x

Net debt/EBITDA[2] not exceeding 2.0x, subject to temporary flexibility for strategic initiatives.

Dividend policy

In the coming years, free cash flows[3] are planned to be used for the continued development[4] of the Company and will, therefore, not be distributed to shareholders.

The share and ownership structure

The Pierce share

Since 26 March 2021, the Pierce share has been listed on Nasdaq Stockholm Mid Cap list and is traded with the ticker symbol PIERCE and with the ISIN code SE0015658364.

The share price at time of listing was SEK 64.0 and was SEK 68.6 on the final trading day of the period. The number of shareholders was 1,183, of which the largest shareholders were Procuritas (32.9%), Handelsbanken Fonder (9.9%), Daniel Petersen via company (7.0%), Stefan Rönn via company (7.0%), and Fourth AP fund (6.1%).

At an extraordinary meeting of shareholders on 20 January 2021, it was resolved to undertake a division of shares in Pierce Group AB (publ), that is, a so-called share split with a 300:1 ratio. In conjunction with the change in corporate category from a private to a public company, it was resolved to increase the share capital through a bonus issue totalling SEK 0.5 million.

In conjunction with the listing, a total of 5,468,750 shares were issued. In April 2021, an additional 534,600 shares were registered through a new share issue based on the exercise of warrants in the program LTIP 2020/2025.

As at 31 December 2021, the number of registered shares, equal to the number of votes, was 39,687,050, equivalent to a quota value of SEK 0.02. For further information see Note 20 – Equity.

Incentive program

The Company has launched long-term incentive programs – LTIP, (right to acquire shares according to certain conditions). At the end of the financial year, the Group had one program: LTIP 2021/2024 with a total of 376,443 warrants incurring the right to subscribe to an equivalent number of ordinary shares in the Company. Further information is provided in Note 8 – Employees and personnel costs.

Remuneration to executive management

Guidelines for remuneration to senior executives are reported in Note 8 - Employees and personnel costs.

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[1] The Board of Directors adopted the financial targets in December 2020. By medium to long-term is meant 3-5 years.
[2] Alternative Performance Measures (APM), refer to pages 76 - 81 for definitions and the purpose of these measures.
[3] Free cash flows refer to cash flow from operating and investment activities.
[4] By development of the Company is meant, for example, investments in IT hardware, IT development, expansion of distribution warehouses, marketing, customer acquisition and business and asset acquisitions.

Comments to the Group's profit/loss

Net revenue

Net revenue totalled SEK 1,594 (1,523) million, which is equivalent to a growth of 5 (23) percent. In local currencies, growth was 7 (24) percent. Offroad showed growth of 2 (30) percent, while Onroad grew by 8 (11) percent.

Last year, net revenue was deemed to have been positively impacted by Covid-19 related effects, primarily attributable to the second quarter's high revenue growth of 39 precent. Offroad is deemed to have been more positively impacted than Onroad.

Gross profit and gross margin

Gross profit increased to SEK 728 (711) million, equivalent to a gross margin of 45.7 (46.7) percent.

The decrease in margin is largely due to increased costs on shipping from Asia related to the global container's shortage-es. Total shipping costs to the distribution warehouse in Poland amounted to SEK -70 (-42) million.

The margin was also negatively impacted by price adjust-ments during the fourth quarter. These items have been partially offset by less price-aggressive sales during the second and third quarters, compared with previous year.

In addition, exchange rate differences attributable to the revaluation of net working capital items have impacted gross profit by SEK -2 (5) million.

Operating costs

Sales and distribution costs totalled SEK -512 (-473) million and include, primarily, variable costs for marketing and shipping to end customers. These amounted to 32.1 (31.0) percent in relation to net revenue. The increase, in relation to net revenue, is explained by higher variable costs for traffic-driving marketing activities.

Administration costs were SEK -169 (-154) million. Excluding items affecting comparability, administration costs totalled SEK -160 (-141) million. Changes in administration costs, excluding items affecting comparability, are explained by increased investments in product development and IT.

Adjusted EBIT and EBIT

Adjusted operating profit (EBIT) was SEK 58 (97) million, equivalent to a margin of 3.6 (6.4) percent. The decrease in profit of SEK 39 million was explained mainly by SEK 29 million in increased shipping costs from Asia, SEK 32 million in increased variable sales- and distribution costs, and SEK 18 million in increased overhead costs. These cost increases were partly compensated by the net revenue increase of SEK 71 million.

Roughly assessed, adjusted operating profit (EBIT) during 2020 was positively impacted by Covid-19 related effects in an amount of around SEK 15 million.

Operating profit (EBIT) totalled SEK 46 (81) million, and was, during the first half of 2021, charged with items affecting comparability related to the listing. Items affecting comp-arability related to the listing totalled SEK -9 (-13) million. The remaining SEK -3 (-4) million was attributable to contingent consideration, paid in conjunction with the listing.

Financial items

Financial items totalled SEK -20 (-73) million, of which SEK 1 (-14) million referred to exchange rate differences related to the revaluation of financial balance sheet items, and SEK 4 (-3) million referring to exchange rate effects on cash hedges. In addition, SEK -8 (-) million referred to the early repayment of bond loans.

Other financial items of SEK -17 (-56) million referred primari-ly to interest expenses on the Company's bond and share-holder loans. The decrease compared with the previous year is explained by the repayment of the previous financing structure at the beginning of the second quarter which was replaced by a credit facility totalling SEK 300 million.

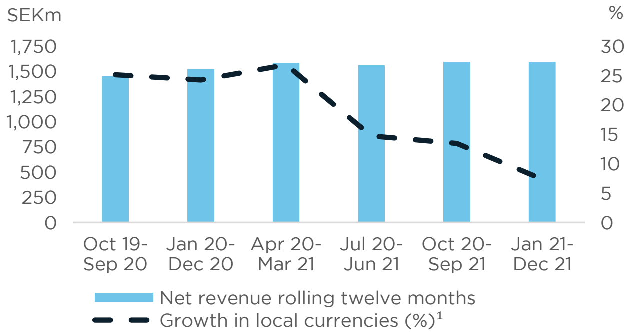
Taxes and profit/loss for the year

Taxes was SEK 0 (-8) million, of which SEK 5 (1) million was tax income and SEK -5 (-9) million, tax expenses.

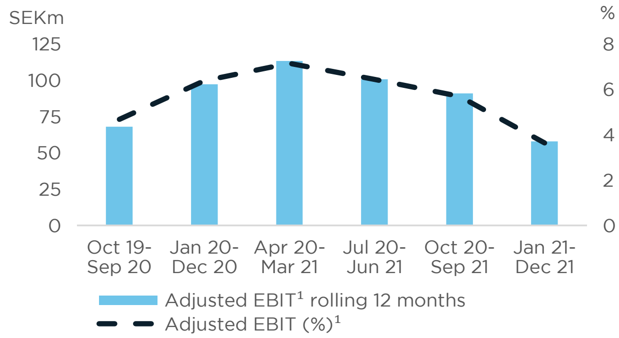
Tax income referred primarily to the valuation of deferred tax assets on previous years' non-deductible interest expenses. These are deemed to be able to be treated as deductible costs in future years tax returns. The changed assessment is based on a significantly lower expected level of interest expenses due to the new financing structure implemented in conjunction with the listing.

Profit/loss for the year was SEK 26 (-1) million.

Net revenue and growth in local currencies (%)[1], last twelve months



Adjusted EBIT[1] and adjusted EBIT (%)[1], last twelve months



[1] Alternative Performance Measures (APM), see pages 76 - 81 for definitions and the purpose of these measures.

Comments to the Group's cash flow

Cash flow from operating activities was SEK -61 (156) million. The change compared with the previous year was explained primarily by changes in net working capital, SEK -137 (45) million and operating profit (EBIT) which amounted to SEK 46 (81) million.

Changes in net working capital 2020 were explained primarily by the high level of sales in the second quarter which resulted in reduced inventory. The changes in net working capital in the current year are primari-ly a result of increased inventory which had been adapted to a higher level of growth in the third and fourth quarters, compared with the outcome.

Changes in net working capital were negatively impacted in an amount of SEK 17 million as regards payments attributable to the IPO. In July 2021, a new VAT regulation came into effect, "One-stop-shop" which implies that the majority of VAT is paid quarterly, instead of monthly. This impacted operating liabilities positively at the end of the year in an amount of SEK 29 million. Excluding the above-mentioned effects, changes in net working capital totalled SEK -149 million.

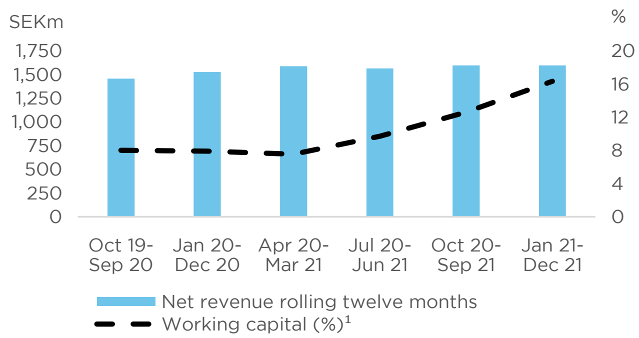
Cash flow from investments was SEK -12 (-42) million of which received/paid blocked funds totalled SEK 14 (-14) million. Investments of SEK -26 (-29) million referred mainly to the development of internal systems and the purchase of equipment for the distribution warehouse. Last year, investments also included the e-commerce platform which was deployed during the second quarter 2020.

Cash flow from financing activities was SEK 2 (-133) million, primarily due to the repayment of previous financing, the new share issue proceeds received in conjunction with the listing and utilised credit facility.

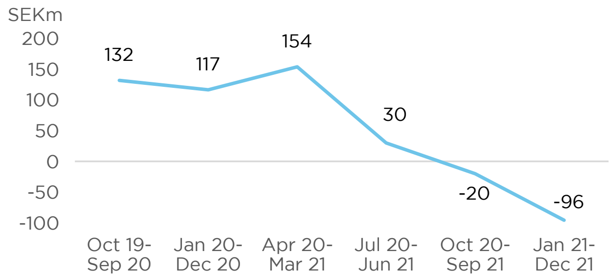
The year's cash flow amounted to SEK -71 (-19) million. Considering exchange rate differences, in an amount of SEK 2 (-4) million, cash and cash equivalents totalled SEK 18 (87) million at year end.

As shown below, operating cash flow during the last twelve months totalled SEK -96 (117) million. Last year, the cash flow was positively impacted by a decline in net working capital attributable to the second quarter's high level of sales and the resultant reduced level of inventory. Cash flow for the current year was negatively affected by increased net working capital, largely as a result of the increase in inventory levels during the third and fourth quarters which had been adapted to a higher level of growth.

Net revenue and net working capital (%)[1], last twelve months



Operating cash flow[1], last twelve months



Comments to the Group's financial position

Net working capital

Net working capital at the end of the year amounted to SEK 260 (120) million. The change compared with last year referred, largely, to increased inventory.

Right-of-use assets and leasing liabilities

At the end of the year, right-of-use assets amounted to SEK 63 (79) million. The change was primarily due to the year's depreciation. Total leasing liabilities were SEK 71 (86) million.

Net debt

At the end of the year, net debt, excluding IFRS 16, amounted to SEK 160 (312) million. The decrease since the end of 2020 is mainly related to the decrease of the interest-bearing liabilities of SEK 221 million.

During the second quarter of the current year, the previous financing structure was replaced with a SEK 300 million credit facility, of which SEK 179[2] million had been utilised at the end of the period. At the end of the year, liabilities to credit institutions, SEK 179 million, and cash and cash equivalents, SEK 18 million, comprised net debt, excluding IFRS 16.

Equity

The Group's equity amounted to SEK 441 (57) million at the end of the financial year. The increase compared with the previous year was primarily attributable to the proceeds from the new share issue in conjunction with the listing.

The change in equity is explained by the year's total comprehensive income of SEK 28 million, the new share issue of SEK 350 million and the issue of warrants, SEK 4 million. These amounts include issue costs.

Credit Facility

The Pierce credit facility is subject to, amongst other things, financial covenants regarding the Group's leverage ratio and interest coverage ratio see further in Note 24 - Financial risks. As of 31 December 2021 and as of 31 March 2022, Pierce fulfilled the covenants for the credit facility, which are reported quarterly. Covid-19 related effects and the indirect impact of the conflict between Russia and Ukraine, as well as other negative macroeconomic factors, have implied that the Pierce's leverage ratio has increased and the interest coverage ratio has decreased. The conditions within the external environment, in combination with the measures Pierce may undertake in order to support long-term sustainable and successful business operations, can make it more difficult for the Company to comply with the cut-off points stipulated in the covenants applying to the credit facility. Should the market trend experienced during Q1 2022 continue during forthcoming quarters, it is probable that

[1] Alternative Performance Measures (APM), see pages 76 - 81 for definitions and the purpose of these measures.
[2] The difference between "Utilised credit facility" in the Consolidated statement of cash flows and "Liabilities to credit institutions" in the Consolidated statement of financial position is explained by capitalised loan- and interest expenses.

Pierce will not be able to comply with the financial covenants in place.

A lack of compliance with the financial covenants would mean that negotiations with the lender would be initiated. If an agreement between the parties cannot be reached, the lender has the right to terminate the credit and demand advance payment of the outstanding loan. In the event that alternative financing cannot be arranged at the time of a potential claim, Pierce is not expected to have sufficient financial resources to repay the outstanding loans and would thus experience a significant liquidity shortfall.

The Board of Directors resolved on 10 May 2022 to undertake a preferential rights issue up to SEK 350 million, subject to approval by an extraordinary meeting of share-holders which is intended to be held during the second quarter 2022. The aim is, given the factors of uncertainty in the external environment, to reduce Pierce's leverage ratio, increase Pierce's interest coverage ratio and to continue the long-term growth strategy, as well as undertaking measures to increase profitability. The Company's largest shareholder, Procuritas, intends to subscribe to, as a minimum, its pro-rata share.

Should the described measures fail to give the desired effects and they cannot be executed as planned, a material uncertainty exists that may cast significant doubt on the Company's ability to continue its operations. The Board's assessment is that these measures will be able to be implemented and that the liquidity level can continue to be maintained. The Company's financial statements have been prepared according to the assumption of going concern.

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 successive growth of operations outside the Nordics which has implied that the subsidiary's operating assets and liabilities, as well as purchases and sales, have been, for the main part, in currencies other than SEK. The currency with the single greatest impact on the underlying transactions is the 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 consolidating the subsidiary, the translation exposure of the profit/loss and net assets from EUR to SEK will increase and affect other comprehensive income.

See Note 30 – Change of functional currency in the subsidiary, 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 2021 was 451 (410), of which 234 (210) men. Of these, 169 (125) worked at the distribution warehouse in Poland and 282 (285) were white-collar employees in Sweden, Poland, and Spain.

Excluding the customer services staff and certain production staff, the total number of white-collar workers was 212 (216).

For more information regarding Pierce's corporate culture and employees, see the Sustainability Report on www.piercegroup.com.

Parent Company

Pierce Group AB (publ), Corp. ID No. 556967-4392, is the Parent Company in the Pierce Group and is a public company with registered office in Sweden. Since 26 March 2021, Pierce Group AB (publ) is listed on the Nasdaq Stockholm Mid Cap.

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

Net revenue totalled SEK 12 (11) million and was entirely attributable to sales to Group companies. Financial net mainly comprised of interest expenses on the bond and shareholders loans up until April in the current year when the previous financing structure was repaid. Profit/loss before tax totalled SEK 6 (-22) million.

At the end of the year, the Parent Company's equity was SEK 419 (59) million. The change was mainly attributable to the new share issue which took place in March 2021 in conjunction with the listing of the Company.

The CEO and CFO are employed in the Parent Company.

Related party transactions

In conjunction with the listing in March 2021, shareholder loans and contingent consideration, of SEK 64 million and SEK 30 million, respectively, were paid.

During the financial year, costs for consulting fees to Stefan Rönn and Daniel Petersen, founders and shareholders in Pierce Group via companies, totalling SEK 197 (1,961) thousand were changed against the Group's earnings. All transactions with related parties have been concluded on market terms.

For further information regarding related parties see Note 29 – Related party transactions.

Sustainability Report

In accordance with the Annual Accounts Act, Pierce prepares a Sustainability Report. This provides non-financial information according to the Global Reporting Initiative (GRI). The Sustainability Report is available on the Company's webpage.www.piercegroup.com.

Events after balance sheet date

Conflict between Russia and Ukraine

On February 24, 2022, the conflict between Russia and Ukraine started. Several countries established new sanctions against, among others, Russian state-owned units and companies as well as certain individuals around the world, of which there is a connection to Russia. The sanctions have also included Belarus.

The conflict is estimated to have a major impact on prices, exchange rates, import and export restrictions, availability of raw materials and materials and resources in which Russia, Belarus and/or Ukraine are involved.

Pierce Group has no direct operations in any of these countries, which means that the direct impact of the incident is estimated to be low. On the other hand, the indirect impact can be significant depending on how the situation develops and how protracted the conflict becomes. This mainly applies to effects on customer demand in general in Europe and thus also to Pierce products, which since the conflict started, are estimated to have had a negative effect on Pierce's sales. Furthermore, the impact on the financial and foreign exchange markets could have a negative effect on Pierce.

Financing and preferential rights issue

Covid-19 related effects and the indirect impact of the conflict between Russia and Ukraine, as well as other negative macroeconomic factors have implied that Pierce's profitability has declined and its leverage ratio has increased. The Company's granted credit facility is, amongst other things, subject to financial covenants regarding the Group's leverage ratio and interest coverage ratio (for further information see Note 24 – Financial risks. On 31 March 2022, Pierce fulfilled the covenant terms and conditions for the credit facility which are reported quarterly.

The external environment, in combination with the measures the Company can undertake to support long-term sustainable and successful operations, can, however, make it difficult for Pierce to comply with the cut-off points stipulated in the financial covenants applying to the credit facility. The Board therefore resolved on 10 May 2022 to carry out a rights issue up to SEK 350 million, subject to approval by an extraordinary meeting which is intended to be held during the second quarter of 2022. The purpose is, given the uncertainty in the external environment, to reduce Pierce's net debt and to continue the long-term growth strategy and implement measures for increased profitability. The company's largest owner, Procuritas, has stated its support for the share issue, as well as its intention to subscribe for its pro rata share. For further information see "Comments on the Group's financial position".

Corporate Governance Report

The Group's Corporate Governance Report is presented on pages 15-20.

Proposed appropriation of profits

The Board of Directors proposes to the annual general meeting of shareholders that no dividend be paid to shareholders for financial year 2021.

The following profits are at the disposal of the Annual General Meeting:	
Share premium reserve	414,664,985
Retained earnings	185,083
Profit/loss for the year	3,613,933
	418,464,000
To be appropriated as follows:	
Carry forward	3,799,015
Remaining share premium reserve to be carried forward	414,664,985
Total	**418,464,000**

Risks and uncertainties

In general, the Group's earnings capacity and financial position are impacted primarily by the demand from its customers, the ability to retain and recruit competent employees, and IT-related risks.

The following described risks are those deemed to be of greatest significance and should not be seen to be exclusive; neither are the risks reported in any order.

Market-related risks

The operations are exposed to external factors, events and changes in the markets in which the Group operates. These risks include, amongst others, negative swings in the economic climate and other market-related risks, operating in a fragmented and competitive market, being dependent on external suppliers for the purchase of goods which are sold on to the customers and the possibility of retaining and recruiting competent employees to ensure an effective use of advanced systems solutions, etc. The Group works actively to reduce these risks.

The retail trade is particularly cyclical and the consumers' purchases of seldom purchased items, which includes most Pierce's products, usually declines during low economic activity and periods during which disposal incomes or consumption is low. In the Company's history, to date, periods with such a general decline in consumption have taken place simultaneously with the current transition from offline to online consumption, something which the Company has utilised to its benefit and, therefore, there were no significant negative effects on sales during those previous economic downturns.

There is also a risk that competitors, who currently are not, in comparison with Pierce, focused on online sales – but who sell the same products as Pierce or operate in the same geographical markets as Pierce – will develop their own offerings and, thereby, increase or intensify their competitive stance vis á vis Pierce. For example, online retailers such as Amazon – both through its marketplace where third party suppliers sell via Amazon and through Amazon's selling of its own assortment – will place a greater focus on motorcycle sport gear in the future.

The consumers' demand for motorcycle gear is seasonal. The Group's product mix is comprised of a large number of various products, primarily for use outdoors. The sale of outdoor products is, therefore, impacted by certain seasonal and weather factors. Deviations from normal weather conditions, such as unusually extreme weather, can negatively affect sales and the results during different quarters. For example, an unusually hard or long winter or a particularly rainy summer, can have a negative effect on Pierce's Onroad operations, while dry surface conditions can have a negative impact on Pierce's Offroad operations. An unusually snow-free winter can have a negative impact on Pierce's snowmobile operations.

Legal, regulatory, and political risks

The Group can be involved in disputes within the framework of the ongoing business operations and can, thereby, become subject to various claims due to the interpretation of delivery or customer contracts, alleged weaknesses, or defects, alleged product imitation issues, delays and/or delivery interruptions, effects of IT-related crime or infringement, etc. For example, it is not unusual that, as this pertains to private brands, third parties claim that they have proprietary rights to a certain product, solution or design.

The UK is a relatively important market for Pierce and was the Company's sixth largest market based on net revenue in 2021. From 1 January 2021, a trade and cooperation agreement were established between the UK and EU which, amongst other things, implies that the UK, in terms of customs, is treated as a country outside the EU. In this context, Pierce has experienced significant disruptions in its logistical network. The Company has also experienced longer lead times in terms of deliveries and returns due to the mandatory customs clearance.

Pierce has its distribution warehouse and an office in Szczecin, Poland and is, therefore, exposed to local Polish laws and regulations. The distribution warehouse has a so-called *bonded warehouse license*, which implies that goods that would otherwise be subject to customs clearance can be stored and handled customs free. If this license would be changed or be terminated through a decision by the Polish authorities, this would have significant effects on the Company's logistics system.

Strategic and operational risks

Pierce is dependent on suppliers to be able to sell their products. The Company purchases external brand products either directly from the suppliers or via distributors. The Group does not manufacture its private brand products, which implies that Pierce's offering of these products is also dependent on external suppliers. During the pandemic, there was a lack of availability to certain products which negatively impacted sales. Sales of private brands imply that Pierce has the product responsibility and can be required to recall defective products.

Financial risks

Through its operations, the Group is exposed to various financial risks, such as currency risk, interest rate risk, and the risk of being unable to secure sufficient financing. Responsibility for the Group's financial transactions and risks is handled centrally by Group management. The overall target is to maintain cost effective financing and minimise any negative effects on the Group's results and financial position arising due to market fluctuations or credit losses.

E-commerce is characterised by sales increases during certain periods, for example during the fourth quarter's campaigns for Black Week and Christmas. Prior to such campaigns, stock purchases usually increases and thereby also inventory levels. If Pierce's sales are negatively affected or interrupted during such periods, the liquidity effects, and the impact on the possibilities of achieving profitability targets for the Group may be proportionally more significant compared with other periods.

The Group's credit facility contains certain financial covenants stipulating that the leverage ratio[1] 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[2] may not be less than 4.0 times. Pierce complied with the covenant terms associated with this credit facility at the end of the financial year 2021. The external environment, in combination with the measures the Company can undertake to support long-term sustainable and successful operations, can, however, make it difficult for Pierce to comply with the cut-off points stipulated in the financial covenants applying to the credit facility (for more information refer to the Board's description of the uncertainty regarding going concern in the section "Comments on the Group's financial position – Credit facility"). The Group's financial risks and how they are handled are described in more detail in the Group's Note 24 – Financial risks.

Covid-19

Covid-19 has primarily impacted the Group indirectly via the pandemic's effects on the macroeconomic development of the markets in which Pierce operates, on product availability, and shipping costs for purchased goods. Pierce's major markets have been affected by changes in quarantine restrictions which led to changed customer behaviour. The gradual lifting of restrictions from the spring of 2021 is deemed to have temporarily negatively affected traffic to the Company's websites. All in all, it is deemed that Covid-19 related effects, including higher shipping costs from Asia and a certain degree of weakened product availability, negatively impacted the Company's sales and results during 2021.

[1] 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.
[2] The measure is equivalent to the Group's EBITDA excluding IFRS 16 as regards interest expenses, in the same manner as it is defined in the credit facility agreement, which differs slightly from the Company's definition

Consolidated statement of profit/loss

SEKm (unless stated otherwise)	Note	2021-01-01 2021-12-31	2020-01-01 2020-12-31
Net revenue	3,4	1,594	1,523
Cost of goods sold	4,5	-866	-812
Gross profit		**728**	**711**
Sales and distribution costs	4,5,6,8,15	-512	-473
Administration costs	5,6,7,8,15	-169	-154
Other operating income		3	1
Other operating expenses		-3	-5
Operating profit/loss		**46**	**81**
Financial income	9	9	4
Financial costs	10	-30	-77
Profit/loss before tax		**26**	**8**
Tax	11	0	-8
Profit/loss for the year		**26**	**-1**
Attributable to shareholders of the Parent Company		**26**	**-1**
Earnings per share:			
Earnings per share before dilution (SEK)[1]	12	0.68	-0.02
Earnings per share after dilution (SEK)[1]	12	0.68	-0.02

[1] Adjusted for the share split (300:1) that occurred in January 2021.

Consolidated statement of comprehensive income

SEKm	Note	2021-01-01 2021-12-31	2020-01-01 2020-12-31
Profit/loss for the year		26	-1
Items that may subsequently be reclassified to income statement			
Translation difference	20	1	-3
Other comprehensive income for the year		**1**	**-3**
Comprehensive income for the year		**28**	**-4**
Comprehensive income for the year attributable to:			
Shareholders of the Parent Company		28	-4

Consolidated statement of financial position

SEKm	Note	2021-12-31	2020-12-31
Assets			
Non-current assets			
Intangible assets	4,13	351	353
Property, plant and equipment	4,14	18	14
Right-of-use assets	4,15	63	79
Financial assets	24,25,27	2	16
Deferred tax assets	11	10	6
Total non-current assets		445	469
Current assets			
Inventory	3,16	534	334
Receivables from payment providers	24,25	15	12
Current tax receivables		5	0
Other receivables	24,25	12	14
Prepaid expenses and accrued income	17	6	4
Cash and cash equivalents	18,25	18	87
Total current assets		591	451
Total assets		1,035	920
Equity and liabilities			
Equity	20		
Share capital		1	0
Other contributed capital		484	128
Translation reserve	24	0	-1
Retained earnings including profit/loss for the year		-44	-70
Total equity attributable to shareholders of the Parent Company		441	57
Total equity		441	57
Non-current liabilities			
Liabilities to credit institutions	21,24,25,27	—	399
Leasing liabilities	15,24	48	64
Deferred tax liabilities	11	28	29
Total non-current liabilities		76	492
Current liabilities			
Liabilities to credit institutions	22,24,25	178	—
Leasing liabilities	15,24,25	23	22
Contingent consideration	24,25,29	—	27
Shareholder loans	24,25,29	—	63
Trade payables	24,25	147	86
Current tax liabilities		3	1
Other current liabilities	24,25	56	29
Contractual liabilities	3	16	25
Provisions	3,24,25	8	12
Accrued expenses and prepaid income	23,24,25	86	104
Total current liabilities		517	371
Total equity and liabilities		1,035	920

2021

Consolidated statement of changes in equity

SEKm	Note	Share capital	Other capital contributions	Translation reserve	Retained earnings including profit/loss for the year	Total equity attributable to shareholders of the Parent Company
Opening balance 2020-01-01		**0**	**126**	**2**	**-69**	**59**
Profit/loss for the year		—	—	—	-1	-1
Other comprehensive income for the year		—	—	-3	—	-3
Total comprehensive income for the year		**—**	**—**	**-3**	**-1**	**-4**
Transactions with shareholders						
New share issue		0	1	—	—	1
Issue of warrants		—	2	—	—	2
Total		**0**	**2**	**—**	**—**	**2**
Closing balance 2020-12-31		**0**	**128**	**-1**	**-70**	**57**
Profit/loss for the year		—	—	—	26	26
Other comprehensive income for the year		—	—	1	—	1
Total comprehensive income for the year		**—**	**—**	**1**	**26**	**28**
Bonus issue		1	-1	—	—	—
Transactions with shareholders						
New share issue		0	363	—	—	363
Issue costs referring to new share issue		—	-14	—	—	-14
Issue of warrants including issue costs		—	4	—	—	4
Tax effect of issue costs	11	—	3	—	—	3
Total		**0**	**356**	**—**	**—**	**357**
Closing balance 2021-12-31	**20**	**1**	**484**	**0**	**-44**	**441**

Consolidated statement of cash flows

SEKm	Note	2021-01-01 2021-12-31	2020-01-01 2020-12-31
Operating activities			
Operating profit/loss		46	81
Adjustments for non-cash items	26	45	44
Paid interest	15,26	-12	-6
Realised cash hedges		1	-2
Paid tax		-4	-5
Cash flow from operating activities before changes in working capital		**76**	**111**
Cash flow from changes in working capital			
Increase (-) / decrease (+) in inventory		-190	38
Increase (-) / decrease (+) in operating receivables		3	0
Increase (+) / decrease (-) in operating liabilities		50	7
Cash flow from operating activities		**-61**	**156**
Investing activities			
Acquisition of intangible assets	13	-16	-22
Acquisition of property, plant and equipment	14	-10	-7
Received/paid blocked funds		14	-14
Cash flow from investing activities		**-12**	**-42**
Financing activities	26		
Change in utilised credit facilities	22,25	25	—
New loans from credit institutions	22	152	—
Repayment of shareholder loans[1]	25,29	-64	-115
Repayment of liabilities to credit institutions[2]		-414	—
Paid contingent consideration	25	-30	—
Repayment of leasing liabilities	15	-20	-21
New share issue	20	363	1
Paid issue costs referring to new share issue	20	-14	0
Issue of warrants after deduction of issue costs	20	4	2
Cash flow from financing activities		**2**	**-133**
Cash flow for the year		**-71**	**-19**
Cash and cash equivalents at beginning of year		87	111
Exchange rate difference in cash and cash equivalents		2	-4
Cash and cash equivalents at year end	18	**18**	**87**

[1] Repaid amount referred to capitalised interest expenses, which amounted to SEK -3 (-70) million.
[2] Repaid amount referred to capitalised interest expenses, which amounted to SEK -64 (-) million.

Notes for the Group

Note 1 – Significant accounting policies

This Annual Report and its Consolidated Financial Statements include the Swedish Parent Company Pierce Group AB (publ), Corporate Identity Number 556967–4392, and its subsidiaries.

The Parent Company is a limited liability company with its head offices in Stockholm, Sweden. The registered address of the Company's is Elektravägen 22, 126 30 Hägersten, Sweden. Pierce Group AB (publ) has been listed on Nasdaq Stockholm since 26 March 2021. See Directors' report, above, for further information on the Company's owners.

This Annual Report and Consolidated Financial Statements were approved by the Board of Directors for publication on 10 May 2022. The statement of profit/loss and balance sheets for the Parent Company and for the Group will be presented at the Annual General Meeting on 3 June 2022 for adoption.

Basis of the Consolidated Financial Statements

The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations from the IFRS Interpretations Committee (IFRS IC), as adopted by the European Union (EU). The Group also applies the Swedish Annual Accounts Act (1995:1554) and Recommendation RFR 1 'Supplementary Accounting Rules for Corporate Groups' of the Swedish Financial Reporting Board.

The Consolidated Financial Statements have been prepared on the basis of the going concern assumption, see also the Board's description of uncertainty about continued operations in the section "Comments on the Group's financial position - The Credit Facility". Assets and liabilities have been valued at historical cost, apart from the contingent consideration and currency derivatives, which are valued at fair value. The Consolidated Financial Statements have been prepared in accordance with the acquisition method and all subsidiaries in which a controlling interest is held are consolidated as of the date on which the interest is acquired.

All reports prepared in compliance with IFRS require management to undertake a number of accounting estimates. Those areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant for the Consolidated Financial Statements, are described in Note 2 - Significant estimates and assessments These assessments and assumptions are based on historical experience and other factors considered reasonable under the prevailing conditions. The actual outcome may differ from the assessments made if those assessments change or other circumstances prevail.

The Parent Company applies the same accounting policies as the Group, except in those cases indicated in Note 1 -

Significant accounting policies, for the Parent Company. These state that the Parent Company applies the Swedish Annual Accounts Act and RFR 2 'Accounting for Legal Entities'. The differences arising are the result of limitations to the ability to apply IFRS in the Parent Company due to the Swedish Annual Accounts Act and prevailing tax regulations. The accounting policies stated below have been applied consistently for all periods presented in the Consolidated Financial Statements, unless otherwise specified. The accounting policies of the Group have been applied consistently by the Group companies. See below for the new standards and interpretations deemed to affect the Group in the future.

New standards that have been applied from 1 January 2021

None of the IFRS or IFRIC interpretations that are yet to come into force are expected to have any significant impact on the Group. No new or amended IFRS standards have been early adopted.

Consolidation

Subsidiaries

Subsidiaries are all companies in which Pierce Group has a controlling interest. The Group controls a company when it is exposed or entitled to a variable return from its holdings in the Company and is able to affect the return through its influence over the Company. Subsidiaries are included in the Consolidated Financial Statements as of the date on which the controlling interest is transferred to the Group. They are excluded from the Consolidated Financial Statements as of the date on which the controlling interest ceases.

Subsidiaries are reported in accordance with the acquisition method. This method implies that the acquisition of a subsidiary is viewed as a transaction through which the Group indirectly acquires the subsidiary's assets and assumes its liabilities. The acquisition analysis establishes the fair value on the acquisition date of the identifiable assets acquired, the liabilities assumed and any non-controlling interest.

Transaction costs, with the exception of transaction costs attributable to the issue of equity instruments or debt instruments, are recognised directly in profit and loss for the year. In the case of business combinations where the consideration transferred exceeds the fair value of the assets acquired and the liabilities assumed, which are reported separately, the difference is recognised as goodwill. Where the difference is negative, in a so-called bargain purchase, this difference is recognised directly in profit and loss for the year. A contingent consideration is recognised at fair value on acquisition date. In those cases where the contingent consideration is classified as an equity instrument, no revaluation is applied, and settlement is made directly within equity. Other contingent considerations are measured at fair value as at each reporting date, and any changes are recognised in profit and loss for the year.

For business combinations achieved in stages, goodwill is determined on the date on which a controlling interest is acquired. Previously held interests are measured at fair value and any change in value is recognised in profit and loss for the year.

Transactions eliminated on consolidation

Intra-Group receivables and payables, income or expenses and unrealised gains and losses arising from intra-group transactions between Group companies are eliminated in their entirety in the preparation of the Consolidated Financial Statements. Unrealised gains arising from transactions with associates are eliminated insofar as they correspond to the Group's shareholding in the Company. Unrealised losses are eliminated in the same manner, but only insofar as there are no impairment losses.

Currency

Functional currency and presentation currency

The functional currency is the currency in the primary economic environments in which the companies operate. The functional currency for the Parent Company is Swedish kronor (SEK), which is also the presentation currency of the Parent Company and the Group. All amounts are rounded to the nearest million (SEK million), unless stated otherwise. Rounding differences may occur.

Change of functional currency in the 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 30 –

Change of functional currency in subsidiaries, for a description of the effects on the Group's reporting and key ratios as a result of this change.

Transactions in foreign currencies

Transactions in foreign currency are translated to the functional currency at transaction date exchange rates. Monetary assets and liabilities in foreign currency are translated to the functional currency at the exchange rate prevailing on the balance sheet date. Foreign exchange rate differences arising on the translation are recognised in profit for the year. Foreign exchange rate gains and losses on operating receivables and operating liabilities are included in gross profit, as well as in operating profit for such items as employee-related liabilities. Foreign exchange rate gains and losses on financial receivables and liabilities are reported, net, under financial expenses and financial income.

Translation of operations with a functional currency other than the Group's presentation currency

The assets and liabilities of operations with a functional currency other than the Group's presentation currency, including consolidated surpluses and deficits, are translated from the functional currency of the operations to the Group's presentation currency, Swedish kronor, at the exchange rate prevailing on the balance sheet date. The income and expenses are translated to Swedish kronor using an average exchange rate that represents an approximation of the exchange rates prevailing at each transaction date. Translation differences arising on the translation of operations with a functional currency other than the Group's presentation currency are recognised in Other comprehensive income and are accumulated in a separate component of equity known as the translation reserve. Upon divestment of operations, related accumulated translation differences are realised through reclassification from Other comprehensive income to profit and loss for the year.

Classification

Non-current assets and non-current liabilities essentially comprise amounts that are expected to be received or paid more than 12 months after the balance sheet date. Current assets and current liabilities essentially comprise amounts that are expected to be received or paid within 12 months of the balance sheet date.

Reporting of segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker (CODM). The Chief Operating Decision-Maker is the function responsible for allocating resources and assessing the performance of operating segments. In the Group, this function has been identified as the CEO. An operating segment is a part of the Group conducting operations from which it can generate revenue and incur costs, and regarding which independent financial information is available.

The accounting principles applied in the monitoring of the Group's operating segments are, generally, the same as those applied in the consolidated accounts. However, the exchange rate effects from revaluation of net working capital items are not allocated to gross profit. Furthermore, only certain portions of the item Sales and distribution costs are allocated to the operating segment. The remaining costs are deemed to comprise intra-group costs.

The Group's segments are based on the internal structure of the Group's business operations, which means that the Group's operations have been divided into three reportable segments: Offroad, Onroad and Other.

- Offroad – sales to motocross and enduro riders under the 24MX brand.
- Onroad – sales to customers who ride motorcycles on highroads. Sales occur under the XLMOTO brand.
- Other – sales to snowmobile riders under the Sledstore brand and sales via a physical store in Stockholm.

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

Revenue from contracts with customers

The Group's revenues consist exclusively of sales of goods via the Group's websites and a physical store. All sales are subject to 30-60 days' option to return any purchases, depending on the country of sale, and also include terms and conditions for a guaranteed lowest price. The contract period is deemed to be the time from the order date until the Group has delivered the ordered goods, including the period for open purchase. Furthermore, the contract period may depend on whether the customer has received discounts on future purchases in connection with the order.

Generally, each separate product in the order is considered to comprise an individual performance obligation. In rare cases, customers receive discount coupons applying to the next purchase, that is, they receive a material right to receive a discount in the future. In these cases, this right is considered to comprise a separate performance obligation.

The transaction price depends on the variable aspects of the contract, which primarily consists of the option to return any purchases. The variable parts are treated as a revenue reduction at transaction date and are recognised only when the Group believes that there is no longer a high likelihood that this revenue may need to be reversed. For more information, see the "Repurchases" and "Guarantees" sections.

The Group reports revenue when a performance obligation is fulfilled, i.e., when control of a performance obligation is transferred to the customer. Control can be transferred over time or at one point in time. Pierce deems that the control of goods is transferred at one point in time. This is usually at the time the delivery is completed in accordance with current delivery terms and is considered to coincide with the point in time at which the risks and benefits are transferred to the customer.

Gift cards

When selling gift cards, the entire amount is reported as a current provision and is reported as an income only when the gift card is utilised, or after 12 months when its validity expires.

Repurchases (right of withdrawal and option to return purchases)

As the Group offers its customers the option to return purchases for 30-60 days, Pierce offers a right of withdrawal in addition to that which is required for sales via e-commerce in accordance with the current Distance Purchase Act and the EU Consumer Purchase Act. The Group reports a provision for that portion of revenues which, at the time of sale, is considered uncertain due to a possible future customer return. To assess this uncertainty, the Group uses statistical models based on historical customer data. The Group reports a provision and a revenue reduction for estimated future repurchases.

To calculate the revenue reduction, the Group uses actual sales in the period, the historical return rate (value of returns relative to sales), and the average number of days from sale to return from customers.

An asset corresponding to the cost of the portion considered to be uncertain in relation to the right to return is recorded in inventory at the same time. This cost refers to that portion of the cost of goods sold that is associated with the right of return.

Guarantees

Pierce offers its customers a guarantee in the form of a lowest price guarantee, which means that if a customer finds the same product cheaper elsewhere, Pierce will match the price. The guarantee applies if the product is sold cheaper by a competitor at the regular price and is valid within 14 days of the customer's purchase. Pierce complies with the legal requirements of the Consumer Purchase Act in each country. This variable portion of the transaction price is also estimated using historical statistics and reduces revenue until there is no longer any degree of uncertainty. This component of uncertainty is reported as a provision in the Group's Statement of financial position. Calculation of the item is performed on the basis of actual guaranteed costs in relation to total net revenue for the last twelve-month-period. This ratio is, then, applied on the most recent 14 days' sales of each individual month end close in order to estimate the income reduction.

Leases

The Group's lease contracts are comprised primarily of distribution centre premises in Poland, office buildings, IT equipment and trucks for the distribution warehouse.

The right to use an asset is reported as an asset in the balance sheet (right-of-use asset), at the same time the equivalent obligation to pay for the right is reported as a non-current, respective current, liability (leasing liability) from the start of the lease contract. The lease contract is reported in the income statement based on depreciation of right-of-use assets, which affects operating profit and interest expenses on leasing liabilities, impacting profit and loss before taxes.

The Statement of cash flows includes payments attributable to leasing liabilities in the item Cash flow from operating activities as regards the interest component, and the remaining portion is included in the item Cash flow from financing activities. Payments for short-term leases and leases with low value. that are not included in the valuation of leasing liabilities, are reported in Cash flow from operating activities.

Valuation of leasing liabilities

Leasing liabilities are initially calculated at the present value of the contract's lease payments which are not paid at the commencement date, discounted by the Group's incremental borrowing rate provided the contract's implicit interest rate cannot be easily determined.

The Group has chosen to apply the exemption for lease contracts of a low value, defined by the Group as less than SEK 100 thousand, and for contracts with a lease term shorter than 12 months.

Variable rental payments are not included in the discounted liability but continue to be reported as a cost within Operating profit in the period in which they arise. Leasing fees include:

- fixed fees, and in-substance fixed lease payments, after deduction of benefits to be received,
- variable fees depending on an index or price,
- amounts expected to be paid out by the Group under a residual value guarantee,
- exercise price of a purchase option where it is reasonable that the Group will utilise the option in question, and
- penalties applying to termination if the Group deems that the termination option will be exercised.

Leasing liabilities are revalued in the case there is a change in the future lease fees which is dependent on a change in the index or interest rate, when there is a change in the assessed amount to be paid under the residual value guarantee, or in the case of a changed assessment as to whether the Group will exercise its option to purchase the object, extend or terminate the lease contract.

Lease payments are specified between amortised amounts and the interest on the leasing liability. Certain of the Group's lease contracts are in a currency other than the subsidiary's functional currency. This implies that the associated leasing liability is translated to the functional currency at the exchange rate applying as at balance sheet date. These exchange rate differences are reported net as financial items.

Valuation of right-of-use-assets

Right-of-use assets are initially recognised at a value equivalent to the leasing liability, adjusted for the lease fees paid at, or prior to, the start of the lease contract, plus any initial fees directly attributable to the lease contract.

A right-of-use asset is valued at acquisition value after deduction of accumulated depreciation and any impairment and is adjusted for amendments of the leasing liability. In the case the leasing liability is amended, in order to reflect changes in lease fees after the start of the lease contract, the amendment amount is reported as an adjustment of the right-of-use asset. If such revised carrying amount implies that the value of a right-of-use asset is adjusted to zero and a difference remains, then, this difference is reported in the statement of profit and loss.

For certain lease contracts there is an extension option. This option entitles only the Group to the right to extend the contract but does not entitle the lessor with such an option. In the case it is deemed that it is reasonably certain that the option will be utilised, this is considered at the beginning of the lease contract in determining the term of the lease contract period.

Depreciation policy

Depreciation is on a linear basis over the term of the lease contract, or over the asset's estimated useful life if such is deemed to be shorter than the term of the lease contract.

Financial income and costs

Financial income is comprised primarily of interest income. Interest income is recognised in accordance with the effective interest rate method. The effective interest rate is the rate applied in discounting estimated future payments, both received and paid, during the expected maturity of a financial instrument, to the financial assets or liability's reported net value. The calculation includes all fees paid or received by the contractual parties comprising part of the effective interest, transaction costs and all other premiums and discounts.

Financial costs are comprised primarily of interest expenses on liabilities and are calculated by applying the effective interest method. The Group's interest expenses refer primarily to external financing of loans and leasing liabilities.

The Group holds currency derivatives (cash flow hedges) which are reported at fair value via profit/loss, initially on the date on which the derivative contract is established and then, on each subsequent balance sheet date. Realised, respective non-realised, value changes are reported separately on a net basis as a part of financial items.

Exchange rate gains and losses on financial receivables and liabilities are reported net. Exchanged rate gains and losses regarding the revaluation of leasing liabilities, in the case the lease contract is in a currency other than the functional currency, are reported net.

Employee remuneration

Short-term employee benefits

Short-term employee benefits, such as salaries, social security contributions, holiday pay and bonuses, are recognised as an expense in the period in which the employee executes the services.

Share-based remuneration – warrants settled through equity instruments

The Group currently has one long-term incentive programme for certain senior members of management and key personnel within the Group.

As the premium paid for the warrants was equivalent to the market value at point of offering, there is no impact on personnel costs or social security contributions during the term of the warrant, nor in conjunction with exercise of the warrants. The option premiums received are reported in Other contributed capital.

See Note 8 - Employees and personnel costs, for further information regarding the Group's incentive programme.

Pensions

Pierce's pension obligations comprise only defined contribution plans. A defined contribution plan is a pension plan according to which the Group pays fixed fees to a separate legal entity. The Group has no legal or informal obligations to pay additional fees if this legal entity does not have sufficient assets to pay all employee benefits related to employee service during current or previous periods. The Group, therefore, has no further risk. The Group's obligations in relation to contributions to defined contribution plans are reported as an expense in profit/ loss for the year in pace with such contributions being earned by employees providing services to the Group during a given period of time.

Upon termination of employment with Pierce, the pension obligations for employees continues in accordance with the defined contribution plan. This means that no additional expenses will arise for Pierce.

Income taxes

Income taxes consist of current tax and deferred tax. Income taxes are recognised in the year's profit and loss except where the underlying transaction has been recognised in Other comprehensive income or in equity, in which case the associated tax effects are also recognised in Other comprehensive income or in equity.

Current tax is the tax to be paid or received for the current year based on the tax rates that have been adopted, or adopted in principle, on balance sheet date. Current tax also includes the adjustment of current tax attributable to previous periods.

In accordance with the balance sheet method, deferred tax is recognised in its entirety for all temporary differences between the tax values of assets and liabilities and their carrying amounts. Temporary differences are not included in consolidated goodwill. Temporary differences arising on shares in subsidiaries that are not expected to be reversed in the foreseeable future are also not recognised.

The valuation of deferred tax is based on the manner in which the underlying assets or liabilities are expected to be realised or settled. Deferred tax is calculated in accordance with the tax rates and tax legislation that have been adopted or announced at balance sheet date and which are expected to apply when the relevant deferred tax asset is realised, or the deferred tax liability is settled.

Deferred tax assets in respect of deductible temporary differences and loss carry-forwards are recognised only insofar as these are likely to be utilised. The value of deferred tax assets is reduced when it is no longer deemed likely that they can be utilised. Deferred tax assets and deferred tax liabilities are offset when there is a legal right to offset current tax assets and current tax liabilities and when the deferred tax relates to the same entity within the Group and to the same tax authority.

Earnings per share

Earnings per share before dilution are calculated by dividing the profit attributable to the Parent Company's shareholders with a weighted average number of outstanding ordinary shares during the year.

For calculating earnings per share after dilution, the weighted average number of ordinary shares outstanding is adjusted by the number of potential ordinary shares giving rise to a dilutive effect. Potential dilution exists when the subscription price of warrants issued is less than the market price of the Pierce share.

Intangible assets

An intangible asset is recognised if it is probable that future economic benefits associated with the asset will flow to the Company and the cost can be estimated reliably. An intangible asset is measured at acquisition cost on initial recognition in the financial statements.

Intangible assets with a limited useful life are recognised at cost less amortisation and any impairment. Intangible assets are amortised linear over the estimated useful life of the asset. The useful life is reassessed at each balance sheet date and adjusted as necessary. Where applicable, the residual value of an asset is considered when calculating the depreciable amount of the asset.

Intangible assets with an indefinite useful life are impairment tested annually and in cases where there are indications that impairment may be needed. For intangible assets with an indefinite useful life, testing of the useful life is performed at each balance sheet date.

In the impairment test, the value of goodwill and trademarks is allocated to the smallest identified cash-generating unit expected to benefit from the synergy effects of the acquisitions. The Group's smallest identified cash-generating units are the segments.

Goodwill

Goodwill represents the difference arising when the cost exceeds the fair value of the Group's acquisition of a subsidiary's identifiable assets, assumed liabilities and contingent liabilities as at acquisition date. The factors constituting recognised goodwill are primarily different forms of synergies, personnel, know-how, customer contacts of strategic importance and market-leading positions on selected markets.

Goodwill has an indefinite useful life and is tested at least annually to identify any need for impairment and is valued at cost less any accumulated impairment losses. Impairment of goodwill is not reversed.

Trademarks

The majority of trademarks have an indefinite useful life. These are tested at least annually to identify any possible impairment requirements.

Trademarks are reported at acquisition value less any accumulated impairment losses and accumulated amortisations, in the case they have a definite useful life. Trademarks comprise of market position, customer brand awareness and customer loyalty, which usually has an indefinite useful life.

Capitalised expenses for software

The Group's product development is divided into two phases: the research phase and the development phase. Costs arising during the research phase are expensed on an ongoing basis as they arise and are not capitalised. Costs arising during the development phase are capitalised as intangible assets when, according to management's assessment, it is probable that they will result in future economic benefits for the Group, the criteria for capitalisation are met and when the costs can be measured reliably.

Internally developed assets are recognised during the development phase at cost less any accumulated impairment losses and amortisations. The expenses that are capitalised include expenses for materials, direct salaries, and other expenses directly attributable to the project, such as consultancy services in conjunction with the introduction of new systems. All other costs failing to meet the criteria for capitalisation are charged to profit and loss as they arise.

The Group's internally developed assets refer primarily to the e-commerce platform and other systems.

Other intangible assets

Other intangible assets mainly consist of customer contracts, purchased software and licences. These assets are recognised at cost less accumulated amortisation and any accumulated impairment.

Amortisation policy

Amortisation is recognised in net income on a linear basis over the intangible assets estimated useful lives unless such are indefinite. Intangible assets with definite useful lives are amortised from the point in time they are available for use.

The estimated useful lives are:

Trademarks Motobuykers	4 years
Capitalised expenses for software	1–5 years
Other intangible assets	1–5 years

The useful lives are reassessed at least annually.

Property, plant and equipment

Property, plant and equipment are recognised in the Group at cost less accumulated depreciation and any impairment. The cost includes the purchase price and expenses directly attributable to bringing the asset to the location and in the condition required for it to be used for its intended purpose.

The carrying amount of an asset is removed from the Balance sheet on sale or disposal, or when no future economic benefit is expected from the use of the asset. Gains or losses arising from the sale or disposal of an asset consist of the difference between the selling price and the carrying amount of the asset, less direct selling expenses. Gains or losses are recognised as other operating income/expenses.

Additional expenses

Additional expenses are added to the cost only if it is probable that the future economic benefits associated with the asset will flow to the Group and the cost can be estimated reliably. All other additional expenses are recognised as an expense in the period in which they arise. Repairs are expensed on an ongoing basis.

Depreciation policy

Depreciation is linear over the asset's estimated useful life.

The estimated useful lives are:

Machinery	5–10 years
Inventory	2–5 years

The depreciation methods applied, the residual values and useful lives are reviewed at the end of each year.

Impairment of non-financial assets

The Group undertakes impairment testing when there are indications of a decline in value of tangible or intangible fixed assets, including right-of-use assets; in other words, when events or changes in circumstances indicate that the reported value is not recoverable. Furthermore, assets with an indefinite useful life (for example, goodwill and trade-marks), as well as the Group's ongoing development projects, are subjected annually to impairment testing by calculating their recoverable values regardless of whether there is an indication of a value reduction.

Impairment is reported in the amount whereby the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less sales costs and its value in use. In assessing the need of impairment, the assets are grouped at the lowest levels at which there are separate, identifiable cash flows (cash-generating units). As impairment requirements are identified for a cash-generating unit (group of units), the impairment amount is allocated on the first hand to goodwill. Proportional impairment is subsequently reported for the other assets included in the unit (group of units). In calculating their value in use, future cash flows are discounted applying a discount rate considering the risk-free interest and the risk associated with the assets in question. Impairment is recognised in the income statement.

Previously reported impairment is reversed if the recoverable value is deemed to be exceeding the carrying amount. However, reversal does not take place in an amount larger than the carrying value had the impairment not been reported in previous periods. Any possible reversal is reported in the income statement; the impairment of goodwill is never reversed.

Financial assets and liabilities

Financial instruments

In their initial reporting, financial instruments are classified based on, amongst other things, the purpose of the acquired and managed instrument. The Group classifies financial instruments according to the following categories:

- amortised cost,
- fair value via Other comprehensive income and,
- fair value via profit/loss.

Classification and measurement of financial assets

The classification of financial assets comprised of debt instruments is based on the Group's business model for the management of the asset and on the nature of the asset's contractual cash flows.

The Group's financial assets are classified at amortised cost, except for currency derivatives. Derivatives are reported at fair value via profit/loss, initially on the date on which the derivative contract has been entered into and, subsequently, at each balance sheet date. No hedge accounting is applied. Realised and non-realised value changes are reported in financial net.

Financial assets are classified at amortised cost and are valued, initially, at fair value with the addition of transaction costs. After their initial reporting, the assets are valued at amortised cost. According to the business model, assets classified at amortised cost are held to secure only those contractual cash flows comprising payments of capital and interest on the outstanding capital amounts. Receivables with payment suppliers are initially reported at order value.

Classification and measurement of financial liabilities

Financial liabilities are classified as amortised costs except for contingent liabilities and currency derivatives which are reported at fair value via profit/ loss. Contingent liabilities are classified and reported as a financial liability valued at fair value via profit/loss, in the item Other operating income/expenses.

Financial liabilities reported at amortised cost are initially valued at fair value including transaction costs. After initial recognition, they are valued according to the effective interest rate method.

Impairment of financial assets

Financial assets, except for those reported by the Group at fair value via profit/loss, are included in the impairment of expected credit losses. The Group's impairment model takes into consideration future-oriented information. A loss allowance is reported when there is an exposure to credit risk, usually at the initial reporting date of an asset or receivable. The Group has very limited exposure to credit risk on end customers, which is why the simplified method has no effect on the Group's financial statements.

For the other items that are covered by expected credit losses, a three-stage impairment model is applied. Initially, and at each subsequent balance sheet date, a loss allowance is reported for the next 12 months, or for a shorter period of time depending on the remaining maturity (stage 1). If there has been a significant increase in credit risk since the first reporting occasion, resulting in a rating below the investment grade, a loss allowance is reported for the asset's remaining maturity (stage 2). For assets that are deemed to be credit impaired, provisions continue to be reported for expected credit losses during their remaining maturity (stage 3). For impaired assets and receivables, the calculation of interest income is based on the asset's carrying amount, net of loss allowances, as opposed to the gross amount as in the previous stages.

The financial assets are reported in the Statement of financial position at amortised cost, i.e., net of their gross value and the loss allowance. Changes in loss allowance are reported in profit/loss.

Inventory

The inventory consists of the customary inventory, goods in transit and the portion of the cost of goods sold that is associated with the right of return. The customary inventory is valued at the lower of cost and net realisable value. Acquisition value is calculated according to the so-called first-in-first-out principle and includes expenses incurred during the acquisition of the goods and their transport to their current location in their current condition. The net realisable value is defined as the selling price less sales costs. The obsolescence reserve is reported in costs of goods sold.

Cash and cash equivalents

Cash and cash equivalents comprise cash and immediately available balances at banks and similar financial institutions. Cash and cash equivalents are covered by the requirements for loss allowance for expected credit losses.

Equity

All of the Company's shares are ordinary shares, the value of which is reported as share capital. Share capital is reported at its quota value and the excess portion is reported as Other contributed capital. Transaction costs directly attributed to the issue of new ordinary shares or warrants are reported in equity as a deduction from the issue proceeds.

Provisions

A provision differs from other liabilities as there exists uncertainty as to the date of payment or as to the amount to settle the provision. A provision is reported in the Balance sheet when there is an existing legal or informal obligation as a result of an event, and when it is probable that an outflow of economic resources will be required to settle the obligation, and when a reliable estimation of the amount can be made. Provisions are reported in the amount comprising the best estimate of the sum required to settle the existing obligation as at balance sheet date. Where the effect of the point of time of the payment is significant, provisions are calculated by discounting the expected future cash flow.

Repurchases, gift cards and the lowest price guarantees are presented as a current provision and are reported in accordance with the accounting principles for revenue from contracts with customers.

Contingent consideration

A contingent consideration is reported when there exists a possible obligation arising from past events and when such possible obligation can only be evidenced by the occurrence of one or more uncertain future events, or when there is an obligation which has not been recognised as a liability or provision due to the fact it is unlikely that an outflow of resources will be required.

Cash flow reporting

Cash and cash equivalents comprise available cash and available balances with banks and equivalent financial institutes. Inflows and outflows of cash are reported in the Statement of cash flows. The Statement of cash flows was prepared using the indirect method. Foreign exchange differences on cash and cash equivalents are presented separately from the cash and cash equivalents amounts.

Note 2 – Significant estimates and assessments

Preparation of the financial statements in compliance with IFRS requires that the Company's management undertakes estimates and assumptions affecting the application of the accounting policies and the carrying amounts of the assets, liabilities, income, and costs. The actual outcome may differ from these estimates.

The assessments and estimates are based on historical experience and several other factors which, based on the circumstances at hand, are considered to be reasonable. Estimates and assumptions are evaluated on an ongoing basis and it is deemed that they do not entail any major risk of significant adjustments in the carrying amounts of assets and liabilities during the forthcoming financial year. Changes in estimates are reported in the period in which the change takes place provided such change affects only that reporting period, or are reported in the period in which the change takes place and in subsequent periods provided the change in question impacts both the current and future reporting periods. Further information regarding the estimates and assessments are found in Note 13 – Intangible assets and Note 1 – Significant accounting policies.

Important sources of uncertainty in the estimates

Sources of uncertainty in the estimates, implying a risk that the value of the assets and liabilities may need to be significantly adjusted during the next financial year, are reported upon below.

Impairment testing of goodwill and trademarks

The Group tests, at least annually, to determine if there is an impairment necessity as regards goodwill and trademarks. This is undertaken in accordance with the accounting principles described in "Intangible assets" in Note 1, above.

In applying this method, the Company bases its assessment on several factors, such as the discount rate, the forecast period, and cash flow forecasts. Changes in the prerequisites for these assumptions and estimates could have a significant effect on the value of goodwill and the trademarks. Impairment testing is executed on the smallest identifiable cash-generating unit, which is at segment level.

Further information regarding impairment testing is found in Note 13 – Intangible assets.

Revenue and cost of goods sold

Pierce offers its customers the option to return goods on terms exceeding those required in e-commerce as stipulated by the current Distance Purchase Act and the EU Consumer Purchase Act, as Pierce offers its customers 30-60 days' option to return any purchases. Furthermore, the customers have the right to return imperfect goods. In order to assess the amount of this provision, multiple parameters are applied, such as the return rate (the value of returns in relation sales) and the average number of days from the sale to the customer to receiving the returned goods.

The Group reports a provision, as well as an equivalent revenue reduction, for assessed future repurchases. There is an equivalent adjustment of the cost of goods to the inventory. This cost refers to that portion of goods sold incurring the right to return, which is based on the average gross margin on the goods.

In conjunction with sales to customers, an estimate is made of when the control over a product is transferred to the customer. This assessment is based on the amount of time it takes for a product to reach the customer, based on normal delivery terms. The sale of goods which have been sent out on delivery but have not reached the customer, is reported as a contract liability. The associated cost of goods and shipping costs for delivery are reported in inventory.

Inventory

Obsolescence assessments are made monthly and are based on knowledge of the products' life cycles, divided into the categories: gear, parts, accessories and streetwear. The amount of the provision is based on:

- an estimate of the point in time at which each category will be sold based on historical sales data,
- the category, and
- the assessed inherent risk of the respective categories.

Deferred tax assets

The Group's deferred tax assets are, partially, attributable to previous years' non-deductible net interest expenses which can be utilised as tax deductible in future 6 years' income tax returns, if such tax deduction is possible. Deferred tax assets are reported to the degree it is deemed probable that they will be able to be deducted in the future, that is, where previous years' non-deductible net interest can be utilised.

The Group recognises deferred tax assets that are expected to be utilised in the next 2-3 years' tax returns. The remaining amounts, if applicable, are not recognised in the Balance sheet as it is not probable that the Group will utilise them against future taxable profits in the foreseeable future.

See Note 11 – Tax, below for more information.

Note 3 – Revenue

The Group's revenue consists exclusively of the sale of goods via the Group's websites and a physical store. In addition to the segments, geographical area is also an important attribute when specifying revenue, and this is presented in the table below.

Disaggregation of revenue

2021	Offroad	Onroad	Other	Intra-group	Group
Sweden	113	90	70	—	273
Other Nordics	99	141	50	—	290
Outside Nordics[1]	763	269	—	—	1,031
Total	**974**	**500**	**119**	**—**	**1,594**

[1] The Group's net revenue Outside Nordics mainly refers to France, Germany, Italy and United Kingdom.

2020	Offroad	Onroad	Other	Intra-group	Group
Sweden	118	84	67	—	269
Other Nordics	84	111	43	—	238
Outside Nordics[1]	750	266	—	—	1,016
Total	**952**	**461**	**110**	**—**	**1,523**

[1] The Group's net revenue Outside Nordics mainly refers to France, Germany, Italy and United Kingdom.

The Group has separate websites for each country. The breakdown of revenue in the above table is based on the website on which the sale was made. No single customer accounts for more than 10 percent of turnover. All revenues from contracts with customers relate to external customers, i.e., no sales are made between the segments.

Contract balances

	2021	2020
Contract liabilities	16	25

All contract balances recognised at the beginning of each financial year have been recognised as revenue in the respective financial year.

Contract liabilities are the value of goods delivered, but for which the Group has not yet fulfilled all its obligations for the goods to be considered as transferred to the customer, and for which the Group has received or expects to receive payment, as well as prepayments received where the Company has an obligation to transfer goods to the customer.

The Group offers its customers right to returns and repurchases. The Group's obligation to reimburse for the goods expected to be returned is recognised as a current provision, and the corresponding right to receive goods in return as inventories.

	Dec 31 2021	Dec 31 2020
Return rights asset	4	5
Return provision	8	12

In addition to the right to returns, the Group's customers are offered a lowest price guarantee and the opportunity to purchase gift cards. The obligation to settle these commitments is presented as a current provision in the table below.

	Gift cards	Returns	Total
2020-01-01	**2**	**9**	**11**
Additional provisions	2	12	14
Utilised during the year	-2	-14	-16
Reversed unused amounts	-1	5	4
2020-12-31	**1**	**12**	**12**
Additional provisions	0	8	8
Utilised during the year	-1	-12	-12
Reversed unused amounts	0	0	0
2021-12-31	**0**	**8**	**8**

Provisions for guarantees amounted to SEK - (-) million.

Performance obligation

Pierce considers that each product constitutes a separate performance obligation, rather than each individual order. The vast majority of products are standardised, but even for customised products there is no different assessment of what is considered a performance obligation. On the rare occasion that the customer receives a discount right, which can only be used for a future purchase, this constitutes a separate performance obligation.

As there are no obligations with an expected maturity of more than 1 year, no information is provided on the transaction price allocated to the remaining performance obligations.

Note 4 – Operating segments

2021	Offroad	Onroad	Other	Intra-group	Group
Net revenue from external customers	974	500	119	—	1,594
Cost of goods sold	-512	-291	-60	-2	-866
Gross profit	**462**	**209**	**59**	**-2**	**728**
Sales and distribution costs					
Variable sales and distribution costs[1]	-224	-131	-30	—	-384
Profit after variable costs[1]	**238**	**78**	**29**	**-2**	**343**
Non-variable sales and distribution costs[1]				-128	-128
Administration costs				-169	-169
Other operating income				3	3
Other operating expenses				-3	-3
Operating profit/loss				**-299**	**46**
Financial income				9	9
Financial costs				-30	-30
Profit/loss before tax				**-320**	**26**

[1] Alternative performance measures (APM). See pages 76 - 81 fordefinitions and purpose of these measurements.

2020	Offroad	Onroad	Other	Intra-group	Group
Net revenue from external customers	952	461	110	—	1,523
Cost of goods sold	-492	-266	-59	5	-812
Gross profit	**460**	**195**	**50**	**5**	**711**
Sales and distribution costs					
Variable sales and distribution costs[1]	-206	-122	-25	—	-353
Profit after variable costs[1]	**254**	**73**	**26**	**5**	**358**
Non-variable sales and distribution costs[1]				-120	-120
Administration costs				-154	-154
Other operating income				1	1
Other operating expenses				-5	-5
Operating profit/loss				**-272**	**81**
Profit/loss on divestment of business				0	0
Financial income				4	4
Financial costs				-77	-77
Profit/loss before tax				**-345**	**8**

[1] Alternative performance measures (APM). See pages 76 - 81 fordefinitions and purpose of these measurements.

Geographical specification of fixed assets

2021	Sweden	Poland	Other	Total
Intangible assets	330	0	20	351
Property, plant and equipment	3	14	1	18
Right-of-use assets	6	56	1	63

2020	Sweden	Poland	Other	Total
Intangible assets	332	1	21	353
Property, plant and equipment	3	11	0	14
Right-of-use assets	9	68	3	79

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 mainly include costs for shipping, invoicing, and packaging.

The Group's activities are divided into the following operating segments:

- **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:**
  - 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 have not been specified per segment.
  - Intra-Group after Profit after variable costs refers to the Group’s costs for Group-wide functions such as central administration which are not specified per segment.

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

Note 5 – Operating expenses

	2021	2020
Cost of goods sold		
Cost of goods	-864	-817
Exchange rate effects	-2	5
Total	**-866**	**-812**
Sales and distribution costs		
Employee costs	-77	-74
Depreciation and amortisation	-32	-28
Other sales and distribution costs	-403	-370
Total	**-512**	**-473**
Administration costs		
Employee costs	-96	-91
Depreciation and amortisation	-15	-11
Other administration costs	-58	-52
Total	**-169**	**-154**

Note 6 – Depreciation and amortisation

	2021	2020
Intangible assets		
Sales and distribution costs	-13	-10
Administration costs	-7	-4
Total	**-20**	**-14**
Property, plant and equipment		
Sales and distribution costs	-4	-4
Administration costs	-2	-2
Total	**-6**	**-5**
Right-of-use assets		
Sales and distribution costs	-14	-15
Administration costs	-5	-6
Total	**-20**	**-21**

No impairment of intangible assets, property, plant and equipment or rights of use assets has been recorded in the current or previous year.

Note 7 – Remuneration to auditors

By audit assignment is means the auditor's work for the statutory audit, and audit work beyond the audit assignment refers to various types of quality assurance services. Other services are services not part of audit assignments or tax advisory services, which mainly was related to services connected to the listing.

	2021	2020
Ernst & Young AB		
Audit assignment	-2	-2
Audit work beyond audit assignment	-2	-1
Tax advisory services	0	0
Other services	-1	-4
Total	**-5**	**-7**

Note 8 – Employees and personnel costs

	2021	2020
Parent Company		
Board, CEO and other senior executives		
Salaries and other benefits	-6	-5
Social security contribution	-2	-2
Pension costs	-1	-1
Other employee costs	—	-2
Total	**-8**	**-9**
Total Parent Company	**-8**	**-9**
Subsidiaries		
Board, CEO and other senior executives		
Salaries and other benefits	-9	-9
Social security contribution	-2	-2
Pension costs	-2	-1
Total	**-13**	**-12**
Other employees		
Salaries and other benefits	-113	-107
Social security expenses	-30	-27
Pension costs	-6	-5
Other employee costs	-3	-5
Total	**-152**	**-143**
Total subsidiaries	**-165**	**-156**
Total Group	**-173**	**-165**

The Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) are employed by Pierce Group, while other senior executives are employed by Pierce AB.

	2021			2020		
Gender distribution, Group	Average number	Of which women	Of which men	Average number	Of which women	Of which men
Subsidiary in Sweden	101	41%	59%	95	38%	62%
Subsidiary in Poland	275	51%	49%	241	53%	47%
Subsidiary in Spain	73	49%	51%	71	51%	49%
Total subsidiaries	**449**	**48%**	**52%**	**408**	**49%**	**51%**
Parent Company	2	-%	100%	2	-%	100%
Total Group	**451**	**48%**	**52%**	**410**	**49%**	**51%**
Gender distribution, Board and senior executives						
Board members	6	33%	67%	5	39%	61%
CEO and other senior executives	7	29%	71%	7	28%	72%
Total	**13**	**31%**	**69%**	**12**	**21%**	**79%**

2021

2021	Base salary/ Board fees	Variable remunera-tion	Pension costs	Other benefits	Total
Chairman of the Board					
Ketil Eriksen	-0.5	—	—	—	-0.5
Board members					
Mattias Feiff	—	—	—	—	—
Shu Sheng	—	—	—	—	—
Stefan Rönn	—	—	—	—	—
Gunilla Spongh	-0.3	—	—	—	-0.3
Thomas Ekman	-0.2	—	—	—	-0.2
CEO					
Henrik Zadig	-2.6	—	-0.5	—	-3.1
Other senior executives[1]	-10.6	-0.8	-2.1	—	-13.5
Total	**-14.2**	**-0.8**	**-2.6**	**—**	**-17.5**

[1] Consists of 6 people.

2020	Base salary/ Board fees	Variable remunera-tion	Pension costs	Other benefits	Total
Chairman of the Board					
Ketil Eriksen	-0.5	—	—	—	-0.5
Board members					
Magnus Dimert[1]	0.0	—	—	—	0.0
Mattias Feiff	—	—	—	—	—
Shu Sheng	—	—	—	—	—
Stefan Rönn	—	—	—	—	—
Gunilla Spongh	-0.2	—	—	—	-0.2
Thomas Ekman[2]	0.0	—	0.0	—	0.0
CEO					
Henrik Zadig	-2.6	-0.4	-0.5	—	-3.5
Other senior executives[3]	-9.8	-1.2	-1.4	—	-12.4
Total	**-13.0**	**-1.7**	**-1.8**	**—**	**-16.5**

[1] 2 months, resigned in February 2020.
[2] 1 month, took office in December 2020.
[3] Consists of 6 people.

Guidelines for remuneration to senior executives

On 23 February 2021, the annual general meeting resolved on the following guidelines for remuneration to senior executives to apply until further notice, however, no longer than until the annual general meeting 2025.

Background

These guidelines apply to remuneration to senior executives in the Company. For the purposes of these guidelines, senior executives include the CEO, the deputy CEO (if applicable), and certain other executives who, from time to time, are members of the Pierce Executive Team.

These guidelines have been prepared by the board of directors' remuneration committee. The remuneration committee shall have a preparatory function, in relation to the board of directors, in respect of principles for remuneration and other terms of employment regarding the senior executives. With the recommendation of the remuneration committee as the basis, when the need arises for significant changes in the guidelines, but at least every fourth year, the board of directors shall prepare a proposal for guidelines for resolution by the annual general meeting. The annual general meeting shall decide on such proposals. Resolved guidelines may also be amended by way of resolution by general meetings other than annual general meetings.

Within the scope and on the basis of these guidelines, the board of directors shall, based on the remuneration committee's preparation and recommendations, annually decide on specific revised remuneration terms for each senior executive and make such other resolutions in respect of remuneration for senior executives that may be required.

The members of the remuneration committee are independent in relation to the Company and the senior executives. The CEO and the other senior executives do not participate in the board of directors' handling of and resolutions regarding remuneration-related matters if they are affected by such matters.

Purpose and general principles for remuneration

These guidelines constitute a frame for which remuneration to senior executives may be decided by the board of directors during the period of time for which the guidelines are in force.

The Company's remuneration principles shall be designed to ensure responsible and sustainable remuneration decisions that support the Pierce's business strategy, long-term interests and sustainable business practices. Pierce strives to offer a total remuneration that is in line with market terms and thus enables the Company to attract and retain qualified employees.

Remuneration for senior executives under employments subject to other mandatory rules than Swedish must be duly adjusted to comply with such rules and may be duly adjusted to comply with established local practice, taking into account, to the extent possible, the overall purpose of the guidelines.

Elements of remuneration

The remuneration to the senior executives covered by these guidelines may consist of a fixed salary, variable remuneration, long-term incentives in the form of equity-related instruments and additional benefits and pension.

Principles for fixed salary

The fixed salary forms the basis of the total remuneration and shall be in line with market conditions, be competitive, and reflect the responsibilities associated with the position as well as the individual's competence and performance. The fixed salary is reviewed annually.

Principles for variable remuneration

The variable cash remuneration is to be in line with market terms, capped, and linked to the fixed remuneration. Variable cash remuneration may amount to a maximum of 40 percent of the fixed cash salary for each senior executive (in this context, fixed salary means cash salary earned during the year, excluding pension, benefits and similar). Variable cash remuneration shall be based on predetermined and measurable performance results in relation to annual targets aimed at promoting the Group's long-term value creation. The fixed salary and the variable remuneration to the CEO and the Executive Team are reviewed and approved by the Board of Directors annually. To which extent the performance results for awarding variable cash remuneration have been satisfied shall be determined when the relevant measurement period of the performance results has ended.

The remuneration committee of the board of directors is responsible for the evaluation of the variable salary to the CEO and the other members of the Executive Team.

Variable cash remuneration is not pensionable unless mandatory by law or by applicable collective bargaining agreements.

Principles for long-term incentive programs

Long-term incentives shall be in the form of shares or equity-related instruments, promoting a balance between short-term achievements and long- term thinking. Long-term incentive programs shall ensure a long-term commitment to the development of Pierce. Any share or equity-based incentive programs shall be resolved upon by the general meeting.

Principles for termination and severance pay

In the event of termination of employment, the notice period should be in line with market terms and is not to exceed a 12-month period of notice and 6 month's severance pay when the termination is initiated by Pierce. When termination is initiated by the senior executive there should be no severance pay. Fixed salary during notice periods and severance payment, including payments for any restrictions on competition, shall in aggregate never exceed an amount equivalent to the fixed salary for two years.

Principles for pension and non-financial benefits

Pension benefits may not amount to more than 30 percent of the fixed cash salary of each senior executive.

Pension benefits shall, wherever possible, only include defined contribution plans, provided that mandatory provisions of applicable collective bargaining agreements does not require otherwise.

Other non-financial benefits may be provided to individuals or all senior executives and are to reflect market practice. Premiums and other costs relating to non-financial benefits may not amount to more than 15 per cent of the fixed cash salary of each senior executive.

Derogations from these guidelines

The Board of Directors has the right to temporarily resolve to derogate from these guidelines, in whole or in part, if there is an individual case with special grounds for such derogation and a derogation is necessary to serve the Company's long-term interests, including its sustainability, or to ensure the Company's financial viability. The guidelines do not take precedence over compulsory conditions in accordance with labor legislation or collective agreements."

Remuneration to the Board of Directors

Fees are paid to the Chairman of the Board and Board Members as per resolutions adopted by the AGM. According to the 2021 AGM, the annual Board fee was set at SEK 0.98 (0.70) million. Of this, SEK 0.48 (0.45) million referred to remuneration to the Chairman of the Board, SEK 0.6 (-) million to the Chairman of the Audit Committee, SEK 0.03 (-) million to a member of the Audit Committee and SEK 0.03 (-) million to the Chairman of the Remuneration Committee. No other fees apply for any potential additional work on committees. For more information see the Corporate Governance Report, pages 15-20.

Of the total fees 100 (99) percent was paid during 2021. Expensed compensation to Board Members is shown in the table above.

Remuneration and terms for the CEO and other senior executives

Remuneration and terms for the CEO are decided by the Board of Directors. Remuneration to other senior executives is determined by the CEO, in some cases after consultation with the Chairman of the Board. Remuneration of the CEO is comprised of base salary, variable renumeration and pension costs. Other senior executives in the Group are those persons who, together with the CEO, form the management team – the Executive Team.

The CEO has a period notice of 12 months if notice is given by the Group and 6 months if the CEO chooses to resign.

Variable compensation refers to expensed bonuses which relate to the listing and bonuses related to financial targets. Bonuses related to the Group's listing have been expensed over time up to the date of the listing. The remuneration amounted to SEK 1.5 million, of which SEK 0.8 million was expensed in 2021.

The bonus related to financial targets covers the extended management — the so-called Pierce Leadership Team — and is based on certain result measures. The bonus is divided in stages and is calculated on outcome compared to budget. For the financial year, variable compensation was maximised to 30 (25) percent of annual salary. The bonus is expensed in the period to which it relates and paid during the following financial year. There were no bonuses linked to financial targets for the financial year 2021.

Long-term incentive programs

At year end, the Group had one active long-term incentive program — LTIP, (right to acquire shares according to certain terms and conditions), as part of an incentive program for certain senior executives and key employees of the Group.

The respective premiums paid for the warrants was equivalent to market value at point of offering, hence there was no impact on personnel costs or social security contributions during the term of the warrant, nor in conjunction with exercise of warrants.

At the balance sheet date, the CEO had 128,205 outstanding warrants in LTIP 2021/2024. In 2021, 534,600[1] warrants were exercised for LTIP 2020/2025, and the equivalent number of shares were subscribed.

Other senior executives and other key employees had 248,238 outstanding warrants in LTIP 2021/2024 at the balance sheet date.

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

Outstanding warrants	LTIP 2021/ 2024	LTIP 2020/ 2025
2020-01-01	—	—
Granted during the period	—	1,782
2020-12-31	**—**	**1,782**
Share split 300:1	—	532,818
Granted during the period	376,433	—
Redemption during the period	—	-534,600
2021-12-31	**376,433**	**—**

Specification		
Number of warrants issued	376,433	534,600
Warrant Premium	11.7	2.8
Exercise price per share[1]	73.6	24.8
Number of shares per warrant	1	1

[1] Refers to exercise price at year end.

Assumptions valuation Black & Scholes		
Annual enumeration of exercise price	—	10%
Expected volatility (%)	35%	43%
Expected maturity (years)	3.4	2.9
Risk-free interest rate (%)	-0.170%	-0.285%

LTIP 2020/2025

The extraordinary meeting of shareholders on 13 February 2020 resolved to issue a warrant program 2020/2025 to the CEO, with deviation from the shareholders' preferential rights. All warrants were subscribed, and the premium earnt was equivalent to the market value, calculated using the Black & Scholes model.

In conjunction with the listing in March 2021, all warrants were exercised, whereby 534,600[1] shares 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 programme for certain senior executives and key employees of the Group, with deviation from the shareholders' preferential rights.

The program comprises warrants totalling 376,443, 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.

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

Note 9 – Financial income

	2021	2020
Interest income[1 2]	0	0
Net profit from currency derivatives	4	—
Exchange rate differences	4	4
Total	**9**	**4**

[1] Refers to interest income on non-impaired loan receivables and receivables from payment providers in accordance with IFRS 9.

[2] Refers to interest income calculated according to the effective rate method.

Note 10 – Financial costs

	2021	2020
Interest expenses[1]	-18	-51
Interest expenses leasing liabilities	-4	-4
Net loss from currency derivatives	—	-3
Exchange rate differences	-3	-18
Other financial expenses	-4	-1
Total	**-30**	**-77**

[1] Refers to interest expenses calculated according to the effective rate method.

Note 11 – Tax

Current tax	2021	2020
Amount recognised in the income statement		
Current tax	-5	-8
Foreign tax	—	0
Adjustment of previous years	1	0
Total	**-4**	**-8**
Deferred tax		
Temporary differences	4	6
Untaxed reserves	0	-2
Utilisation of tax losses carried forward	0	-5
Total	**5**	**0**
Reported tax in the income statement	**0**	**-8**
Amount recognised in total equity		
Current tax	3	—
Total	**3**	**—**

Reconciliation of effective tax rate	2021	2020
Profit/loss before tax	**26**	**8**
Tax according to the applicable tax rate for the Parent Company 20,6% (21.4%)	-5	-2
Tax effects of:		
Non-taxable income	1	0
Non-deductible expenses	-5	-9
Taxable revenue on untaxed reserves	0	0
Adjustments related to previous years	2	0
Utilisation of unrecognised tax losses carried forward	1	3
Utilisation of recognised tax losses carried forward	5	—
Effects attributable to change in functional currency	2	—
Difference in foreign tax rates	0	-1
Reported tax	**0**	**-8**
Effective tax rate	1%	-109%

Deferred tax asset	Deficit deduction	Not deductible net interest income	Change in tax base of consolidated surplus values	Leasing liabilities	Total
2020-01-01	**5**	**—**	**1**	**0**	**6**
Offset versus deferred tax liabilities	—	—	-1	—	-1
Recognised through profit and loss	-5	—	5	1	1
2020-12-31	**—**	**—**	**5**	**1**	**6**
Recognised through profit and loss	—	5	0	0	5
Recognised through other comprehensive income	—	—	-1	0	-1
2021-12-31	**—**	**5**	**4**	**1**	**10**

	Untaxed reserves	Intangible assets	Total
2020-01-01	**—**	**28**	**28**
Offset versus deferred tax liabilities	—	-1	-1
Recognised through profit and loss	2	—	2
2020-12-31	**2**	**27**	**29**
Offset versus deferred tax liabilities	—	—	—
Recognised through profit and loss	0	—	0
2021-12-31	**2**	**27**	**28**

There are tax loss carry-forwards for which deferred tax assets have not been recognised in the Balance sheet amounting to SEK 41 (53) million, equivalent to a tax effect of SEK 9 (11) million. These concerns previous years' non-deductible net interest, which can be used in future years' declarations, if there is room for deduction. The Group recognises deferred tax assets that are expected to be utilised in the next 2-3 years' tax returns. The remainder has not been recognised in the Balance sheet as it is not probable that the Group will utilise them against future taxable profits in the foreseeable future.

Previous years' non-deductible net interest can be used as deductible in the next 6 years' declarations provided there is room for deduction.

The Group have recognised tax effect on issue costs within equity of SEK 3 (-) million, which have been considered in the Groups total current tax of 2021.

Note 12 – Earnings per share

Earnings per share before dilution are calculated by dividing the profit attributable to the Parent Company's shareholders with a weighted average number of outstanding ordinary shares during the financial year.

The Group's long-term incentive plan could result in a dilution when the exercise price of warrants issued is lower than the market price of the Pierce share.

At the extraordinary meeting of shareholders on 20 January 2021, a resolution was undertaken regarding a division of the Company's shares, a so-called share split, which implies that each existing share is split into 300 shares of the same class. The average number of shares for all reported periods has been adjusted for the above-mentioned share split.

	2021	2020
Earnings per share before dilution		
Profit for the year (TSEK)	26,045	-689
Average number of shares outstanding (thousands)[1]	38,289	33,663
Earnings per share before dilution (SEK)	**0.68**	**-0.02**
Earnings per share after dilution		
Profit for the year (TSEK)	26,045	-689
Average number of shares outstanding after dilution	38,378	33,663
Earnings per share after dilution (SEK)	**0.68**	**-0.02**

[1] Adjusted for the share split (300:1) that occurred in January 2021.

Note 13 – Intangible assets

Acquisition cost	Goodwill	Trademarks	Capitalised expenses for software	Other intangible assets[1]	Total
2020-01-01	163	132	57	14	366
Internally generated	—	—	14	7	22
Sales/disposals	—	0	-6	—	-6
Translation effects	-1	0	0	-1	-2
2020-12-31	162	131	66	20	380
Internally generated	—	—	16	0	16
Translation effects	0	0	2	0	2
2021-12-31	163	131	83	21	399
Depreciation					
2020-01-01	N/A	-1	-10	-9	-19
Amortisation for the year	—	-1	-9	-4	-14
Sales/disposals	—	0	6	—	6
Translation effects	—	0	0	1	1
2020-12-31	N/A	-1	-13	-12	-27
Amortisation for the year	—	-1	-17	-3	-20
Translation effects	—	0	0	0	-1
2021-12-31	N/A	-2	-30	-16	-48
Total carrying amount					
2020-12-31	162	130	53	8	353
2021-12-31	163	129	54	5	351

[1] Other intangible assets refers primarily to licenses.

No impairment took place for the year, nor in the previous year. Capitalised expenses for software included ongoing development work, which is not subject to amortisation as it is not yet deployed. These amounted to SEK 12 (7) million.

Impairment testing

The Group's intangible fixed assets with an indefinite useful life are tested annually for impairment and in cases where there are indications that impairment may be needed. These assets consist of goodwill, certain trademarks and ongoing developments.

Goodwill

The Group's goodwill of SEK 163 (162) million arose from the acquisition of the Pierce Group in 2014, in which Pierce AB was a subsidiary, and from the acquisition of IERP Motobuykers S.L., which took place in 2018.

Trademarks

The Group's trademarks, of SEK 129 (130) million arose when Pierce Group acquired Twenty Distribution AB in May 2014, a group which included Pierce AB as a subsidiary. The trademarks are grouped proportionately under 24MX, XLMOTO and Sledstore and refer to product brands, that is private brands 24MX, A9 Racing Oils, Course, Proworks, Raven, Razorback Tires, Ride & Sons, Sledstore, Snell, Twenty, XLMOTO.

Impairment test

Each of the intangible assets' goodwill and trademarks with indefinite useful lives, as well as ongoing developments, is specified according to the following table, which is the starting point of the impairment text.

Distribution of goodwill and trademarks	2021	2020
Offroad	180	180
Onroad	64	64
Other	47	47
Total	292	291

Distribution of ongoing developments	2021	2020
Intra-group	12	7
Total	12	7

Any possible impairment requirement is determined each year through calculation of the value in use of the lowest cash-generating unit, which matches with the Group's segments. The value in use is then compared with the carrying value.

The value in use of each segment is based on that segment's estimated non-restricted cash flow, discounted to present value with a weighted cost of capital before tax. The calculation of future cash flows is based on the strategic plan for the next 5 years set by the Group management. The most significant estimates and assumptions relate to forecasts for revenue growth, operating margin, capital tied up and investments. With the discounting of future cash flows, the weighted average cost of capital (WACC) before tax has been applied. The weighted average cost of capital has been calculated using CAPM and is based on the Group's current capital structure and risk profile.

The impairment testing executed based on the above assumptions indicates that there is no impairment requirement in any segment. A sensitivity test with an increased discount factor of 1 (1) percentage point, a decreased operating margin by 3 (3) percentage points, or a decrease in revenue growth of 3 (3) percentage points implied no impairments.

Summary of essential parameters (%)	2021	2020
Offroad		
Forecast period (years)	5	5
Discount rate (%)	11.3%	10.3%
Average annual growth after the forecast period	3.0%	3.0%
Onroad		
Forecast period (years)	5	5
Discount rate (%)	11.3%	10.3%
Average annual growth after the forecast period	3.0%	3.0%
Other		
Forecast period (years)	5	5
Discount rate (%)	11.3%	10.3%
Average annual growth after the forecast period	3.0%	3.0%

Note 14 – Property, plant and equipment

Acquisition cost	Inventories
2020-01-01	**25**
Purchases during the year	7
Sales/disposals	-1
Translation effects	-2
2020-12-31	**29**
Purchases during the year	10
Sales/disposals	-1
Translation effects	1
2021-12-31	**40**
Depreciation	
2020-01-01	**-13**
Depreciation for the year	-5
Sales/disposals	1
Translation effects	1
2020-12-31	**-16**
Depreciation for the year	-6
Sales/disposals	1
Translation effects	0
2021-12-31	**-21**
Total carrying amount	
2020-12-31	**14**
2021-12-31	**18**

No impairment took place for the year, nor in the previous year.

Note 15 – Leases

Cost	Premises	Invent-ories	Total
2020-01-01	**78**	**7**	**85**
Additional agreements	4	0	4
Remeasurement of agreements	34	0	33
Terminated agreements	-2	–	-2
Translation effects	-7	0	-7
2020-12-31	**107**	**7**	**114**
Additional agreements	0	0	1
Remeasurement of agreements	1	–	1
Terminated agreements	0	-2	-2
Translation effects	3	1	3
2021-12-31	**111**	**6**	**116**
Depreciation			
2020-01-01	**-17**	**-2**	**-19**
Depreciation for the year	-19	-2	-21
Terminated agreements	2	–	2
Translation effects	3	0	3
2020-12-31	**-31**	**-4**	**-35**
Depreciation for the year	-18	-1	-20
Terminated agreements	0	2	2
Translation effects	-1	0	-1
2021-12-31	**-50**	**-4**	**-53**
Total carrying amount			
2020-12-31	**77**	**3**	**79**
2021-12-31	**61**	**2**	**63**

No impairment took place for the year, nor in the previous year.

	Leasing liabilities
2020-01-01	**67**
Additional agreements	4
Revaluations of lease liability	33
Terminated agreements	-2
Translation effects	4
Interest expenses on leasing liabilities	4
Leasing fees	-25
2020-12-31	**86**
Additional agreements	1
Revaluations of lease liability	1
Terminated agreements	0
Translation effects	3
Interest expenses on leasing liabilities	4
Leasing fees	-24
2021-12-31	**71**

Premises

The Group rents warehouse and office premises in Poland and offices in Sweden and Spain. Leasing fees are adjusted annually according to the consumer price index. The fixed, non-cancellable periods in these contracts varies from contract to contract but is often between 1 to 5 years, with an option to extend the rental period. When determining the leasing period, an option to extend the rental period is included if using the option is deemed probable. The leasing period is reconsidered if a significant event occurs, or if circumstances significantly change.

Inventories and equipment

The major portion of the leased equipment refers to IT equipment and forklifts for the warehouse premises. The fixed, non-cancellable period in the agreements varies between 1 to 5 years. In certain agreements, the Group has an option to purchase the assets at the end of the contract.

Amount recognised in the Group's profit/loss	2021	2020
Expenses related to leasing liabilities:		
Depreciation right-of-use assets	-20	-21
Interest expenses on leasing liabilitie	-4	-4
Costs related to:		
Short-term contracts	0	-1
Low-value contracts	0	0
Variable leasingfees	-7	-5
Total	**-31**	**-31**

Amount recognised in the Group's statement of cash flow	2021	2020
Payments related to leasing liabilities:		
Repayment of leasing liabilities	-20	-21
Interest expenses leasing liabilities	-4	-4
Costs related to:		
Short-term contracts	0	-1
Low-value contracts	0	0
Variable leasing fees	-7	-5
Total	**-31**	**-31**

One of the larger leasing agreements in the Polish subsidiary is in EUR, that is, the cash flows are in EUR. In accounting terms, this agreement implies that a change in the EUR exchange rate against PLN at a given point in time will impact the liability when revaluing the amount while the underlying value of the asset is not changed. In addition, the majority of Pierce AB's leases are contracted in SEK, which means that the related leasing liabilities will be revalued to the subsidiary's functional currency EUR from 2021.

Exchange differences relating to the above are recorded net as financial items.

For a maturity analysis of leasing liabilities, see Note 24 – Financial risks.

Note 16 – Inventory

	Dec 31 2021	Dec 31 2020
Goods for resale	451	273
Return rights	4	5
Goods in transit	80	56
Total	**534**	**334**
Current year write-down of inventory	—	0

The return rights refer to the portion of cost of sold goods reported as an asset due to the customers' option to return purchases, that is to say, that portion of the revenue from agreements with customers which is uncertain at point of sale due to the Group offering a 30–60 day return right. See Note 3 – Revenue.

Note 17 – Prepaid expenses and accrued income

	Dec 31 2021	Dec 31 2020
Prepaid expenses refered to:		
Rental costs	0	0
Insurance premiums	1	1
Marketing	0	1
IT expenses	3	2
Other items	1	1
Total	**6**	**4**

Note 18 – Cash and cash equivalents

	Dec 31 2021	Dec 31 2020
Cash and cash equivalents	18	87
Carrying amount	**18**	**87**

Note 19 – Group companies

The holdings of the Parent Company, Pierce Group, in direct and indirect subsidiaries included in the Consolidated Financial Statements, are presented in the table below:

			Share	
Company	**Corp. ID no.**	**Registered office**	Dec 31 2021	Dec 31 2020
Pierce Group AB (publ)	556967-4392	Stockholm, Sweden	Parent Company	Parent Company
Pierce AB	556763-1592	Stockholm, Sweden	100%	100%
PDC Logistics Sp. Z o.o.	KRS 0000564802	Szczecin, Poland	100%	100%
Pierce ECOM SSC, S.L UNIPERSONAL	B-67547497	Barcelona, Spain	100%	100%

On 12 February 2019, Pierce AB acquired 100 percent of the shares and 100 percent of the votes in IERP Motobuykers S.L. During 2020, customer service and translation activities were transferred to the newly founded company, Pierce Ecom SSC S.L. and sales were redirected to XLMOTO. Motobuykers was liquidated in December 2020.

Pierce AB founded Pierce Ecom SSC S.L. and owns 100 percent of the shares and votes since January 2020. Pierce Ecom is a Spanish company with its headquarters in Barcelona which primarily handles the Intra-Group functions such as customer support and translation services.

Note 20 – Equity

Share capital

On 31 December 2021, the share quota value on outstanding shares was SEK 0.02 (1.43).

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. It was also resolved to increase the share capital through a stock dividend of SEK 0.5 million.

The holders of ordinary shares are entitled to vote at the general meetings of shareholders with one vote per share. All shares are fully paid, and no shares are reserved for transfer. No shares are held by the Company, itself, or by its subsidiaries.

	Number of shares
2020-01-01	**112,160**
New share issue	119
2020-12-31	**112,279**
Share split 300:1	33,571,421
New share issue	6,003,350
2021-12-31	**39,687,050**

New share issue and redemption of warrants

In conjunction with the listing, a total of 5,468,750 shares were issued at a subscription price of SEK 64, equivalent to SEK 350 million before issue costs. The new share issue increased the share capital by SEK 109,375.

In addition 534,600 shares were registered through a new share issue based on the exercise of warrants from LTIP 2020/2025. The shares were subscribed at a subscription price of SEK 24.8, equivalent to SEK 13 million. The new share issue registered in April 2021 added SEK 10,692 in share capital to Pierce Group.

Other contributed capital

Other contributed capital comprises capital contributed by Pierce Group's owners in the form of share premium on new share issues, issue of warrants and shareholders' contributions. New share issue costs reported against equity amounted to SEK -14 (0) million. The reported tax effect on these was SEK 3 (-) million.

Warrant programs

At the end of the financial year, the Group had one ongoing program: LTIP 2021/2024 for a total of 376,443 warrants carrying the right to subscribe to a corresponding number of ordinary shares in the Company. If all the programs were fully utilised, 376,443 new ordinary shares would be issued, which would mean a dilution of approximately 1 percent based on the total number of shares in the Parent Company.

For further information on the Group's warrant program, see Note 8 – Employees and personnel costs.

Translation reserve

The translation reserve includes all foreign exchange rate differences arising in the translation of financial reports from operations for which the financial statements have been prepared in a functional currency other than the currency in which the Group's Consolidated Financial Statements have been prepared. The Group presents its financial reports in Swedish krona. Accumulated translation differences are recognised through profit or loss on the divestment of foreign operations.

Translation reserve	2021	2020
Opening balance	-1	2
Change for the year	1	-3
Closing balance	**0**	**-1**

Note 21 – Non-current liabilities to credit institutions

At the end of the financial year 2021, the Group had no long-term liabilities to credit institutions. See Note 24 – Financial risks for undiscounted amounts and additional information of current and previous financial year.

Note 22 – Bank credit facility

	Dec 31 2021	Dec 31 2020
Total granted credit facility	300	–
Utilised overdraft facility[1]	26	–
Utilised loans[1]	154	–
Unutilised credit facility	121	–

[1] Utilised facility does not include capitalised loan and interest expenses.

Note 23 – Accrued expenses and prepaid income

	Dec 31 2021	Dec 31 2020
Accrued expenses refered to:		
Cost of goods	46	54
Sales	17	18
Employees	17	20
Consultants	2	9
Audit	1	1
Other items	3	2
Total	86	104

Note 24 – Financial risks

Through its operations, the Group is subjected to various types of financial risks: credit risk, market risks (interest rate risk, currency risk and other price risk), as well as liquidity risk and financing risk. The Group's overall risk management focuses on minimising any potential unfavourable effects on the Group's earnings and financial position.

The Group's finance policy, adopted by the Board of Directors, covers overall risk management and principles in specific areas, such as credit risk, liquidity risk, financing risk and currency risk. The finance policy covers the Group's risk management regarding the identification, evaluation, and follow-up of risks. Priority is given to those risks which, based on an overall assessment of their possible effect, probability, and consequences, are deemed to possibly result in the greatest negative effect on the Group.

The Group's overall goals in handling financial risks include:

- Ensuring the Group's long-term financing needs through the handling of the maturity of loans and refinancing these loans.
- Ensuring the temporary short-term liquidity needs due to seasonal variations.
- Interest risks on loans and cash and cash equivalents.
- Currency risks regarding operational flows and net assets in subsidiaries with functional currency other than SEK.
- Credit risks related to financial activities.

Credit risk

Credit risk is the risk that the Group's counterparty in a financial instrument is unable to fulfil its obligations and thereby causes a financial loss to the Group. The Group's credit risk primarily arises through receivables with payment providers and in the investment of cash and cash equivalents.

Credit risk on receivables with payment providers

The Group has specific guidelines for ensuring payments of sold products and services. As customer payments are guaranteed through e-commerce payment solutions, credit risk does not comprise a significant risk for the Group. Sales essentially take place via payment providers who assume the credit risk. Only a very limited portion of total sales is invoiced to customers where the payment is made directly to Pierce. A certain concentration of credit risk can arise in the ongoing payment flow from payment providers as the customers' payments via the payment providers reach the Group within 1-8 days after the customer has paid for the goods or after they have been delivered. The number of days varies depending on the payment provider concerned.

The credit risk, which is assessed individually according to a rating method applied to all payment providers, is not deemed to be significant. Provisions for expected credit losses considers available forward-looking information. The majority of the Group's receivables from payment providers consist of receivables from Klarna and Adyen. Of the Group's total outstanding receivables from customers and payment providers, receivables from payment providers comprised 100 (99) percent.

In the case a payment provider does not have an official credit rating, Pierce applies a BBB rating according to Standard & Poor's credit ratings. Receivables from payment providers, with short credit periods and where the main portion is paid already when placing the order, are all assessed to be in stage 1. This implies that a possible loss allowance is reported equivalent to the expected loss during the remaining credit period.

Of total receivables from payment providers, 100 (100) percent were yet to mature or had a maturity of less than 30 days. No impairment of expected credit losses related to payment providers have been done.

The credit quality of receivables that are overdue for less than 30 days is deemed to be good based on a historically low level of credit losses and considering forward-looking factors. The principles applied in credit losses on trade receivables are that all receivables where payment has expired more than 60 days are reserved for in full on a monthly basis. The loss allowance of expected credit losses referring to other receivables was SEK 0 (0) million.

Credit risk in cash and cash equivalents

Cash and cash equivalents are placed in various bank accounts primarily in Nordea which has an AA credit rating according to Standard & Poor's. The credit risk, which is based on a rating method, is deemed to be insignificant. The total credit risk does not exceed the book value of the Group's financial instruments.

Market risk

Market risk is the risk that the fair value or future cash flows from a financial instrument will vary as a result in changes in market prices. IFRS specifies market risks into three types: currency risk, interest risk and other price risks. The market risks that affect the Group are primarily comprised of interest risks and currency risks.

Interest risk

Interest risk refers to the risk that financial income and expenses and the value of financial instruments can fluctuate due to changes in market interest rates. Interest risks can lead to changes in market values and cash flows as well as fluctuations in Pierce's earnings. The Group's main exposure to interest risk pertains to liabilities with variable interest.

According to the Group's policies, Pierce may enter agreements or enter other arrangements to hedge its interest risk exposure in accordance with the Board's adopted policies. The Group does not hedge its interest risk exposure.

The Group's loans from creditors bear an interest rate of IBOR plus a margin. The margin is variable depending on the Group's leverage ratio[1], with some intervals for the leverage ratio specified in the loan agreement. During the financial year, the Group redeemed the previous financing structure, which involved shareholder loans and bond loans, and in connection with this obtained a credit facility of a total of SEK 300 million. The Group's new financing structure bears a significantly lower interest rate than before, which led to a lower exposure to interest risk.

Based on the interest-bearing liabilities with variable interest rates as at the balance sheet date, a changed market interest rate of +/- 5 percentage points would have an impact on profit/loss for the year and equity of -/+ SEK 9 (19) million before tax.

The Group's interest-bearing liabilities at the end of the financial year are distributed as follows:

	2021	2020
Liabilities to credit institutions (loan facility)	154	–
Liabilities to credit institutions (overdraft facility)	25	–
Liabilities to credit institutions (bond loan)	–	399
Shareholder loans	–	63
Leasing liabilities	71	86
Total	**249**	**548**

Currency risk

Currency risk is the risk that the fair value or future cash flows from a financial instrument will vary due to changes in foreign exchange rates, which can have negative effects on the Consolidated Financial Statements. The main exposure arises when Group companies have purchases and sales in currencies other than their respective functional currency (transaction exposure). Foreign currency transactions are

[1] 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.

translated into the functional currency at the exchange rate on the transaction date.

Currency risk exposure also occurs in cases where the subsidiaries' functional currency is different from the Group's presentation currency (SEK). Currency risk exposure then arises in the conversion of subsidiaries' earnings and net assets in foreign currency to SEK (translation exposure), the starting point being the exchange rate that exists on the balance sheet date.

Transaction exposure related to payment flows

The Group has currency risk related to changes in expected and contractual payment flows. A significant portion of the Group's purchases is made in foreign currency and is, therefore, exposed to currency risk. The Group holds currency derivatives, which aim to reduce profit/loss and cash flow effects related to strong fluctuations in certain currency pairs including EUR/USD.

Transaction exposure (%)

	2021	2020
Operating income		
EUR	56%	57%
SEK	17%	17%
USD	1%	1%
NOK	11%	9%
PLN	3%	3%
Other currencies	12%	13%
Total	100%	100%
Operating expenses		
EUR	46%	49%
SEK	26%	24%
USD	13%	15%
NOK	0%	0%
PLN	9%	8%
Other currencies	6%	4%
Total	100%	100%
Sensitivity analysis +/- 5%		
EUR	+/- 9	+/- 8
USD	-/+ 9	-/+ 9
NOK	+/-8	+/- 7
PLN	-/+ 5	-/+ 3

The sensitivity analysis above is based on a recalculation of Group company sales and expenses in each currency and shows the effects on profit/loss before tax in a +/- 5 percentage point change in exchange rates SEK as per balance sheet date. The most significant currency exposure refers to EUR/USD. The Group uses currency derivate aimed to reducing the effects on the profit and loss as well as cash flow attributable to sharp fluctuations in certain currency pairs, including EUR/USD. The effect on equity is the same and includes the effects of currency derivatives.

In 2021 the subsidiary Pierce AB changed functional currency from SEK to EUR. Also see Note 30 –

Change of functional currency in subsidiaries regarding effects from the change.

Transaction exposure related to financial instruments

Currency risk related to financial instruments refers primarily to cash and cash equivalents, trade payables and accrued expenses where a significant portion of the items are in a different currency than respective subsidiaries' functional currency.

The sensitivity analysis below is based on a recalculation of the Group's financial instruments in the respective currencies and shows how the profit/loss before tax would be impacted with a +/- 5 percent change in the currency against EUR (2021) and SEK (2020), as at balance sheet date. The effect on equity is the same.

Sensitivity analysis +/- 5%	2021	2020
SEK	-/+ -1	N/A
EUR	N/A	-/+ 3
USD	-/+ -1	-/+ 1
NOK	+/- 0	+/- 0
PLN	-/+ 0	+/- 1

Translation exposure

Translation exposure is the exposure that arises in the translation of subsidiaries' earnings and net assets whose functional currency differs from the Group's presentation currency (SEK). The translation exposure relates to the currencies PLN and EUR.

The sensitivity analysis below is based on a recalculation of the Group's subsidiaries' earnings and net assets and shows how the Group's other comprehensive income and equity would be affected in the event of a change in SEK as of the balance sheet date.

Sensitivity analysis +/- 5%	2021	2020
EUR	+/- 3	+/- 1
PLN	+/- 1	+/- 0

Liquidity risk

Liquidity risk is the risk of the Group incurring difficulty in fulfilling its obligations in relation to financial liabilities and other payment commitments. The Group's liquidity risk arises mainly in connection with the operations' seasonal variations. The inventory is built up based on expected future sales, hence payment of purchases is often made before the time of receipt of sales. This means that the timing of the outflow of cash for the purchase of goods does not correspond to the timing of the inflow of cash attributable to the sale, which leads to a liquidity risk.

E-commerce is characterised by sales increases during certain periods, for example during the fourth quarter's campaigns for Black Week and Christmas. Prior to such campaigns, stock purchases usually increase and thereby also inventory levels. If Pierce's sales are negatively affected or interrupted during such periods, the liquidity effects, and the impact on the possibilities of achieving profitability targets for the Group may be proportionally more significant compared with other periods.

Pierce's liquidity situation is also affected by the terms of credit that its suppliers offer. If Pierce suppliers leave Pierce for a shorter payment period, it may negatively affect the Group's liquidity.

The liquidity risk is mitigated with adopted guidelines regarding continuous forecasts, which are made weekly, and reporting, which aims to ensure that the Group has a satisfactory liquidity reserve. The Group's liquidity reserve is covered by the SEK 300 million credit facility that replaced the previous financing structure in the second quarter of the current year.

The total liquidity reserve at the end of 2021 was comprised of cash and cash equivalents of SEK 18 million and the unutilised portion of the credit facility was SEK 121 million.

The Group's contractual and undiscounted interest payments and repayments of financial liabilities are shown in the table below. Financial instruments with variable interest rates were calculated using the rate on the balance sheet date. Payments of liabilities were included in the period in which repayment can be demanded at the earliest.

Liabilities to credit institutions regarding 2021 that falls due for payment within 6 months refers to loans that Pierce has the right to extend to 2024 within the framework of the agreed credit facility, also with the right to an extension for additionally 2 years. For comments regarding liabilities to credit institutions, see "Comments regarding the Group's financial position".

Maturity analysis, 2021	<6 months	-12 months	1-3 years	3-5 years	>5 years	Total
Liabilities to credit institutions (credit facility)[1]	156	1	28	—	—	185
Leasing liabilities	13	13	41	19	—	85
Trade payables	146	1	—	—	—	147
Other current liabilities[2]	8	—	—	—	—	8
Accrued expenses	69	0	—	—	—	69
Total	**392**	**14**	**69**	**19**	**—**	**494**

[1] Based on agreed maturities and assuming that the company does not violate the financial covenants in the granted credit facility.
[2] Financial liabilities within other current liabilities refer to provision for customer returns.

Maturity analysis, 2020	<6 months	-12 months	1-3 years	3-5 years	>5 years	Total
Liabilities to credit institutions (bond loan)	8	8	467	—	—	483
Contingent consideration	30	—	—	—	—	30
Shareholder loans	—	68	—	—	—	68
Leasing liabilities	12	12	45	35	—	104
Trade payables	84	1	1	—	—	86
Currency derivatives	1	—	—	—	—	1
Other current liabilities[1]	12	—	—	—	—	12
Accrued expenses	82	2	—	—	—	83
Total	**229**	**90**	**514**	**35**	**—**	**868**

[1] Financial liabilities within other liabilities refer to provision for customer returns.

Financing risk

Financing risk refers to the risk that the Group will not be able to obtain financing or will secure financing on significantly less advantageous terms, which implies the risk of not being able to make the desired investments or fulfil payment obligations due to a lack of liquidity. The need of financing is regularly reviewed by Group management and the Board of Directors to ensure the financing of the Group's expansion and investment.

The risk is managed through a finance policy regarding financial counterparties. In addition, financing risk is reduced through a structured financing process which is initiated well in advance of any requirements. As regards larger loans, the process is initiated no later than 6 months prior to the maturity date.

As regards risks related to the Company's compliance with financial covenants in the granted credit facility, see the Board of Directors' description of the uncertainty regarding going concern in "Comments regarding the Group's financial position – Credit facility".

Capital management

The Group's objective is to have a good financial position contributing to maintaining the trust of investors, creditors and the market, comprising a basis for the continued development of the operations and providing an adequate yield to shareholders over time.

The Group's granted credit facility contains certain financial covenants, stipulating that the Group's leverage ratio[1] 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[2] may not be less than 4.0 times. Pierce fulfils the covenant terms associated with this credit facility, which are reported quarterly.

Capital is defined as total equity and amounted as of 31 December to SEK 441 (57) million. The increase compared to the previous financial year was mainly driven by the received new share issue in connection with the listing.

[1] 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.
[2] The measure is equivalent to the Group's EBITDA excluding IFRS 16 in relation to interest expenses, in the same manner as the measure defined in the credit facility agreement, which differs slightly from the Company's definition.

Note 25 – Financial instruments

	Dec 31 2021	Dec 31 2020
Assets		
Measured at amortised cost		
Financial assets	2	16
Receivables from payment providers	15	12
Cash and cash equivalents	18	87
Measured at fair value through profit or loss		
Currency derivatives	3	—
Total carrying amount	**39**	**116**
Liabilities		
Measured at amortised cost		
Liabilities to credit institutions	178	399
Trade payables	147	86
Shareholder loans	—	63
Accrued expenses	69	83
Other current liabilities[1]	8	12
Measured at fair value through profit or loss		
Contingent consideration	—	27
Currency derivatives	—	1
Total carrying amount	**402**	**671**

[1] Financial liabilities within other current liabilities refer to provision for customer returns.

The Group has no financial assets or liabilities which have been netted in the accounting or which are covered by a legally binding agreement on netting.

Fair value measurement

Financial instruments measured at fair value are classified based on the fair value hierarchy. The different levels are defined according to the following:

- **Level 1**: Listed prices (non-adjusted) in active markets for identical assets or liabilities.
- **Level 2:** Observable input data for the asset or liabilities other than listed prices included in Level 1, either directly (as price listings) or indirectly (originating from price listings).
- **Level 3:** Input data for the asset or liability not based on observable market data (non-observable input data).

Contingent considerations and currency derivatives are the only instruments reported at fair value in the income statement. Other financial instruments are measured at amortised cost in the Balance sheet and the reported values agreed, in all significant aspects, with the fair value.

The liability referring to contingent considerations is attributable to level 3 and currency derivatives to level 2 in the fair value hierarchy in accordance with IFRS 13. At the end of the 2021 financial year, the fair value of currency derivatives amounted to SEK 3 (-1) million. The currency derivatives were classified as current assets (liabilities) at the end of the financial year.

Contingent consideration	2021	2020
Opening balance	**27**	**23**
Recalculation through profit/loss	3	4
Payment	-30	—
Closing balance	**—**	**27**

The change in the contingent considerations is recognised in the income statement as other operating income/expense. Contingent considerations were paid during the financial year, after the listing.

Calculation of fair value

Fair value is the price that on the measurement date would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

Financial assets

The carrying amounts of long-term receivables are deemed to comprise a reasonable approximation of their fair value.

Interest-bearing liabilities

Interest-bearing liabilities are subject to market interest rates, which implies that no discounting takes place as the carrying amount is deemed to comprise a reasonable approximation of their fair value.

Current receivables and liabilities

The carrying amounts of current receivables and liabilities, such as receivables from payment providers and trade payables, is considered to comprise a reasonable estimation of their fair value.

Currency derivatives

The valuation of currency derivatives takes place based on official market data regarding exchange rates. Unrealised currency derivatives are valued in connection with month end closes, to reflect the gains or losses that would arise if they were realised based on the exchange rates that existed at the current balance sheet date.

Contingent consideration

In conjunction with Pierce Group acquiring in 2014 the Group in which Pierce AB was included as a subsidiary, an agreement was made regarding a contingent consideration. This was reported at fair value according to level 3 of the fair value hierarchy.

The contingent consideration is to be paid if the total purchase price in a sale/listing is, as a minimum, equal two times the shareholders' aggregated investments in Pierce Group, including outstanding shareholder loans, after deduction of sales costs. The contingent consideration was paid out during the financial year, after the listing, totalling SEK 30 million.

The valuation of the additional contingent consideration took place in two stages: a probability has been applied for an assumed value at listing/sale, and a time for this. Subsequently, the probability-adjusted value was discounted to present value with a discount rate. Shown below are the significant assumptions undertaken in conjunction with the valuation of the contingent consideration.

	Dec 31 2021	Dec 31 2020
Discount rate	N/A	10.3%
Probability	N/A	95%
Expected time of payment	N/A	2021[1]

[1] Expected time of change in ownership is divided 60% in March 2021, and 40% in December 2021.

In the event of a change in discount rates, expected payment dates and probability, the estimated fair value would change. See below for a sensitivity analysis as regards these assumptions.

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

Note 26 – Statement of cash flows

Adjustments for items not included in cash flow

	2021	2020
Depreciation and amortisation	46	40
Change in provisions	-4	2
Change in fair value contingent consideration	3	4
Other non-cash flow items	0	-1
Total	**45**	**44**

Reconciliation of liabilities attributable to financing activities

	Current financing[1]	Non-current financing[2]	Leasing liabilities	Total
2020-01-01	**—**	**528**	**67**	**595**
Cash flow for the year	—	-115	-21	-136
Changes not affecting cash flow related to:				
Changes in leasing liabilities	—	—	39	39
Accrued financing costs for set-up fees	—	2	—	2
Accrued interest expenses	—	48	—	48
Reclassifications	63	-63	—	—
2020-12-31	**63**	**399**	**86**	**548**
Cash flow for the year related to:				
Within financing activities	113	-414	-20	-321
Within operating activities	-3	-5	—	-8
Changes not affecting cash flow related to:				
Changes in leasing liabilities	—	—	5	5
Capitalised loan fees	1	5	—	6
Accrued interest expenses and financial costs	3	15	—	17
Translation effects	2	—	—	2
2021-12-31	**178**	**—**	**71**	**249**

[1] Refers to current liabilities to credit institutions and shareholder loans at the end of each year.
[2] Refers to long-term liabilities to credit institutions at the end of each year.

Note 27 – Pledged assets

	Dec 31 2021	Dec 31 2020
To credit institutions for the Group's own liabilities and provisions		
The Group's share of Group companies'	—	303
Blocked funds	—	14
Deposits	2	2
Utilised credit facility[1]	26	—
Total	**28**	**319**

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

In the 2021 financial year, the previous financing structure was replaced by a SEK 300 million credit facility, of which SEK 179[1] million was utilised at the end of the financial year. There is a surety given on credit facility provided by the Parent Company, Pierce Group AB, in favour of the subsidiary, Pierce AB's, liabilities to credit institutions. The credit facility includes certain financial covenants; see Note 24 – Financial risks.

Pledged shares in Pierce AB relating to bond loans, as well as blocked funds, were released in conjunction with the early redemption that took place in the beginning of the second quarter of 2021. Pledged assets at the end of 2021 pertained to deposits paid and utilised credit facilities.

Note 28 – Contingent liabilities

	Dec 31 2021	Dec 31 2020
Subsidiaries' liabilities and provisions to leasing companies		
Guarantees	9	9
Subsidiaries' liabilities and provisions to bank		
Guarantees	7	—
Other guarantees	3	—
Total	**19**	**9**

The Group company, Pierce AB, has provided a Parent Company guarantee to a landlord in Poland equivalent to four months' rent for the subsidiary, PDC Logistics Sp. z o.o's fulfilment of rental payments. Pierce AB has also provided a bank guarantee for PDC Logistics Sp. z oo's fulfilment of rental payments.

Other guarantees include bank guarantees referring to payment guarantees for the import of goods to Norway and for customs offices' services related to the import of goods in the form of motorcycle accessories.

[1] The difference between "Utilised credit facility" in the Group's statement of cash flow and "Liabilities to credit institutions" in the balance sheet is explained by capitalised loans and interest expenses.

Note 29 – Related party transactions

A list of the Group's wholly owned subsidiaries, which are also the companies comprising related parties to the Parent Company, is included in Note 19 – Group companies.

Contingent consideration

In conjunction with Pierce Group acquiring the Group in which Pierce AB was included, a contingent consideration was agreed upon. The liability referred to the Company's founders of whom one is a Board Member in the Pierce Group. The contingent consideration of SEK 30 million was paid in the current year, after the listing. For further information regarding the contingent consideration see Note 25 – Financial instruments.

Intra-Group transactions

For the Parent Company's transactions with its subsidiaries, refer to the Parent Company Note 21 – Related party transactions.

Loans from shareholders and senior executives

During the 2021 financial year, the previous financing structure was replaced by a SEK 300 million credit facility. In connection with this, all shareholder loans, which related to eight loans from shareholders, three of which were also Board Members of Pierce Group, were repaid in an amount of SEK 64 million.

Other transactions with related parties

Board member Stefan Rönn, with a significant influence in: Useful Words, Unipessoal, Lda (KSEK)	2021	2020
Sales of goods	1	3
Purchase of consultancy services	9	18
Debt on the balance sheet date	—	—

Shareholder Daniel Petersen, with a significant influence in: Girafa Urbana, Unipessoal, Lda (KSEK)	2021	2020
Sales of goods	51	34
Purchase of consultancy services	188	1,943
Debt on the balance sheet date	—	157

For information regarding remuneration of senior executives, and the ongoing warrant programme, see Note 8 – Employees and personnel costs and Note 20 – Equity. All transactions with related parties took place at arm's length.

Note 30 – Change of functional currency in subsidiaries

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 tables show the most significant effects on the Group's financial statements and key figures as a result of this change.

	Effect on the Group
Consolidated income statement	
Net revenue	0
Gross profit	4
Operating profit/loss (EBIT)	6
Profit/loss for the year	10
Gross margin (%)[1]	0.2%
Operating margin (EBIT) (%)[1]	0.4%
Consolidated statement of financial position[2]	
Non-current assets	1
Inventory	9
Current assets	0
Equity	-10
Total non-current liabilities	0
Current liabilities	0

[1] Alternative performance measures (APM). See pages 76 - 81 fordefinitions and purpose of these measurements.

[2] Changes in equity and liabilities are disclosed as + (decrease) and - (increase).

Note 31 – Significant events after the balance sheet date

On February 24, 2022, the conflict between Russia and Ukraine started. Several countries established new sanctions against, among others, Russian state-owned units and companies as well as certain individuals around the world, of which there is a connection to Russia. The sanctions have also included Belarus.

The incident is estimated to have a major impact on prices, exchange rates, import and export restrictions, availability of raw materials and materials and resources in which Russia, Belarus and/or Ukraine are involved.

Pierce Group has no direct operations in any of these countries, which means that the direct impact of the incident is estimated to be low. On the other hand, the indirect impact can be significant depending on how the situation develops and how protracted the conflict becomes. This mainly applies to effects on customer demand in general in Europe and thus also to Pierce products, which since the conflict started, are estimated to have had a negative effect on Pierce's sales. Furthermore, the impact on the financial and foreign exchange markets could have a negative effect on Pierce.

Financing and preferential rights issue

Covid-19 related effects and the indirect impact of the conflict between Russia and Ukraine, as well as other negative macroeconomic factors have implied that Pierce's profitability has declined and its leverage ratio has increased. The Company's granted credit facility is, amongst other things, subject to financial covenants regarding the Group's leverage ratio and interest coverage ratio (for further information see Note 24 – Financial risks. On 31 December 2021 and on 31 March 2022, Pierce fulfilled the covenant terms and conditions for the credit facility which are reported quarterly.

The external environment, in combination with the measures the Company can undertake to support long-term sustainable and successful operations, can, however, make it difficult for Pierce to comply with the cutoff points stipulated in the financial covenants applying to the credit facility. As a result, the Board of Directors resolved on 10 May 2022 to undertake a preferential rights issue up to SEK 350 million on the premise of the approval of an extraordinary meeting of shareholders to be held during the second quarter 2022. The purpose is, given the factors of uncertainty in the external environment, to reduce Pierce's net debt and continue with the Company's long-term growth strategy, as well as to undertake measures to increase profitability. The Company's largest owner, Procuritas, has stated its support for the Rights Issue, as well as its intention to subscribe for its pro rata share. For further information refer to the section "Comments on the Group's financial position."

Parent company profit/loss

SEKm	Note	2021-01-01 2021-12-31	2020-01-01 2020-12-31
Net revenue	4	12	11
Gross profit		**12**	**11**
Administration expenses	5	-21	-25
Operating profit/loss		**-9**	**-14**
Financial income	7	7	29
Financial costs	8	-19	-51
Profit/loss after financial items		**-21**	**-37**
Appropriations	9	27	15
Profit/loss before tax		**6**	**-22**
Tax	10	-2	—
Profit/loss for the year		**4**	**-22**

Parent Company statement of comprehensive income

SEKm	2021-01-01 2021-12-31	2020-01-01 2020-12-31
Profit/loss for the year	4	-22
Other comprehensive income for the year	—	—
Comprehensive income for the year	**4**	**-22**

Parent Company balance sheet

SEKm	Note	2021-12-31	2020-12-31
Assets			
Non-current assets			
Shares in subsidiaries	11	308	308
Receivables from Group companies	12,13	77	236
Non-current assets		385	544
Current assets			
Receivables from Group companies	12,13	28	19
Other receivables		—	1
Prepaid expenses and accrued income	14	1	1
Cash and cash equivalents	12	7	3
Current assets		37	23
Total assets		422	567
Equity and liabilities			
Equity	15		
Share capital		1	0
Restricted equity		1	0
Share premium reserve		415	81
Profit/loss brought forward		0	0
Profit/loss for the year		4	-22
Non-restricted equity		418	59
Total equity		419	59
Non-current liabilities			
Liabilities to credit institutions	12,16,20	—	399
Non-current liabilities		—	399
Current liabilities			
Shareholder loans	12	—	63
Contingent consideration	12	—	30
Trade payables	12	0	6
Other current liabilities		1	0
Accrued expenses and prepaid income	12,17	1	9
Current liabilities		3	109
Total equity and liabilities		422	567

Parent Company statement of changes in equity

SEKm	Note	Restricted equity Share capital	Non-restricted equity Share premium reserve	Non-restricted equity Profit/loss brought forward	Non-restricted equity Net profit for the year	Equity
Opening balance 2020-01-01		**0**	**94**	**0**	**-15**	**79**
Appropriation of profit/loss from last year		—	-15	—	15	—
Net profit, also other comprehensive income, for the year		—	—	—	-22	-22
Total		**—**	**-15**	**—**	**-8**	**-22**
Transactions with Parent Company's shareholders						
New share issue		0	1	—	—	1
Issue of warrants		—	2	—	—	2
Total		**0**	**2**	**—**	**—**	**2**
Closing balance 2020-12-31		**0**	**81**	**0**	**-22**	**59**
Appropriation of profit/loss from last year		—	-22	—	22	—
Net profit, also other comprehensive income, for the year		—	—	—	4	4
Total		**—**	**-22**	**—**	**26**	**4**
Bonus issue		1	-1	—	—	—
Transactions with Parent Company's shareholders						
New share issue		0	363	—	—	363
Issue costs referring to new share issue		—	-14	—	—	-14
Issue of warrants including issue costs		—	4	—	—	4
Tax effect of issue costs	10	—	3	—	—	3
Total		**0**	**356**	**—**	**—**	**357**
Closing balance 2021-12-31	**15**	**1**	**415**	**0**	**4**	**419**

Parent Company statement of changes of cash flow

SEKm	Note	2021-01-01 2021-12-31	2020-01-01 2020-12-31
Operating activities			
Operating profit/loss		-9	-14
Adjustments for non-cash items	18	0	0
Paid interest	18	-4	-2
Paid tax		0	0
Cash flow from operating activities before changes in working capital		**-13**	**-16**
Cash flow from changes in working capital			
Changes in operating receivables		18	2
Changes in operating liabilities		-12	13
Cash flow from operating activities		**-7**	**-2**
Investing activities			
Received repayment of intercompany loans		166	115
Cash flow from investing activities		**166**	**115**
Financing activities	18		
Repayment of shareholder loans[1]	21	-64	-115
Repayment of liabilities to credit institutions[2]		-414	—
Paid contingent consideration	21	-30	—
New share issue		363	1
Paid issue costs referring to new share issue		-14	—
Issue of warrants after deduction of issue costs		4	2
Cash flow from financing activities		**-154**	**-113**
Cash flow for the year		**5**	**0**
Cash and cash equivalents at beginning of year		3	2
Exchange rate difference in cash and cash equivalents		—	0
Cash and cash equivalents at year end		**7**	**3**

[1] Repaid amount referred to capitalised interest expenses, which for the interim period amounted to SEK -3 (-70) million.

[2] Repaid amount referred to capitalised interest expenses, which for the interim period amounted to SEK -64 (-) million.

Parent Company notes

Note 1 – Significant accounting policies

The Parent Company has prepared its annual accounts in accordance with the Swedish Annual Accounts Act (1995:1554) and Recommendation RFR 2 "Accounting for Legal Entities" issued by the Swedish Financial Reporting Board. The Parent Company applies the same accounting policies as the Group, with the exceptions and additions indicated in RFR 2. This means that IFRS is applied with the exceptions stated below. The accounting policies for the Parent Company have been applied consistently for all periods presented in the Parent Company's financial statements, unless otherwise specified.

Classification and presentation

For the Parent Company, the term Income statement is used for the report for which the Group uses the title Consolidated statement of profit/loss. In addition, the Parent Company uses the term Balance sheet for the report which the Group uses Consolidated statement of financial position. The Income statement and Balance sheet are prepared for the Parent Company in accordance with the appendix to the Annual Accounts Act, while the Statement of comprehensive income, the Statement on changes in equity and the Statement of cash flows is based on IAS 1 Presentation of Financial Statements and IAS 7 Statement of Cash Flows. The differences with respect to the Group's reports, which occur in the Parent Company's Income statement and Balance sheet, consist primarily of reporting of equity and provisions as a separate heading in the Balance sheet.

Subsidiaries

Shares in subsidiaries are recognised in the Parent Company using the cost method. This means that the value is recorded at cost, including transaction costs, less any impairment losses.

Group contributions and shareholder contributions

The Parent Company recognises Group contributions, both received and paid, as appropriations in accordance with the alternative rule.

Shareholder contributions provided by the Parent Company are recognised directly as equity at the recipient and recognised as shares in the Parent Company, to the extent that impairment is not necessary. Received shareholders' contributions are recognised as an increase in non-restricted equity.

Income from subsidiaries

Dividend is reported when the right to receive a dividend is deemed probable.

Financial instruments

As a result of the relationship between accounting and taxation, the rules on financial instruments of IFRS 9 are not applied at the Parent Company, which instead applies the rules in accordance with RFR 2. This means that the Parent Company reports financial instruments on the basis of the acquisition value in accordance with the rules in the Swedish Annual Accounts Act. The contingent consideration is thus valued at amortised cost, that is, the amount that the Parent Company assess to be paid if it was settled at closing.

For intra-group receivables reported at amortised cost, a so-called loss allowance is reported when necessary. Furthermore, the exemptions in RFR 2 imply that the Parent Company's surety is not treated as a financial guarantee under IFRS 9 but is instead managed based on the rules in IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". Thus, the Parent Company assesses whether it is probable that an outflow of financial resources may occur and, depending on the assessment, the Parent Company reports a provision or a contingent liability.

Note 2 – Information on future standards

No new standards or interpretations are expected to affect the Parent Company.

Note 3 – Significant estimates and assessments

The preparation of financial statements in conformity with RFR 2 requires the use of certain critical accounting estimates. This also requires the management to make certain assessments in the application of the Company's accounting policies, as well as estimates and assumptions about the future. See more descriptions in the Group's Note 2 – Significant estimates and assessments. In the Parent Company, the contingent consideration is valued at amortised cost, that is, calculated at the amount that the Parent Company assesses to be paid if it was settled at closing. The actual outcome may differ from these estimates.

The estimates and assumptions are evaluated on an ongoing basis and are not deemed to entail any significant risk of significant adjustments in the carrying amounts of assets and liabilities during the next financial year. 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.

Note 4 – Net revenue

The Parent Company's net revenue relates to services which the Parent Company provides to its Swedish subsidiary. The Parent Company's net revenue is thus distributed across the following geographical markets. Also see the Group's Note 3 – Revenue.

	2021	2020
Sweden	12	11
Total	**12**	**11**

Note 5 – Remuneration to auditors

The audit assignment refers to the auditor's work for the statutory audit and various types of quality assurance services provided in conjunction with the audit. Other services are services not included in the audit assignment or tax advisory services. Other services mainly referred services connected to the listing.

	2021	2020
Ernst & Young AB		
Audit work beyond audit assignment	-2	—
Tax advisory services	0	—
Other services	-1	-5
Total	**-3**	**-5**

The auditors' remuneration for the statutory audit is invoiced to the subsidiary Pierce AB. See more information in the Group's Note 7 –Remuneration to auditors.

Note 6 – Employees and personnel costs

For salaries and benefits for employees and senior executives, as well as information about the number of employees, see Note 8 –Employees and personnel costs for the Group

Note 7 – Financial income

	2021	2020
Interest income	7	29
Exchange rate differences	0	—
Total	**7**	**29**

Interest income is primarily attributable to interest income from loans to the subsidiary Pierce AB.

Note 8 – Financial costs

	2021	2020
Interest expenses	-15	-51
Exchange rate differences	0	0
Other financial costs	-4	—
Total	**-19**	**-51**

Note 9 – Appropriations

	2021	2020
Group contributions received	27	15
Total	**27**	**15**

Group contributions received relate to the subsidiary Pierce AB.

Note 10 – Tax

	2021	2020
Current tax	-3	—
Adjustment refered to previous years	1	—
Total	**-2**	**—**
Reported tax in the income statement	**-2**	**—**
Amount recognised in total equity		
Current tax	3	—
Total	**3**	**—**

Reconciliation of effective tax rate	2021	2020
Profit/loss before tax	**6**	**-22**
Tax according to the applicable tax rate 20.6% (21.4%)	-1	5
Tax effects of:		
Non-deductible expenses	-2	-5
Adjustments related to previous years	1	—
Utilisation of unrecognised tax losses carried forward	1	—
Reported tax	**-2**	**—**
Effective tax rate	38%	-%

There are tax losses carry-forwards for which deferred tax assets have not been recognised in the Balance sheet amounting to SEK 29 (18) million, equivalent to a tax effect of SEK 6 (4) million. These refer to previous years' non-deductible net interest, which can be used in future year's declarations, if there is room for deduction. The Company recognises deferred tax assets that are deemed to be able to be utilised in the next 2-3 years' tax returns. The remainder was not recognised in the Balance sheet, as it is not deemed likely that the Group will use them for settlement against future taxable profits in the foreseeable future.

Previous years' non-deductible net interest can be used as a deductible in the next 6 years' tax returns if there is room for deduction.

The Company have recognised tax effect on issue costs within equity of SEK 3 (-) million, which have been considered in the Company's total current tax of 2021.

Note 11 – Shares in subsidiaries

	2021	2020
Opening balance	308	308
Closing balance	**308**	**308**

The list below includes shares owned directly or indirectly by the Parent Company. The foreign companies are owned via the Swedish subsidiary Pierce AB.

					Carrying amount	
Company	**Corp. ID no.**	**Registered office**	**No. of shares**	**Share-holding**	**Dec 31 2021**	**Dec 31 2020**
Pierce Group AB (publ)						
Pierce AB	556763-1592	Stockholm, Sweden	1,000	100%	308	308
PDC Logistics Sp. Z o.o.	KRS 0000564802	Szczecin, Poland	1,000	100%	—	—
Pierce ECOM SSC, S.L UNIPERSONAL	B-67547497	Barcelona, Spain	3,000	100%	—	—

Note 12 – Financial instruments

	Dec 31 2021	Dec 31 2020
Assets		
Measured at amortised cost		
Receivables from subsidiaries	105	254
Cash and cash equivalents	7	3
Total carrying amount[1]	**112**	**257**
Liabilities		
Measured at amortised cost		
Liabilities to credit institutions	—	399
Shareholder loans	—	63
Contingent consideration	—	30
Trade payable	0	6
Accrued expenses	0	7
Total carrying amount[1]	**0**	**505**

[1] Reported values are a reasonable approximation of fair values, except for the contingent consideration. For fair value of this, see note 25 for the Group.

Note 13 – Receivables from subsidiaries

	Dec 31 2021	Dec 31 2020
Opening balance	254	329
Additional receivables	56	50
Settled receivables	-205	-125
Closing balance	**105**	**254**

At year-end 2021, the Parent Company receivables from subsidiaries only related to Pierce AB.

Note 14 – Prepaid expenses and accrued income

	Dec 31 2021	Dec 31 2020
Insurance premiums	1	0
Other items	0	0
Closing balance	**1**	**1**

Note 15 – Equity

As of 31 December 2020, the share capital consisted of 39,687,050 (33,683,700[1]) ordinary shares with a quota value of SEK 0.02 (1.43). Also refer to the information in the Group's Note 20 – Equity.

Note 16 – Non-current liabilities

At the end of the financial year, the Parent Company had no non-current liabilities. The previous year's non-current liabilities consisted of liabilities to credit institutions that were repaid in connection with the listing.

Maturity date	Dec 31 2021	Dec 31 2020
1-5 years from the closing day[1]	—	404
Total	**—**	**404**

[1] In the balance sheet, the above liabilities amount to SEK - (399) million. The difference of SEK - (5) million refers to an arrangement fee on liabilities to credit institutions that is allocated to the

Note 17 – Accrued expenses and deferred income

	Dec 31 2021	Dec 31 2020
Accrued expenses relating to:		
Employees	1	2
Consultants	0	7
Other items	—	1
Carrying amount	**1**	**9**

Note 18 – Statement of cash flows

Adjustments for non-cash items

	2021	2020
Depreciation and amortisation	0	0
Total	**0**	**0**

Reconciliation of liabilities attributable to financing activities

	Current financing[1]	Non-current financing[2]	Total
2020-01-01	**—**	**558**	**558**
Cash flow for the year	—	-115	-115
Changes not affecting cash flow related to:			
Accrued financing costs for set-up fees	—	2	2
Accrued interests	—	48	48
Reclassifications	93	-93	—
2020-12-31	**93**	**399**	**492**
Cash flow for the year related to:			
Within financing activities	-94	-414	-508
Within operating activities	—	-5	-5
Changes not affecting cash flow related to:			
Capitalised loan fees	—	5	5
Accrued interest expenses and financial	1	15	16
2021-12-31	**—**	**—**	**—**

[1] Refers to current liabilities to credit institutions at the end of each year.
[2] Refers to shareholder loans, contingent consideration, as well as short-term liabilities to credit institutions at the end of each year.

Note 19 – Pledged assets

At the end of the 2021 financial year, the Parent Company had no pledged assets. There is a surety for the subsidiary Pierce AB's liabilities to credit institutions, which relates to the new financing structure since the second quarter. See the next note for information on this.

Pledged shares in Pierce AB relating to bond loans were released in conjunction with the early redemption that took place in the beginning of the second quarter of 2021.

	Dec 31 2021	Dec 31 2020
For own liabilities and provisions		
Shares in subsidiaries	—	308
Total	**—**	**308**

[1] Adjusted for the share split 300:1 that occurred in January 2021.

Note 20 – Contingent liabilities

There is a surety given on the credit facility provided by the Parent Company, in favour of the subsidiary, Pierce AB's liabilities to credit institutions. The credit facility amounts to a total of SEK 300 million, of which SEK 125 million is in an overdraft facility. The credit facility includes certain financial covenants; also refer to the Group's Note 24 – Financial risks. See also the Board's description of uncertainty about continued operations in the section "Comments on the Group's financial position - The Credit Facility".

Note 21 – Related party transactions

Loan from shareholders

During the 2021 financial year, the previous financing structure was replaced by a SEK 300 million credit facility. In connection with this, all shareholder loans, which related to eight loans from shareholders, three of which were also Board Members of Pierce Group, were repaid in an amount of SEK 64 million.

Contingent consideration

In conjunction with Pierce Group acquiring the Group in which Pierce AB was included, a contingent consideration of SEK 30 million was agreed upon, which was paid out during the 2021 financial year.

Also refer to the information in the Group's Note 25 – Financial instruments.

Intra-Group transactions

Subsidiaries	2021	2020
Sale of goods/services	12	11
Purchase of goods/services	0	0
Interest income related to loans to subsidiaries	7	29
Receivables on the balance sheet date	105	254
Debt on balance sheet date	0	0

Intra-Group transactions relate to the subsidiary Pierce AB, except for purchase of services, which relate to the subsidiary PDC Logistics Sp. z o.o.

Note 22 – Significant events after the balance sheet date

A surety bond exists regarding the credit facility in the parent company Pierce Group AB for the benefit of the subsidiary Pierce AB's liabilities to credit institutions, see also Note 20 - Contingent liabilities. The external situation in combination with the measures Pierce may take to promote a long-term sustainable and successful business may make it more difficult for Pierce to comply with the limit values prescribed by the financial covenants in the credit facility, see also "Group notes - Note 24 - Financial risks". See also Note 31 – Significant events after the balance sheet date for the Group and the Board's description of uncertainty about continued operations in the section "Comments on the Group's financial position - The Credit Facility".

Note 23 – Proposed appropriation of profits

	Dec 31 2021	Dec 31 2020
The following profits are at the disposal of the Annual General Meeting:		
Share premium reserve	415	81
Retained earnings	0	0
Profit/loss for the year	4	-22
	418	**59**
To be appropriated as follows:		
Carry forward	4	-22
Remaining share premium reserve to be carried forward	415	81
Total	**418**	**59**
To be carried forward	**418**	**59**

THIS IS A TRANSLATION FROM THE SWEDISH ORIGINAL

The Consolidated Financial Statements and the Annual Report have been prepared in accordance with the international accounting standards referred to in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards and generally accepted accounting policies respectively and give a true and fair view of the Group's and the Parent Company's position and results. The Directors' Report for the Group and the Parent Company provides a true and fair view of the Group's and the Parent Company's operations, financial positions and results and it also describes the significant risks and uncertainties to which the Parent Company and companies included in the Group are exposed.

This is a translation of the Swedish original of Pierce Group's Annual Report for the period 1 January – 31 December 2021. In the event of any discrepancies between the two versions, the original Swedish version shall apply.

Stockholm, 10 May 2022

Ketil Eriksen
Chairman of the Board

Henrik Zadig
CEO

Mattias Feiff
Board Member

Shu Sheng
Board Member

Gunilla Spongh
Board Member

Stefan Rönn
Board Member

Thomas Ekman
Board Member

Our audit report was submitted on 10 May 2022

Ernst & Young AB

Jonatan Hansson
Authorised Public Accountant

THIS IS A TRANSLATION FROM THE SWEDISH ORIGINAL

Auditor's report

To the general meeting of the shareholders of Pierce AB (publ), corporate identity number 556763-1592

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Pierce AB (publ) for the year 2021. The annual accounts and consolidated accounts of the company are included on pages 27-69 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the balance sheet of the parent company as of 31 December 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2021 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group's statement of comprehensive income and financial position.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Material Uncertainty Related to Going Concern

We draw attention to the information on pages 30-31 under "Comments on the Group's financial position" in the Director's Report, which states that the Company sees a risk that the compliance with the covenants in the loan agreement for the existing credit facility cannot be maintained in the future and that there is currently no new financing to cover an early repayment of the credit facility. These conditions, along with other matters as set forth, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation of goodwill and trademarks with indefinite useful life

Description	***How our audit addressed this key audit matter***
Per December 31, 2021, a large part (28% or 292 MSEK) of the Group's total assets consist of goodwill and brands with an indefinite useful life (hereinafter referred to as the assets). The Group performs an impairment test of the assets on an annual basis and when events or changes in conditions indicate that the carrying amount of the assets may exceed the recoverable amount. Testing of impairment for the assets involve a number of significant assumptions and assessments, among other assessing the value in use through identifying cash generating units, estimating expected future cash flows including the growth rate and calculating weighted average cost of capital ("WACC") used to discount future cash flows. The Company's process for assessing impairment requirements also includes the use of management's and the board of director's business plans and forecasts. For additional information refer to the Group's accounting principles in note 1, significant assessments and assumptions in note 2 as well as information about the product and marketing rights and goodwill in note 13. We focused on this area as the book value of the assets are significant and the impairment test is sensitive to changes in assumptions. Therefore, we considered this a key audit matter in our audit.	Our audit was conducted together with our valuation specialists and included but was not limited to the following audit procedures: • obtained an understanding of the Company's process for identifying indicators of impairment and testing impairment, • evaluated how cash-generating units have been identified against established criteria and compared to how the company internally follows its operations, • evaluated the methods and models used by management when performing the impairment test; • reviewed the assumptions used by the Group when assessing testing the impairment with a focus on the assumptions for which the results of impairment testing are most sensitive through comparisons to historical outcomes and precision in previously made forecasts, evaluation of the company's own sensitivity analyses mathematically as well as conducted our own sensitivity analyses. • We have also assessed the disclosures in the annual report.

Valuation of inventories

Description	***How our audit addressed this key audit matter***
Per December 31, 2021, a large proportion (52% or 534 MSEK) of the Group's total assets consist of inventories. Inventories are valued at the lowest of cost or net realisable value. The net realisable value is the estimated sales value reduced by estimated selling costs. Assessing the estimated sales value requires assumptions and assessments of future events which is associated with uncertainty. See notes 1, 2 and 16 in the Annual Report for a more detailed description of the Group's accounting principles for inventory valuation. Changes in assumptions and estimates can have a material impact on the financial statements and therefore we have identified inventory valuation as a key audit matter in our audit.	Our audit included but was not limited to the following audit procedures: • review of the Group's processes and procedures for inventory accounting, • samples regarding the cost and net realisable values, • margin analysis at a product level, • review of assumptions and calculations that form the basis for reported obsolescence in inventories and • we have also assessed the disclosures in the annual report.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-14, 22-26 and 75-82. The remuneration report for the financial year 2021 also constitutes other information. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or related safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter

Report on other legal and regulatory requirements

Report on the audit of the administration and the proposed appropriations of the company's profit or loss

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Pierce AB (publ) for the year 2021 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated (loss be dealt with) in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organisation and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organisation is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

The auditor's examination of the ESEF report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Pierce AB for the financial year 2021.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the ESEF report #6205644c541881ab596eaa62f6b9cf8bc0ece8babc5525ba3ed17f0f318cf818 has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 *Examination of the ESEF report*. Our responsibility under this recommendation is described in more detail in the *Auditors' responsibility* section. We are independent of Pierce AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, financial position, changes in equity and cash flow.

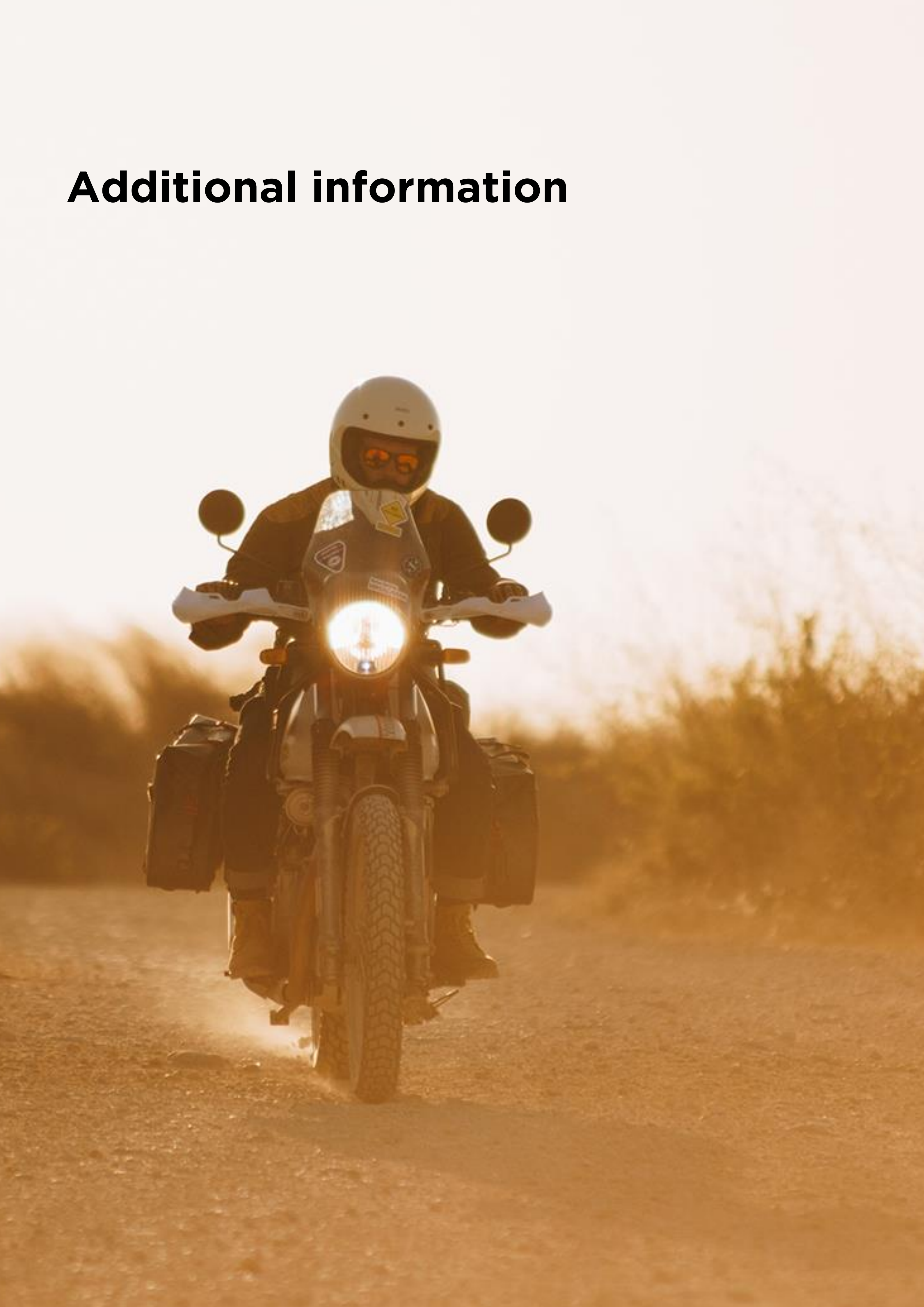
Ernst & Young AB, Box 7850, 103 99 Stockholm, was appointed auditor of Pierce AB by the general meeting of the shareholders on the 23 February 2021 and has been the company's auditor since the 21 May 2014.

Stockholm, May 10, 2022

Ernst & Young AB

Jonatan Hansson
Authorized Public Accountant

Additional information



Alternative Performance Measures

Financial measures not defined in accordance with IFRS

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

Financial Performance Measures – Group

Performance measure	APM/IFRS	Definition	Purpose
Adjusted EBITDA excluding IFRS 16	APM	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) (%)	APM	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)	APM	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	APM	Amortisation less amortisation excluding business acquisitions.	The purpose is to measure the performance measure's impact on operating profit (EBIT).
CAGR	APM	Compound annual growth rate in percent over a given period. The formula to calculate the CAGR is: (ending value/starting value) ^ (1/number of years between ending value and starting value)-1.	The measure shows the Company's growth over time.
Earnings per share after dilution	IFRS	Profit attributable to the Parent Company's owners divided by the average number of outstanding ordinary shares during the period, adjusted by the weighted average number of outstanding shares of all potential ordinary shares giving rise to a dilution effect. Potential dilution exists when the exercise price for issued warrants is lower than the current market price. Potential ordinary shares only give rise to dilution if their conversion results in lower earnings per share or higher losses per share.	Shows each ordinary share's, and potential ordinary share's, portion of the Group's net profit during the period.
Earnings per share before dilution	IFRS	Profit attributable to the Parent Company's shareholders divided by the weighted average number of outstanding ordinary shares during the period.	Shows each ordinary share's portion of the Group's earnings during the period.
Gross margin (%)	APM	Gross profit in relation to net revenue.	This measure Is used to measure profitability after deduction of cost of goods sold.
Growth (%)	APM	Net revenue for the period compared with net revenue in the equivalent period in the previous year.	This information makes it possible to analyse the Group's and the segments' total growth in net revenue.

Performance measure	APM/IFRS	Definition	Purpose
Growth in local currencies (%)	APM	Change in net revenue, adjusted for exchange rate changes and business acquisitions in comparison with the corresponding period previous year.	Enables follow-up of the development of net revenue excluding exchange rate effects and business acquisitions.
Growth per geographical area (%)	APM	Net revenue for the period for a geographical area compared to net revenue for the same geographical area during the equivalent period in the previous year.	This measure makes it possible to analyse net revenue growth for the Group specified according to geographical area.
Items affecting comparability	APM	Items affecting comparability refers to material transactions lacking a clear connection to the ordinary operations, and which are not expected to occur regularly. These transactions include, for instance, 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.	This measure is excluded in calculating adjusted measures which are used to monitor the Company's underlying earnings trend over time.
Net debt/EBITDA	APM	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	APM	Liabilities to credit institutions, decreased by cash and cash equivalents at the end of the period. Pierce's assessment of the Groups' actual net debt corresponds to liabilities to credit institutions, and that is why shareholders loans and leasing liabilities are excluded.	This measure is used to monitor the indebtedness, financial flexibility, and capital structure.
Net working capital	APM	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 (%)	APM	Net working capital in relation to net revenue.	This measure is a measure of how efficiently net working capital is managed.
Operating cash flow	APM	Cash flow from the ongoing operations, excluding paid interest, realised cash hedges and tax paid/received, with deduction for investments in non-current assets, repayment of leasing liabilities and interest expenses on leasing liabilities.	This measure shows the underlying cash flow generated from the operating activities.
Other cash flow	APM	Cash flow from financing activities, excluding net changes in loans and repayment of leasing liabilities, less realised cash hedges, and tax paid/received as well as interest, less interest expenses on leasing liabilities.	This measure is used to, together with operating cash flow, received/paid blocked funds and net changes in loans, calculate the cash flow for the period.
Other non-cash items	APM	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.
Overhead costs	APM	Operating costs, excluding variable sales and distribution costs, amortisation, depreciation, impairment, and items affecting comparability. Operating costs refer to sales and distribution costs, administration costs, and other operating revenue and costs.	Costs that are not allocated to segments, but which each segment contributes to cover. These costs are largely fixed and semi-fixed. The measure is used to calculate the scalability of this part of the cost mass, see Overhead costs (%) below for more information.
Overhead costs (%)	APM	Overhead costs in relation to net revenue.	This measure shows the scalability of the Company's semi-fixed and fixed cost structure.
Overhead costs and depreciation/amortisation	APM	Overhead costs, depreciation, amortisation and impairment.	Costs that are not allocated to segments, but to which each segment contributes. These costs are largely fixed and semi-fixed. The measure is used to calculate the scalability of this portion of the cost base, see Overhead costs and depreciation/amortisation (%) below for more information.

Performance measure	APM/IFRS	Definition	Purpose
Overhead costs and depreciation/amortisation (%)	APM	Overhead costs and depreciation/ amortisation as a percentage of net revenue.	The measure shows the scalability of the Company's semi-fixed and fixed cost structure.
Profit after variable costs	APM	Gross profit less variable sales and distribution costs.	The measure is used to measure contribution after all variable costs.
Profit after variable costs (%)	APM	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	APM	Sales and distribution costs less non-variable sales and distribution costs. 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.	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 Motobuykers 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.
Net revenue per category (%)	Net revenue in relation to net sales per respective category The categories are parts, gear, accessories and other. Other includes everything that is not specified by category, such as freight revenue and accrued revenue.	The measure is used to measure and form an understanding of the manner in which the various categories perform over time.
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

	2021	2020
Net revenue (A)		
Offroad	974	952
Onroad	500	461
Other	119	110
Group	**1,594**	**1,523**
Gross profit (B)		
Offroad	462	460
Onroad	209	195
Other	59	50
Intra-Group costs	-2	5
Group	**728**	**711**
Variable sales and distribution costs		
Offroad	-224	-206
Onroad	-131	-122
Other	-30	-25
Group	**-384**	**-353**
Profit after variable costs (C)		
Offroad	238	254
Onroad	78	73
Other	29	26
Intra-Group costs	-2	5
Group	**343**	**358**
Gross margin (%) (B) / (A)		
Offroad	47.5%	48.3%
Onroad	41.8%	42.3%
Other	49.4%	46.1%
Group	**45.7%**	**46.7%**
Profit after variable costs (%) (C) / (A)		
Offroad	24.5%	26.7%
Onroad	15.6%	15.9%
Other	24.2%	23.7%
Group	**21.5%**	**23.5%**
Operating profit/loss (EBIT)	46	81
Reversal of depreciation and amortisation	46	40
Reversal of items affecting comparability	12	17
Rental costs regarding leasing agreements reported in the Statement of Financial Position	-23	-24
Adjusted EBITDA excluding IFRS 16	81	113

	2021	2020
Operating profit/loss (EBIT)	46	81
Reversal of items affecting comparability	12	17
Adjusted operating profit (EBIT) (A)	**58**	**97**
Net revenue (B)	1,594	1,523
Adjusted operating margin (EBIT) (%) (A) / (B)	**3.6%**	**6.4%**
IPO costs	-9	-13
Change in fair value, contingent consideration	-3	-4
Items affecting comparability	**-12**	**-17**
Sales and distribution costs	-512	-473
Reversal of non-variable sales and distribution costs	128	120
Variable sales and distribution costs	**-384**	**-353**
Sales and distribution costs	-512	-473
Administration costs	-169	-154
Other operating income	3	1
Other operating expenses	-3	-5
Operative expenses	**-681**	**-630**
Reversal of:		
Variable sales and distribution costs	384	353
Depreciation and amortisation	46	40
Items affecting comparability	12	17
Overhead costs (A)	**-239**	**-221**
Depreciation and amortisation (B)	-46	-40
Overhead costs, depreciation and amortis	**-285**	**-261**
Net revenue (D)	1,594	1,523
Overhead costs (%) -(A) / (D)	**15.0%**	**14.5%**
Depreciation and amortisation (%) -(B) / (D)	**2.9%**	**2.6%**
Overhead costs, depreciation and amortisation (%) -(C) / (D)	**17.9%**	**17.1%**
Amortisation	-20	-14
Reversal of amortisation excluding business acquisitions	19	12
Amortisation related to business acquisitions	**-1**	**-1**

Reconciliation of Alternative Performance Measures concerning growth – Group

	2021	2020
Net revenue current year (A)	1,594	1,523
Net revenue previous year (B)	1,523	1,243
Growth (%) (A) / (B) -1	**5%**	**23%**
Net revenue current year in local currencies[1] (A)	1,636	1,545
Net revenue previous year (B)	1,523	1,243
Growth in local currencies (%) (A) / (B) -1	**7%**	**24%**
[1] Net revenue for the year in local currencies, converted to SEK using previous year's exchange rates.		
Net revenue Nordics (A)	563	507
Net revenue Nordics previous year (B)	507	447
Growth Nordics (%) (A) / (B) -1	**11%**	**13%**
Net revenue Outside Nordics (A)	1,031	1,016
Net revenue Outside Nordics previous year (B)	1,016	796
Growth Outside Nordics (%) (A) / (B) -1	**1%**	**28%**
Net revenue (A)	1,594	1,523
Net revenue, 2 years ago (B)	1,243	942
Number of years calculated (C)	2	2
CAGR (%) ((A) / (B)) ^(1 / (C)) -1	**13%**	**27%**

Reconciliation of Alternative Performance Measures concerning growth – segment

	2021	2020
Offroad		
Net revenue (A)	974	952
Net revenue previous year (B)	952	731
Growth (%) (A) / (B) -1	**2%**	**30%**
Onroad		
Net revenue (A)	500	461
Net revenue previous year (B)	461	416
Growth (%) (A) / (B) -1	**8%**	**11%**
Offroad		
Net revenue Nordics (A)	212	203
Net revenue Nordics previous year (B)	203	179
Growth Nordics (%) (A) / (B) -1	**5%**	**13%**
Net revenue Outside Nordics (A)	763	750
Net revenue Outside Nordics previous year (B)	750	552
Growth Outside Nordics (%) (A) / (B) -1	**2%**	**36%**
Onroad		
Net revenue Nordics (A)	232	195
Net revenue Nordics previous year (B)	195	171
Growth Nordics (%) (A) / (B) -1	**19%**	**14%**
Net revenue Outside Nordics (A)	269	266
Net revenue Outside Nordics previous year (B)	266	245
Growth Outside Nordics(%) (A) / (B) -1	**1%**	**9%**
Offroad		
Net revenue (A)	974	952
Net revenue, 2 years ago (B)	731	553
Number of years calculated (C)	2	2
CAGR (%) ((A) / (B)) ^(1 / (C)) -1	**15%**	**31%**
Onroad		
Net revenue (A)	500	461
Net revenue, 2 years ago (B)	416	306
Number of years calculated (C)	2	2
CAGR (%) ((A) / (B)) ^(1 / (C)) -1	**10%**	**23%**

Reconciliation of Alternative Performance Measures from the Statement of financial position

	2021	2020
Inventory	**534**	**334**
Trade receivables	15	12
Other receivables	12	14
Prepaid expenses and accrued income	6	4
Reversal of:		
Currency derivatives	-3	—
Other current operating assets	**30**	**29**
Trade payables	-147	-86
Other current liabilities	-56	-29
Contractual liabilities	-16	-25
Accrued expenses and prepaid income	-86	-104
Reversal of:		
Currency derivatives	—	1
Other current operating liabilities	**-305**	**-244**
Net working capital	**260**	**120**
Net revenue (A)	1,594	1,523
Net working capital (B)	260	120
Net working capital (%) (B) / (A)	**16.3%**	**7.9%**
Liabilities to credit institutions	178	399
Cash and cash equivalents	-18	-87
Net debt excluding IFRS 16	**160**	**312**
Net debt excluding IFRS 16 (A)	160	312
Adjusted EBITDA excluding IFRS 16 (B)	81	113
Net debt/EBITDA (A) / (B)	**2.0**	**2.8**

Reconciliation of Alternative Performance Measures from Statement of cash flows

	2021	2020
Cash flow from operating activities	-61	156
Cash flow from investing activities	-12	-42
Repayment of leasing liabilities	-20	-21
Interest expenses leasing liabilities	-4	-4
Reversal of:		
Received/paid blocked funds	-14	14
Paid interest	12	6
Realised cash hedges	-1	2
Paid tax	4	5
Operative cashflow	**-96**	**117**
Adjustments for non-cash items	45	44
Repayment of leasing liabilities	-20	-21
Interest expenses leasing liabilities	-4	-4
Other non-cash items	**21**	**20**
Cash flow from financing activities	2	-133
Paid interest	-12	-6
Realised cash hedges	1	-2
Paid tax	-4	-5
Reversal of:		
Interest expenses leasing liabilities	4	4
Net change in loans[1]	331	115
Repayment of leasing debt	20	21
Other cashflow	**342**	**-8**

[1] Net change in loans refers to changes in loans from shareholders, utilised overdraft facilities, loans and repayments of liabilities to credit institutions

Reconciliation of other Alternative Performance Measures

	2021	2020
Net revenue		
Offroad	974	952
Onroad	500	461
Other	119	110
Group	**1,594**	**1,523**
Reversal of net revenue from external brands		
Offroad	-522	-534
Onroad	-313	-273
Other	-52	-58
Group	**-888**	**-865**
Reversal of Motorbuykers[1] and non-branded net revenue		
Offroad	-71	-59
Onroad	-21	-26
Other	-6	-3
Group	**-98**	**-87**
Net revenues from private brands		
Offroad	381	360
Onroad	166	162
Other	61	49
Group	**609**	**571**

[1] Motobuykers only refers to the comparison year when the company was liquidated in December 2020.

	2021	2020
Net revenue (A)		
Offroad	974	952
Onroad	500	461
Other	119	110
Group	**1,594**	**1,523**
Number of orders (thousands) (B)		
Offroad	1,064	1,045
Onroad	568	588
Other	104	91
Group	**1,735**	**1,724**
Average order value (AOV) (SEK) (A) / ((B) / 1000)		
Offroad	916	911
Onroad	881	785
Other	1,151	1,201
Group	**919**	**884**

Upcoming financial reports

3 June 2022

Annual General Meeting 2022

24 August 2022

Interim report January–June 2022

11 November 2022

Interim report January–September 2022

Other information

The presentation material will be available prior to the start of the conference on Pierce Group's website via the following link: https://www.piercegroup.com/en/rapporter-presentationer/

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