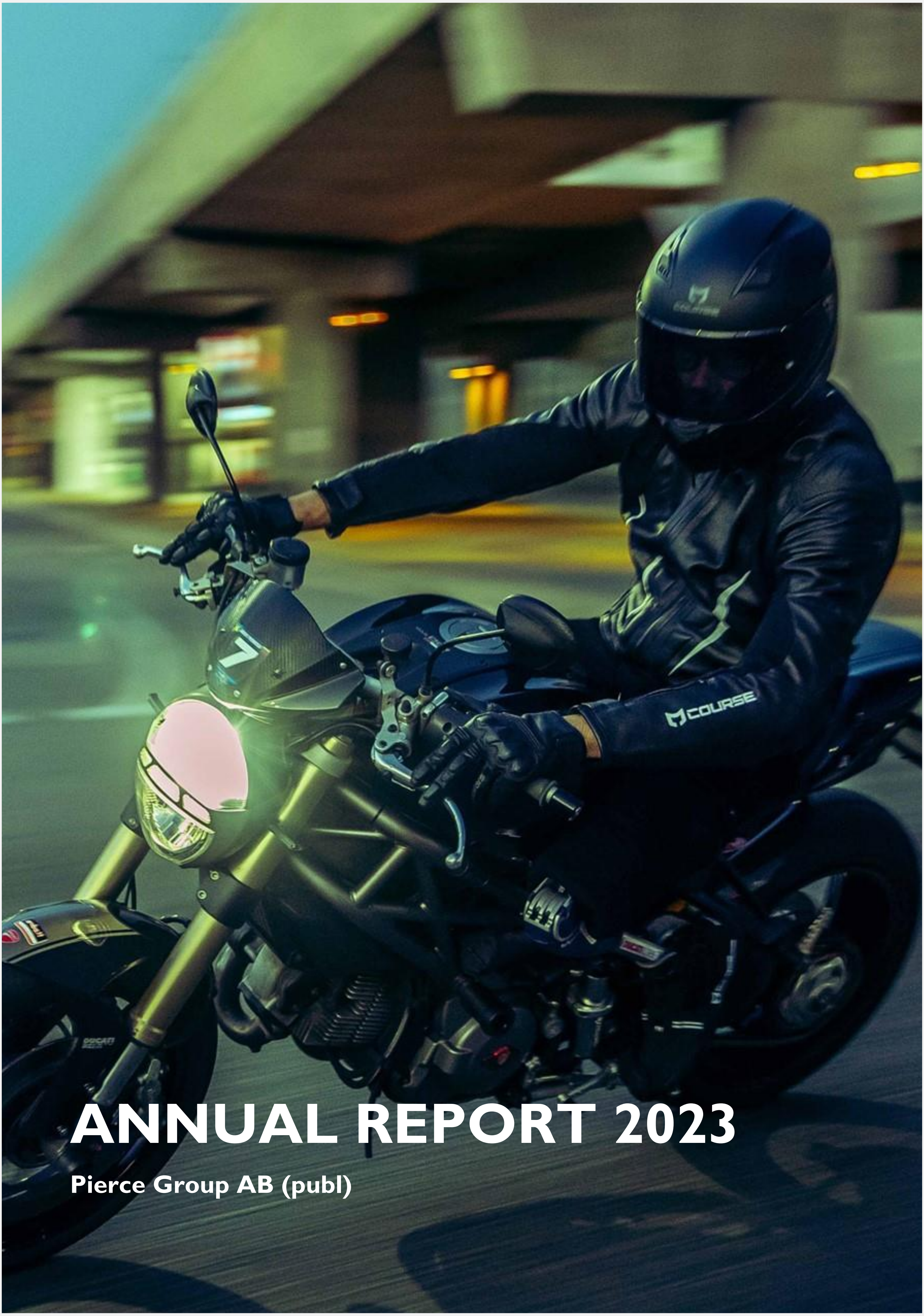

ANNUAL REPORT 2023

Pierce Group AB (publ)

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About this report

The formal Annual Report is presented on pages 27–65. Corporate governance report is presented on pages 15–20.

This is a copy and a translation of the original version of the Annual Report 2023, which is prepared in Swedish in the European single electronic format (ESEF). In the event of any discrepancies between the two versions, the original version shall prevail.

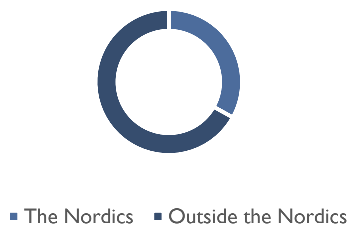
Pierce in brief

A leading European e-commerce company

Pierce is a leading e-commerce Company that sells motorcycle and snowmobile gear, parts and accessories to riders across Europe. The Company has a unique and wide range of products, which includes a significant range of own brands. Sales are conducted through locally adapted websites that are divided in three segments: Offroad, Onroad, and Other. Offroad targets motocross and enduro riders through the website 24MX while Onroad targets customers who ride on traffic-filled roads through the website XLMOTO. The Other segment primarily targets snowmobile riders through the website Sledstore. Pierce is a European Company with headquarters in Stockholm, a centralised warehouse in Szczecin, where it also has an office with IT, Finance and Marketing expert teams, and a customer care function in Barcelona. The Company employs approximately 390 people.[2].

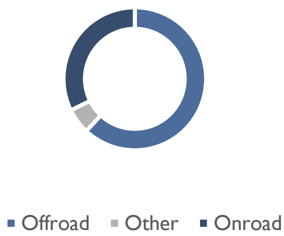
Pan-European operation

Geographical net revenue
2023 (%)[1]



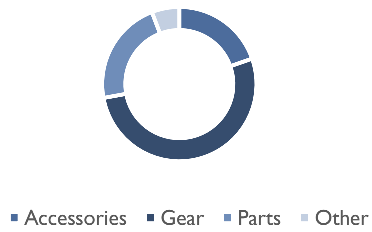
Motorcycle Specialist

Net revenue split by segment
2023 (%)[1]



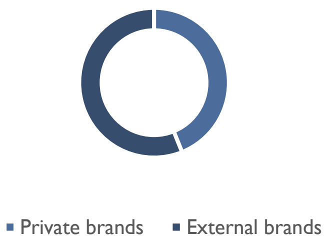
One-stop-shop offering

Net revenue split by category
2023 (%)[1]

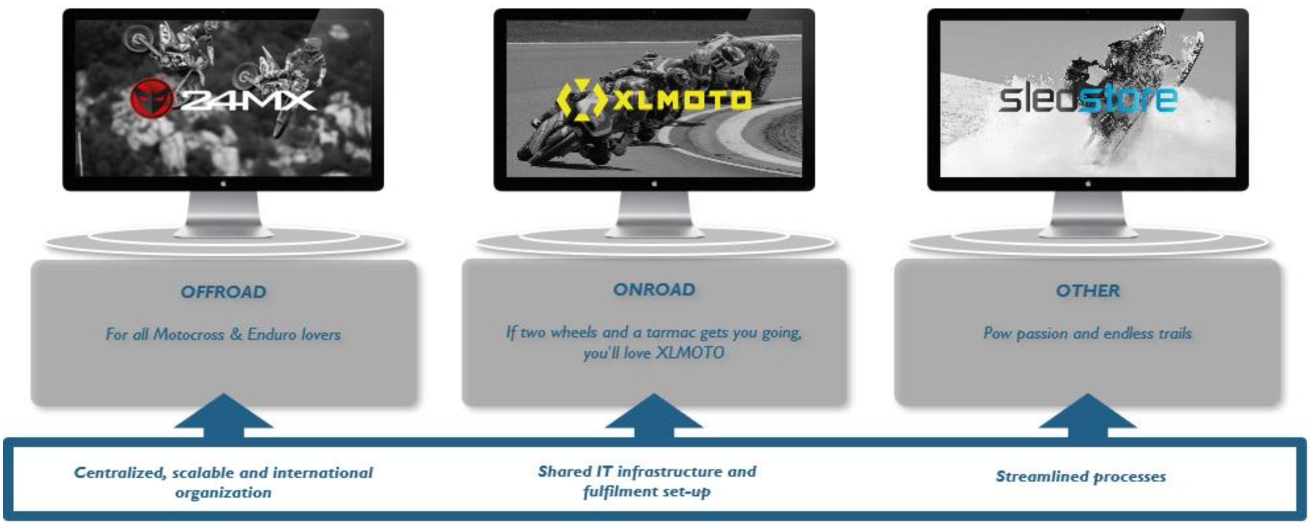


Strong private brands

Net revenue split by brand
2023 (%)[1]



Three niche sites on an operating platform



[1] Alternative Performance Measures (APM), see pages 72 - 74 for definitions and the purposes of these measures.
[2] In the fourth quarter of 2023 approximately 50 employees were affected by redundancies. Many of them remain accounted for in the headcount until the conclusion of their respective termination period at relevant dates in 2024.

2023 in brief

SEKm (unless stated otherwise)	2023	2022	2021	2020	2019
Net revenue	**1,537**	**1,670**	**1,594**	**1,523**	**1,243**
Growth[1]	*-8%*	*5%*	*5%*	*23%*	*32%*
Growth in local currencies (%)[1]	*-13%*	*1%*	*7%*	*24%*	*29%*
Gross profit	607	657	728	711	573
Profit after variable costs[1] [2]	256	252	343	358	294
Overhead costs[1]	-267	-256	-239	-221	-236
EBITDA[1]	-36	-19	93	121	48
Operating profit/loss (EBIT)[3]	-111	-68	46	81	19
Items affecting comparability[1]	-26	-15	-12	-17	-10
Adjusted EBITDA[1]	-11	-4	104	137	58
Adjusted operating profit (EBIT)[1] [3]	**-85**	**-53**	**58**	**97**	**29**
Profit /loss for the year	-96	-58	26	-1	-38
Gross margin (%)[1]	39.5%	39.3%	45.7%	46.7%	46.1%
Profit after variable costs (%)[1]	16.7%	15.1%	21.5%	23.5%	23.7%
Adjusted EBITDA (%)[1]	-0.7%	-0.2%	6.5%	9.0%	4.7%
Adjusted operating profit (EBIT) (%)[1]	-5.6%	-3.2%	3.6%	6.4%	2.3%
Equity	627	719	441	57	59
Operating cash flow[1]	78	-29	-96	117	-37
Net debt (+) / Net cash (-)[4]	-222	-136	160	312	252

[1] Alternative Performance Measures (APM), see pages 72 - 74 for definitions and the purpose of these measurements.
[2] Variable costs refers, in addition to cost of goods sold, to variable sales and distribution costs. These include direct marketing costs as well as other direct costs and correlates essentially with net revenue. Other direct costs mainly consist of freight, invoicing and packaging.
[3] Operating profit (EBIT) includes depreciation and amortisation. Amortisation attributable to business acquisitions[1] amounted in 2023 to SEK 18.1 million, 2022 SEK 0.6 million, 2021 SEK 1.5 million , 2020 SEK 1.5 million and in 2019 to SEK 0.8 million.
[4] Positive values refer to net debt, whereas negative values refer to net asset.

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

CEO's comments

In 2023, we grappled with ongoing challenges stemming from weak consumer demand and price pressure partly driven by excess inventory among competitors. Operationally, our primary focus was on improving margins, safeguarding cash, while also maintaining our market share.

Our ability to prioritize margin improvement resulted in a gradually strengthened gross margin during the year from 39.3 percent in 2022 to 39.5 percent in 2023. Excluding the effect from the changed assumptions for the obsolete provision, which impacted cost of goods sold, the 2023 gross margin would have been 42.0 percent, an increase of 2.5 percentage points from 2022. During the same period, we saw a net revenue decline of 8 percent (13 percent in local currencies) and an increase of our private brand share. Our overhead costs increased slightly during the year. Adjusted EBIT for the full year 2023 was SEK -85 million. Adjusted EBIT was negatively affected by a total of SEK 57 million from goodwill impairment, brands amortisation and changed assumptions for obsolescence provision. Adjusted EBIT excluding these items amounted to SEK -28 million, which is an improvement compared to SEK -53 million that we reported in adjusted EBIT for the previous year. Continued focus on inventory optimization and purchasing controls resulted in a reduced net working capital and a cash position that improved with SEK 86 million to SEK 222 million.

By the third quarter, we made a pivotal decision to embark on a comprehensive transformation journey. This undertaking aimed at simplifying, streamlining, and modernizing several aspects of the company – from growth strategy, go-to-market approach, our operating model, our private brand portfolio, our IT systems as well as our processes and organizational structure. This transformational initiative, dubbed "Pierce 2.0," is a resolute endeavour to establish ourselves as the undisputed leading pure-play online retailer in Europe for motorcycle gear, accessories, and parts. Our vision is based on seven strategic pillars:

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

Throughout the fourth quarter, our primary focus was on restructuring our organization to be leaner and more agile - an essential initial step in realizing the Pierce 2.0 strategy. This involved a reduction in workforce of approximately 50 FTEs, constituting about 25 percent of our white-collar workforce. Simultaneously, we transitioned to a more team-based operational model, fostering increased employee engagement. We also embraced lean methodologies to refine our operational processes. This transformation represents a significant cultural shift, impacting the daily work of the vast majority of our employees.

With our leaner structure in place, we are now poised to advance on the remaining pillars of our strategic roadmap. Achieving our objectives within the seven pillars will require significant transformation. 2024 will be the year of transformation where we lay the foundations for Pierce to be a growing and profitable company for many years to come.

Stockholm, 22 March 2024

Göran Dahlin
CEO, Pierce Group AB

Market

Market data in the chapter has been captured from the 'Pierce Group AB prospectus, Rights Issue 2022', if not stated otherwise. Since the prospectus was published, market conditions have changed and market growth in both 2022 and 2023 has been estimated to be negative with an uncertain outlook 2024, however no official market data is available. The Board of Directors believes, notwithstanding challenges in the interim, that the long-term estimates for market growth set out in the prospectus still fairly reflect prospects, once the market returns to normal.

Pierce's customer offering is primarily focused on the European market for motorcycle gear, parts, and accessories. When comparing to similar industries, the market is still in a relatively early phase in the shift from traditional, physical shops to online shops. Long term the online market is expected to grow by some 10 percent per annum, as the online portion of the total market is estimated to grow. In the short term, however, we have seen that market trend has deviated from the previous trend. At first, we saw increased customer demand on the back of the COVID situation, and then during 2022 and 2023 we saw a negative market development due to the impact of the Ukrainian war, increased energy prices, general inflation, increasing interest rates and increased fear of a looming recession. While the outlook for 2024 is still characterized by a high level of uncertainty, we believe that in the long term the online market will gravitate back towards some 10 percent annual growth in line with the market analysis that we commissioned during 2022.

The market is divided into the segments Offroad and Onroad that will both see a shift towards more online shopping.

Online shopping for motorcycle riders offers better accessibility and a larger product offering. It is often difficult to find products in physical shops due to the very wide range of model-specific accessories or parts, particularly within the Offroad category. Small physical shops, which comprise the majority of the market, cannot offer a similar competitive assortment, not least as regards parts, as the assortment that can be offered by online retailers.

Motorcycle riders are often passionate and enjoy maintaining their motorcycles themselves. This applies particularly to Offroad riders, but also to Onroad riders. They are usually well informed and the need for guidance beyond what is offered online is, therefore, limited. The customers often look for niche products, such as parts and accessories. They are frequent return customers, as a high level of wear and tear, particularly within Offroad, implies a continual need to repair, replace and renew worn-out parts and gear. This leads to repeat purchases and a relatively 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 2021 totalled just over SEK 101 billion, of which the online market share was estimated to be 19 percent.

Due to the recent turbulence in the market, we estimate the size of the total market as well as the online market to have decreased during both 2022 and 2023 and the short-term outlook for 2024 is still very uncertain. However, when the market conditions have normalized, we expect the total market to gravitate back towards a growth rate of approximately 3-4 percent per year. The online market share is expected to grow significantly quicker, leading to an online market growth of some 10 percent per year. This shift is facilitated by the fact that the products are well suited to online shopping.

Stable market with passionate customers

The market has historically shown to stand relatively 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, often see this as a key part of their identity and develop passionate brand allegiances. Notwithstanding the factors that favour market stability, recent geopolitical and economic developments - the sharp rise in energy prices, consumer price inflation and rising interest rates, and uncertainty in the market - have had a negative impact on customer demand in our categories.

The market is comprised of gear (about 50%), parts (about 30%) and accessories (about 20%). Examples of gear include helmets and protective gear. Parts include for example generic wear items such as tires and air filters as well as type-specific OEM and non-OEM replacement parts. Accessories include, among other things, lubricants and tools as well as vehicle-mounted equipment like bags and racks. .

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 and the season is shorter.

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, those 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 89 percent of the market while the Offroad segment accounts for about 11 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, Offroad riders often transition to Onroad riding as they age.

The online penetration in the Onroad market was estimated at slightly more than 18 percent in 2021, while it was higher in the Offroad market, slightly more than 31 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, single digit market growth levels, and have been relatively insensitive to low-growth economic cycles, parallel with the rapid transition to online sales.

The Offroad and Onroad segments are expected to grow by some 3 and 4 percent, respectively, while the online market for the respective segments is expected to grow up to 10 percent per year over time when the general market conditions have normalised.

Environmental trend and electric motorcycles comprise a long-term potential

The environmental trend is driving the interest in electric motorcycles, particularly within the Offroad segment. This interest is driven by electric motorcycles' lower noise levels and their environmental impact compared with gas powered motorcycles. We are seeing a clear uptake in interest in electric motorcycles, in particular in Offroad, but the overall population of electric bikes is still very small in relation to the total number of registered bikes across Europe.

Pierce is leading within Offroad in Europe

Pierce has a strong market position within the Offroad segment in Europe and within the Onroad segment in the Nordics. The Company is the online market leader in the European Offroad market with an estimated online market share of approximately 28 percent 2020. 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 3 percent 2020.

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 high demand from its customers.

Outside the Nordics, Pierce sells mainly into other European markets of which Italy, Germany and Spain are the largest representing about 25 percent, 17 percent and 15 percent of the total European market respectively.

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

Pierce is a leading company in the Nordic market for gear, parts and accessories 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 has the benefit of being counter-seasonal to the Onroad and Offroad segments. The market is seasonal and depends on weather (snow) conditions. The market has shown growth during the 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 typically spend the same annual amount on gear, parts and accessories as Offroad riders.

Offering, strategies and financial targets

Offering

Offering to customers

Pierce is an online destination for motorcycle and snowmobile riders and has approximately 1.0 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,
- efficient deliveries, as well as
- a strong and engaged online community, with approx. 1.7 million followers in the social media.

Offering to suppliers

Pierce is a partner of more than 200 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 companies having the ability to offer access to customers in Europe to the same degree as Pierce can offer,
- financial strength in placing large orders.

Major strategies

Growth through the structural shift to online commerce

Pierce's market continues to experience a structural shift from traditional physical shops to online shops and the online market is expected to grow, when market conditions have normalised, on average by some 10 percent per year[1].

Strategy revision 2023

A strategy revision was conducted during the second half of 2023. Pierce's long-term ambition is to become the unquestionable leading pure play online retailer in the European market for gear, accessories and parts for motorcycle riding. As a part of this strategic shift towards Pierce 2.0, the growth strategy was also re-calibrated.

Pierce 2.0 strategy supported by seven foundational pillars

<u>To achieve absolute leadership in the Offroad segment and profitable growth in the Onroad segment</u>

24MX is by far the largest online retailer in Europe within the smaller but profitable Offroad segment. Despite the leading position the potential to grow is significant. Consequently, the aim is to enhance the specialist position to consolidate and grow market share within the Offroad segment. Pierce has an excellent position with strong own and external brands that can be leveraged further. Private brands are particularly important as they drive loyalty, protect against price competition and secure a good level of profitability. XLMOTO on the other hand has a challenger position in the much larger, but in general less profitable, Onroad segment. Going forward Pierce will more clearly prioritize profitable growth in the Onroad segment and be more selective in which brands to partner with, what markets to invest in and which specific customer segments to target.

<u>To have the highest customer loyalty in the industry</u>

In the current overall soft market, customer relevance and retention are more crucial than ever, and Pierce has therefore made increased customer retention and loyalty to one of the absolute top priorities in Pierce 2.0. Pierce invests continuously in initiatives aimed at improving customer loyalty, and through the analysis of customer data it is possible to segment the customer base and increase the relevance of the offering. Several important steps are planned to increase sales to recurring customers in 2024 and onwards.

<u>To create a simple and powerful go-to-market approach</u>

Enhanced personalization, among other related initiatives, is core to continuously improving the customer experience. Gradually consolidating the current 39 local sites into 3 global sites, while maintaining local adaptation, will enable Pierce to improve the customer experience whilst streamlining work processes and simplifying the tech landscape.

<u>To be the best in the industry in pricing and purchasing</u>

To offer an attractive assortment at competitive prices and with relevant promotions remains one of the foundational pillars for Pierce also going forward. Purchasing excellence, including prioritizing assortment, brands and manufacturers to partner with as well continuously improving the purchasing controls will, in conjunction with modern pricing tools, enable Pierce to continue to be relevant for the customers.

<u>To have market-leading value-for-money own brands</u>

Pierce today offers 8 own product brands and 3 store brands. Consolidating the portfolio of own product brands will enable Pierce to focus brand investments to fewer brands. This is intended to accelerate the brand-building initiatives with the aim of developing Pierce's private brands into market-leading value-for-money brands.

<u>A modern and scalable tech stack</u>

As part of the revised strategy, Pierce follows a renewed plan moving towards modern, simplified and scalable tech stack. This is a key enabler to improve not only the customer experience, but also in

[1] Source: Pierce Group AB prospectus 2022, page 52.

supporting core transactional processes as well as processes for offering, marketing and loyalty.

A lean, fast and agile organization

A more collaborative team-based operational model fostering increased individual empowerment and accountability through fewer managers and greater individual mandate and responsibility is core to the Pierce 2.0 vision. Pierce started this transformation and significant cultural shift during the fourth quarter 2023 and will going forward further embrace Lean methodologies to refine the operational processes, accompanied by an increase of digitization and automation.

These efforts combined sets the foundation for improved profitability as transaction volumes grow.

Selective company acquisitions

In order to maximize the value proposition, selective company acquisitions may be considered as a means of expanding market-share expansion and enhancing economies of scale and other synergy effects. Acquisition candidates of particular interest would yield access to leading market positions, new brands, new geographies or other strategic synergies, including complementary vertical businesses that could be easily integrated into Pierce's existing platform.

Pierce's financial targets

The Board of Directors 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 72 - 74 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 store brand 24MX. Onroad refers to sales to motorcycle riders primarily using high roads, and the products are sold under the store brand XLMOTO. Within Offroad, Pierce has significantly larger market shares compared to Onroad. The Company's addressable market within Onroad is significantly larger and more exposed to competition compared to Offroad. Pierce's sales consist of gear, parts and accessories. Pierce has one additional segment, Other, which primarily focuses on sales to snowmobile riders in the Nordics and is naturally highly seasonal and e.g. dependent on snowfall.

Overall summary

SEKm	2023	2022	2021	2020
Net revenue				
Offroad	952	999	974	952
Onroad	496	569	500	461
Other	89	102	119	110
Net revenue	**1,537**	**1,670**	**1,594**	**1,523**
Gross profit				
Offroad	393	412	462	460
Onroad	178	208	209	195
Other	37	41	59	50
Intra-group costs[1]	-1	-4	-2	5
Gross profit	**607**	**657**	**728**	**711**
Profit after variable costs[2] [3]				
Offroad	188	177	238	254
Onroad	55	66	78	73
Other	14	13	29	26
Intra-group costs[1]	-1	-4	-2	5
Profit after variable costs[2] [3]	**256**	**252**	**343**	**358**

[1] Intra-group costs, consists of exchange rate revaluation of net working capital items which are not divided between segments.
[2] Alternative Performance Measures (APM), see pages 72 - 74 for definitions and the purpose of these measurements.
[3] Variable costs refers, in addition to cost of goods sold, to variable sales- and distribution costs. These include direct marketing costs as well as other direct costs and correlates essentially with net revenue. Other direct costs mainly consist of freight, invoicing and packaging.
For more information about segments, see Note 4.

Pierce originally operated within the Offroad segment and launched Onroad outside the Nordics in a large scale as late as 2017. This is the reason why net sales continue to be significantly higher in Offroad versus 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 28[1] percent and about 3 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 2022, page 47.
[2] Source: Pierce Group AB prospectus 2022, page 47.

Offroad

SEKm (unless stated otherwise)	2023	2022	2021	2020
Net revenue	952	999	974	952
Growth (%)[1]	-5%	3%	2%	30%
Gross profit	393	412	462	460
Gross margin (%)[1]	41.3%	41.2%	47.5%	48.3%
Profit after variable costs[1 2]	188	177	238	254
Profit after variable costs (%)[1]	19.8%	17.7%	24.5%	26.7%
Number of orders (thousands)[1]	868	1,019	1,064	1,045
Average order value (AOV) (SEK)[1]	1,096	980	916	911
Net revenue from private brands[1]	416	406	381	360
Active customers last 12 months (thousands)[1]	585	648	660	630

[1] Alternative Performance Measures (APM), see pages 72 - 74 for definitions and purpose of these measurements.
[2] Variable costs refers, in addition to cost of goods sold, to variable sales- and distribution costs. These include direct marketing costs as well as other direct costs and correlates essentially with net revenue. Other direct costs mainly consist of freight, invoicing and packaging.
For more information about segments, see Note 4.

Profit after variable costs recovering from low point in 2022

- Net revenue decreased by 5 percent, totalling SEK 952 (999) million. In local currencies the development was -11 percent. Net revenue in the Nordics decreased by 7 percent and outside the Nordics it decreased by 4 percent. In local currencies, the decrease was 8 and 11 percent, respectively.
- Profit after variable costs amounted to SEK 188 (177) million, equivalent to a margin of 19.8 (17.7) percent. The increase in the margins was firstly attributable to increased prices to customers, lower costs for performance marketing and reduced costs for freight and packaging to customers, but it was levelled down by an extraordinary provision for slow moving inventory. If the effect of the provision was excluded, profit after variable costs would have amounted to SEK 215 million, and margin would have increased to 22.6 percent (approx. 4.9 percentage points in comparison to 2022).

Onroad XLMOTO

SEKm (unless stated otherwise)	2023	2022	2021	2020
Net revenue	496	569	500	461
Growth (%)[1]	-13%	14%	8%	11%
Gross profit	178	208	209	195
Gross margin (%)[1]	35.9%	36.6%	41.8%	42.3%
Profit after variable costs[1 2]	55	66	78	73
Profit after variable costs (%)[1]	11.2%	11.6%	15.6%	15.9%
Number of orders (thousands)[1]	511	635	568	588
Average order value (AOV) (SEK)[1]	969	895	881	785
Net revenue from private brands[1]	180	196	166	162
Active customers last 12 months (thousands)[1]	378	449	414	428

[1] Alternative Performance Measures (APM), see pages 72 - 74 for definitions and purpose of these measurements.
[2] Variable costs refers, in addition to cost of goods sold, to variable sales- and distribution costs. These include direct marketing costs as well as other direct costs and correlates essentially with net revenue.
Other direct costs mainly consist of freight, invoicing and packaging.
For more information about segments, see Note 4.

AOV continues to increase and now at all-time high

- Net revenue decreased by 13 percent, totalling SEK 496 (569) million. The decrease in local currencies was approximately 17 percent. Growth in the Nordics and outside the Nordics amounted to -12 and -14 percent respectively. In local currencies the change was -12 and -20 percent, respectively.
- Profit after variable costs amounted to SEK 55 (66) million, equivalent to a margin of 11.2 (11.6) percent. The change in the margins was primarily a result of increased gross margin and lower packaging costs, but was negatively affected by an extraordinary provision for slow moving inventory. If the effect of the provision was excluded, profit after variable costs would have amounted to SEK 67 million, and margin would have increased to 13.5 percent (approx. 1.9 percentage points in comparison to 2022).

Performance measures - Group

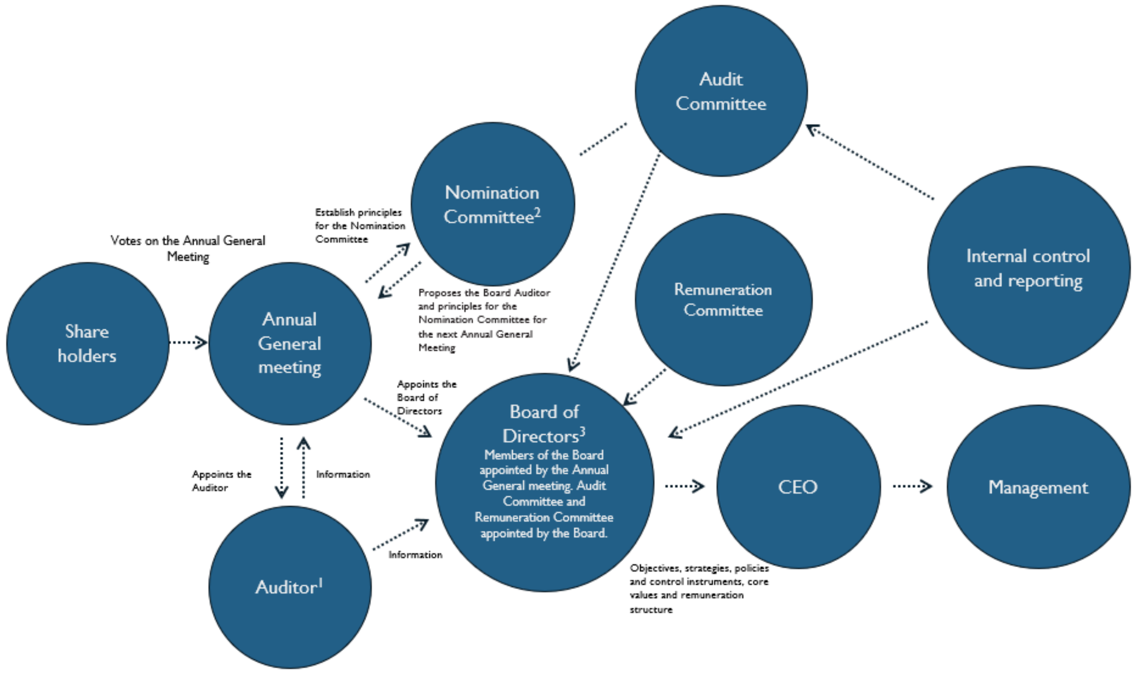
SEKm (unless stated otherwise)	2023	2022	2021	2020
Revenue measures				
Net revenue per geographical area				
Nordics	508	567	563	507
Outside the Nordics	1,029	1,103	1,031	1,016
Net revenue	**1,537**	**1,670**	**1,594**	**1,523**
Growth per geographical area				
Nordics (%)[1]	-10%	1%	11%	13%
Outside the Nordics (%)[1]	-7%	7%	1%	28%
Growth (%)[1]	**-8%**	**5%**	**5%**	**23%**
Performance measures				
Gross margin (%)[1]	39.5%	39.3%	45.7%	46.7%
Profit after variable costs (%)[1]	16.7%	15.1%	21.5%	23.5%
Overhead costs (%)[1]	17.4%	15.3%	15.0%	14.5%
Amortisation and depreciation (%)[1]	4.9%	3.0%	2.9%	2.6%
Adjusted operating margin (EBIT) (%)[1]	-5.6%	-3.2%	3.6%	6.4%
Earnings per share before dilution (SEK)	-1.21	-0.98	0.68	-0.02
Earnings per share after dilution (SEK)	-1.21	-0.98	0.68	-0.02
Cash flow- and other financial measures				
Operating profit (EBIT)	-111	-68	46	81
Investments[2]	-8	-16	-26	-29
Operating profit (EBIT) minus investments	**-118**	**-84**	**20**	**52**
Changes in net working capital	105	25	-137	45
Other non-cash items[1 3]	91	30	21	20
Operating cash flow[1]	**78**	**-29**	**-96**	**117**
Net change in loans	—	-184	-331	-115
Paid/received blocked funds and business acquisitions	0	—	14	-14
Other cash flow[1 4]	13	329	342	-8
Cash flow for the period	**91**	**117**	**-71**	**-19**
Cash and cash equivalents[5]	222	136	18	87
Net debt excluding IFRS 16[1 5]	-222	-136	160	312
Net debt/EBITDA[1 6 7]	5.2	4.7	2.0	2.8
Net working capital[1 5]	107	246	260	120
Operating measures				
Number of orders (thousands)[1]	1,456	1,749	1,735	1,724
Average order value (AOV) (SEK)[1]	1,055	955	919	884
Net revenue from private brands[1]	640	650	609	571
Active customers last 12 months (thousands)[1]	1,021	1,165	1,148	1,118

[1] Alternative Performance Measures (APM), see pages 72 - 74 for definitions and purpose of these measurements.
[2] Investments regards cash flow from investments excluding paid/received blocked funds.
[3] Other non-cash items refer, in all significance, to amortisation and depreciation, excluding depreciation of right-of-use assets, and changes in current short term provisions. Amortisation in current quarter and financial year was affected by goodwill impairment and amortisation of discontinued brands of total SEK 18 million. Additionally, the current financial year adjustments for non-cash items included a provision for slow moving inventory of SEK 44 million.
[4] Other cash flow mainly regards paid/received tax, paid financial net and new share issues and issue of warrants excluding paid issue costs.
[5] Measures correspond to each period end.
[6] Net debt refers to the alternative performance measure net debt excluding IFRS 16, and EBITDA refers to the measure adjusted EBITDA excluding IFRS 16. Adjusted EBITDA excluding IFRS 16 amounted to SEK -42 (-29; 81; 38) million.
[7] Positive values refer to net debt, whereas negative values refer to net asset. The net debt/EBITDA ratio is positive due to the combination of both negative net debt and EBITDA.

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 (Small 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**") for the purpose of describing Pierce's corporate governance during 2023. 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", pursuant to which 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 there is also a description of the Swedish Corporate Governance Model.

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

Shareholders

At the end of 2023, Pierce's largest shareholders, Verdane Capital and Procuritas, owned 29.9 and 25.4 percent respectively of all of the outstanding shares and votes in Pierce. See also the section "The share and ownership" below.

[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.

General Meeting(s) of shareholders

The general 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 confers the right to one vote. A shareholder has the right to have a matter addressed at a general meeting of shareholders, and at the annual general meeting of shareholders ("**AGM**"), shareholders can also present questions regarding Pierce's operations.

The AGM is to be held within six months from the end of each financial year. At the AGM held on 16 May 2023:

- the income statements and balance sheets for the Company and Group were adopted,
- it was resolved to carry forward the funds at the disposal of the meeting,
- it was resolved to grant the Board of Directors and CEO(s) discharge from liability for financial year 2022,
- members of the Board of Directors, the Chair of the Board and auditor were re-elected, with one new member elected and three not seeking re-election,
- remuneration parameters for the Board of Directors and auditor were determined,
- it was resolved to approve the Board of Directors' remuneration report for the financial year 2022 and, in accordance with the proposal from the Board of Directors, to adopt guidelines for remuneration to senior executives,
- remuneration for 2022 was approved, and the board of Directors was authorised to resolve on new share issues up to 20 percent of the total number of existing shares at the time of the annual meeting of shareholders, and
- it resolved in accordance with the proposal from the Board of Directors to implement a long-term incentive program in the form of a performance-based share program for the Company's CEO, Group Management and key employees ("**LTIP 2023**").

No other extraordinary general meetings were held during 2023.

Resolutions taken at general 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 2024 annual general meeting of shareholders (AGM) is scheduled to take place on 17 May 2024.

Nomination Committee

The Nomination Committee is appointed according to guidelines adopted by the AGM and is a drafting body for the AGM, which is regulated by the Code. The Nomination Committee is responsible for preparing and presenting proposals for candidates for Board Members (including Chair), Board remuneration (to be divided between the Chair, Board Members and for committee work), the person who should chair the AGM, 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 AGM notice and on Pierce's home page.

At the 2023 AGM, the Chair of the Board was assigned the task of convening the three largest shareholders in Pierce, based on information from Euroclear Sweden AB (among other sources) on the last banking day in August, and to offer each the opportunity to appoint a representative to serve on the Nomination Committee. If any such shareholder waives their right to appoint a representative, the right passes to the shareholder with the next largest shareholding, and so on.

The composition of the Nomination Committee prior to the 2024 AGM was published on 9 October 2023. The Nomination Committee is comprised of:

- Jacob Wiström (Chair), appointed by Verdane Capital XI Investments AB
- Shu Sheng, appointed by Procuritas Capital Partners V LP
- Staffan Östlin, appointed by Adrigo Small & Midcap L/S

The Chair of the Board has been assigned to serve as adjunct member of the Nomination Committee. The Chair of the Board reported the results of the 2023 Board evaluation to the Nomination Committee, which also held separate meetings with all of the Board Members and with the CEO. 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, four meetings at which minutes have been recorded. No remuneration is paid to the Nomination Committee members.

In preparing its proposals to the 2024 AGM, 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 zero deputies. At the 2023 AGM it was resolved that the Board shall be comprised of five Board Members without deputies. The board composition was changed once during 2023 at the AGM of 16 May 2023, when Lottie Saks was elected to the Board, with Shu Sheng, Gunilla Spongh and Thomas Ekman leaving the Board.

The Board has no union representatives. Further information regarding the Board Members, including their shareholdings, is found in pages 22-23.

Henrik Theilbjørn and Lottie Saks 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 Max Carlsén 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. Thomas Schwarz 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 has 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, 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 Chair'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 CEO and work performed by the CEO, and
- 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 Chair. During 2023, the Board held 17 (18) minuted meetings (3 held per capsulam). During the year, the Board has placed special attention on the following matters:

- strategy matters,
- follow-up of the operations (sales, marketing, purchase, logistics matters, etc.),
- remuneration and incentivisation of management and key employees, including recruitment of a new CEO,
- special projects, including project regarding financial performance,
- the Group's results and financial position,
- sustainability issues,
- financial reporting,
- the Company's financing, including borrowing facility and cash management,
- corporate governance, risk management and internal control,
- potential company acquisitions and investments,
- the Company's risk appetite,
- compliance with laws and regulations,
- revisiting assumptions concerning depreciation and write-down of inventory,
- efficiency of operations and potential cost-savings, including a wide-ranging restructuring of operations, and
- evaluation of the work performed by the Board of Directors and the CEO, including appointment of the CEO.

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

Evaluation of the Board of Directors and CEO

The Board has undertaken 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 Chair 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. As the CEO Göran Dahlin joined the Company only in June 2023, a formal board evaluation of the CEO was deferred to 2024.

Attendance at Board meetings 2023:

Henrik Theilbjørn	17/17
Mattias Feiff	15/17
Max Carlsén	17/17
Thomas Schwarz	16/17
Lottie Saks$^{\alpha}$	8/8
Gunilla Spongh*	9/9
Shu Sheng*$^{+}$	4/9
Thomas Ekman*	7/9

$^{\alpha}$ Joined the board at the 2023 AGM
* Did not seek re-election and left the board at the 2023 AGM
$^{+}$ On parental leave for part of period (no remuneration granted or paid)

Remuneration to the Board of Directors

The 2023 AGM resolved on the granting of remuneration totalling SEK 1,210,000 to be paid to the Board, of which SEK 450,000 in board fees plus travel time compensation of SEK 360,000 to Henrik Theilbjørn (Chair) and SEK 200,000 to each of Lottie Saks and Thomas Schwarz. In addition, the 2023 AGM resolved that remuneration was to be paid for work undertaken in the Board's committees – however not to Mattias Feiff and Max Carlsén – in a total of SEK 255,000, of which SEK 175,000 to the Chair of the Audit Committee, SEK 50,000 to each of the other members of the Audit Committee and SEK 30,000 to the Chair of the Remuneration Committee. Further, compensation for travel time of SEK 20,000 per physical board meeting held in Sweden is paid to Board Members domiciled abroad, excluding the Chair.

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 about 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.

The Audit Committee is comprised of Lottie Saks (Chair), Henrik Theilbjørn and Max Carlsén. (Gunilla Spongh and Thomas Ekman were Audit Committee members until the 2023 AGM.) The two first named individuals are deemed independent in relation to the Company, the Company's executive management and the major shareholders. Max Carlsén is 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 Finance and General Counsel usually participate in the audit committee's meetings. The General Counsel serves as the secretary for the Audit Committee.

The Audit Committee met 7 (5) times during 2023.

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

- financial reporting,
- financing matters, including capital raising,
- risk management,
- compliance with laws and regulations,
- internal control matters, and
- accounting matters.

In addition, the Audit Committee has addressed the annual accounts and the audit work performed on behalf of the Company, has presented a recommendation for the appointment of an external auditor to the annual meeting of shareholders and has addressed tax matters and quality assurance regarding the Company's financial reporting.

Attendance at Audit Committee meetings 2023:

Lottie Saks (Chair) [α]	5/5
Henrik Theilbjørn	7/7
Max Carlsén	6/7
Thomas Ekman*	2/2
Gunilla Spongh*	2/2

[α] Joined the board at the 2023 AGM
* Did not seek re-election and left the board at the 2023 AGM

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 AGM, and it also monitors and evaluates the application of these guidelines.

The CEO and General Counsel usually attend the meetings of the Remuneration Committee. The latter also serves as the Remuneration Committee's secretary. During 2023 the Committee had 3 (2) meetings with all committee members in attendance. The work has been focused on proposing goals and on the outcome of incentive programs and preparations for the 2024 AGM.

Guidelines for remuneration to senior executives

The 2023 AGM 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 will be published together with other information provided in advance of the Annual General Meeting on www.piercegroup.com.

Executive management

Pierce's executive management is currently comprised of the Chief Executive Officer (CEO), Chief Financial Officer (CFO), Head of Offering, Head of Tech, Head of Fulfilment and Head of Customer Care. The executive management meets regularly and discusses and takes decisions regarding e.g. strategic, operational and financing matters general financial and market developments and guidelines and other steering documents. These discussions, decisions, and guidelines /steering documents are also part of the risk management, the control of the financial reporting and internal control in general. Further information regarding the executive management is found in pages 24-25.

Internal audit

The Board of Directors annually evaluates the requirement for 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 2023 AGM, the auditing firm Ernst & Young AB ("EY") was reappointed as auditors of Pierce until the end of the 2024 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.

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 / compliance 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.

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 mitigate the risk exposure. The risks with a risk value of 9 or higher are monitored carefully during the year and by default included in the following year's risk assessment.

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 relevant risk mitigation measures.

Internal control

General information

The Board is responsible for the 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 remainder of the Board and 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. Employees are contractually obliged to comply with relevant regulations and policies, including the Company's Code of Conduct.

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.

Monitoring and follow-up

The Company has appointed a so-called Internal Control Coordinator (currently the Head of Finance) ("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 and sustainability report 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.

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. The Company also has a whistle-blower function in accordance with applicable laws and regulations.

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 dealing with 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 and otherwise acts in accordance with applicable stock market laws and regulations. In addition to the CEO and CFO, the Company's General Counsel has been 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.

Attendance at Board Meetings

Board of directors 2023[1]			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)[2]
Henrik Theilbjørn	Chairman of the Board	2022	Yes	Yes	17/17	7/7	3/3	530
Mattias Feiff	Board member	2014	Yes	No	15/17	-	3/3	—
Thomas Schwarz	Board member	2022	No	Yes	16/17	-	-	200
Max Carlsén	Board member	2022	Yes	No	17/17	6/7	3/3	—
Lottie Saks	Board member	2023	Yes	Yes	10/10	5/5	-	219

[1] Board of directors for year ended 31 December 2023. Shu Sheng, Gunilla Spongh and Thomas Ekman left the Board at the AGM on 16 May 2023. Lottie Saks was elected as a Board member at the AGM on 16 May 2023.
[2] Directors' fees cover the period from AGM 2023 to AGM 2024.

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 2023 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, March 22, 2024

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 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 owners, Verdane and Procuritas.

Henrik Theilbjørn

Born: 1961

Chair since: 2022

Chair of the Remuneration Committee and member of the Audit Committee

Education: Master of Science in International Economics and Management from Aarhus University.

Other current positions: Chair of the Board, Boozt AB, Masai Group A/S, DAY Birger et Mikkelsen A/S, Unique Furniture A/S and Traede Aps.; Board Member, Sahva A/S; and CEO, EMMADS Invest A/S.

Background: Various Chair and Board positions within lifestyle companies, including Chair of BHG Group AB (publ).

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

Own holdings and holdings of closely affiliated persons: -

Lottie Saks

Born: 1967

Board Member since: 2023

Chair of the Audit Committee

Education: Master of Economics in Uppsala University.

Other current positions: Board Member, AWA Holding AB and Freemelt AB; Group CFO in Sivers Semiconductors AB.

Background: Board Member, Chair of the Audit Committee Sivers Semiconductors AB, Group CFO Haldex, Group CFO CINT Group, Group CFO OneMed Group, CFO Telenor Connexion, Finance Director Johnson & Johnson Nordic & Baltics, Head of Business Control OMX Technology Financial Markets

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

Own holdings and holdings of closely affiliated persons: -

Mattias Feiff

Born: 1972

Board Member since 2014

Member of the Remuneration Committee

Education: Master of Business Administration, INSEAD, France and Singapore. Master of Science in 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, Chair, Werksta Nordic AB. Board Member, Cutters AS and Byens Bilpleje A/S.

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 in relation to the Company's major shareholders.

Own holdings and holdings of closely affiliated persons: -

Thomas Schwarz

Born: 1965

Board Member since 2022

Education: Economics at German chambers of commerce.

Other current positions: Managing partner of O'NEAL Europe GmbH & Co.

Background: Product development, sales /purchasing and marketing positions in the MC, MX and MTB sector, including Hein Hericke GmbH, Eurobike AG and DiFi Dierk Filmer GmbH.

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

Own holdings and holdings of closely affiliated persons: -

Max Carlsén

Born: 1991

Board Member since 2022

Member of the Audit Committee and Remuneration Committee

Education: Bachelor of Science in Business and Economics, Stockholm School of Economics.

Other current positions: Principal of Verdane; Board Member, Desenio Group AB, Babyland Online Nordic AB, MATCHi AB and Norsk Bildelsenter AS.

Background: Management consultant at A.T. Kearney, Investment banking at Citigroup and Handelsbanken Capital Markets.

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

Own holdings and holdings of closely affiliated persons: -

Management

Göran Dahlin

Chief Executive Officer

Born: 1971

Pierce Rider since 2023

Education: Masters of Marketing and Finance, Stockholm School of Economics

Background: CEO, SGDS Gruppen AB (Head of Saint-Gobain Distribution Sweden); COO, Dahl Sverige AB; Marketing Director, SNA Europe / Bahco.

Shares: 40,998 shares.

Warrants: -

Fredrik Ideström

Chief Financial Officer

Born: 1977

Pierce Rider since 2017

Education: Master of Science in Economics and Business, Stockholm School of Economics

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

Shares: 120,000 shares.

Warrants: 25,641 warrants.

Thomas Hartung

Head of Offering

Born: 1966

Pierce Rider since 2023

Education: Industrial Business Manager

Background: Hein Gericke Germany, Head of Purchase, Head of Product-Management, Head of Category Management, Hostettler AG Switzerland, Head of Purchase, Head of Product-Management.

Shares: -

Warrants: -

Emilija Frew

Head of Tech

Born: 1985

Pierce Rider since 2023

Education: Bachelor of Arts in London University of Arts

Background: CIO, Profoto (pre & post IPO); Global head of digital commercial performance, HSBC; Global Head of Online, Tele2.

Shares: -

Warrants: -

Mariusz Mastela

Head of Fulfilment

Born: 1978

Pierce Rider since 2015

Education: Master of Science in Engineering-Logistics and Water Transport Management in West Pomeranian University of Technology in Szczecin

Background: Shift Manager in Rhenus Logistics; Manager of Personal Injury Claims Settlement Team in Polskie Towarzystwo Ubezpieczeń S.A.

Shares: -

Warrants: -

Marta Garcia

Head of Customer Care

Born: 1979

Pierce Rider since 2018

Education: Master of Human Resources Management, Centro de Estudios Financieros; Degree in Pedagogy, Universidad de Barcelona.

Background: Customer Experience and Operational Excellence, AXA Partners; Business Area Manager, Bosh Communication Centre; Contact Centre Manager, Transcom.

Shares: -

Warrants: -

Financial information

Directors' report

The Board of Directors and CEO of Pierce Group AB (publ), Corp. ID No. 556967-4392 domiciled in Stockholm (Sweden), hereby present the annual report and consolidated accounts for the financial year 2023. The annual report is prepared in millions of Swedish krona (SEK million). Unless stated otherwise, the comparative figures for 2022 are stated in parentheses. The five-year overview is presented on page 4.

The Pierce Group in brief

Pierce is a leading e-commerce Company that sells motorcycle and snowmobile gear, parts and accessories to riders across Europe. The Company has a unique and wide range of products, which includes a significant range of own brands.

Sales are conducted through locally adapted websites that are divided in three segments: Offroad, Onroad, and Other. Offroad targets motocross and enduro riders through the website 24MX while Onroad targets customers who ride on traffic-filled roads through the website XLMOTO. The Other segment primarily targets snowmobile riders through the website Sledstore.

Pierce is a European Company with headquarters in Stockholm, a centralised warehouse in Szczecin, where it also has an office with IT, Finance and Marketing expert teams, and a customer care function in Barcelona. The Company employs approximately 390 people[1].

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

Financial targets

Pierce's Board of Directors has adopted the following financial targets[2]:

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[3] not exceeding 2.0x, subject to temporary flexibility for strategic initiatives.

Dividend policy

In the coming years, free cash flows[4] are planned to be used for the continued development[5] of the Company and will, therefore, not be distributed to shareholders.

The share and ownership structure

The Pierce share

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

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

The number of registered shares, and votes, as of 31 December 2023, amounted to 79,374,100, equivalent to a quota value of SEK 0.02.

For further information see Note 20 – Equity.

Incentive program

The Company has launched warrant programs, long-term incentive programs – LTIP (entitling the right to acquire shares according to certain terms and conditions). 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] In the fourth quarter of 2023 approximately 50 employees were affected by redundancies. Many of them remain accounted for in the headcount until the conclusion of their termination period at relevant dates in 2024.
[2] The Board of Directors adopted the financial targets in December 2020. By medium to long-term is meant 3-5 years.
[3] Alternative Performance Measures (APM), refer to pages 72 - 74 for definitions and the purpose of these measures.
[4] Free cash flows refer to cash flow from operating and investment activities.
[5] 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 decreased by 8 percent to SEK 1,537 (1,670) million. In local currencies, the decline was 13 percent. Decline within the main segments Offroad and Onroad was 5 percent and 13 percent, respectively.

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

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

Gross profit and gross margin

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

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

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

Operating costs

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

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

Adjusted EBIT and EBIT

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

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

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

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

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

Financial items

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

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

Taxes and result for the year

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

Comments to the Group's cash flow

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

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

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

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

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

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

Comments to the Group's financial position

Net working capital

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

Right-of-use assets and lease liabilities

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

Net debt and credit facility

The net cash position at the end of the period equalled cash and cash equivalents and amounted to SEK 222 (136) million. Pierce has a credit facility of up to SEK 150 million that had not been utilised at the end of the period. The credit facility is subject to, amongst other things, certain financial covenants regarding the Group's leverage ratio and interest coverage ratio. As of 31 December 2023, Pierce was not in breach of the covenants in accordance with the current agreements for the credit facility. Pierce has sufficient cash balance and is not utilising the credit facility, but there is a risk that in the future Pierce will not be able to comply with the covenants and therefore not be able to utilise the credit facility. Covenants are reported quarterly.

Equity

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

Employees

The average number of employees during the year amounted to 399 (421). Of these, 133 (154) worked at the distribution warehouse in Poland and 255 (268) were white collar workers in Sweden, Poland and Spain.

Excluding customer services personnel and certain production staff, the number of white-collar workers was 196 (201).

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

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

Net revenue totalled SEK 21 (11) million and was fully attributable to sales to Group companies. The financial net consisted of interest income from intercompany loan in both periods. The net result before tax for the quarter was SEK 0 (-11) million.

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

The CEO and CFO are employed by the Parent Company.

Related party transactions

During the financial year Pierce purchased goods (for resale in its ordinary business) from O'Neal Europe GmbH & Co. KG, a company controlled by Pierce Group AB Board Member Thomas Schwarz, for a price of SEK 27 (40) million.

All transactions with related parties were performed 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 in reference with the Global Reporting Initiative (GRI) 2021. The Sustainability Report is available on the Company's webpage www.piercegroup.com.

Significant events during the financial year

Trademarks

To accelerate the development of market-leading private brands, on 1 November 2023 the Board of Directors decided to consolidate the Company's brand portfolio, focusing investments on fewer brands. Some private brands will be removed, and products merged into the remaining brands. This will result in an accelerated amortisation relating to certain trademarks that will be distributed over the period from the fourth quarter of 2023 to the second quarter of 2026 of approximately SEK15 million in total. No additional impairment of the trademarks was identified. Amortisation cost of discontinued trademarks in the fourth quarter of 2023 was SEK 1 million.

Change of Chief Financial Officer

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

Rightsizing the Company – Operational efficiency program

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

Physical store closure

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

Goodwill impairment

The Company performed the annual impairment test and the calculated value in use, SEK 36 million, for segment Other indicated a valuation below its carrying amount, SEK 52 million. An impairment of goodwill attributable to segment Other was therefore made with SEK 17 million, affecting amortisation and impairment in the fourth quarter of 2023. The annual impairment test for the Offroad and Onroad segments showed no impairment.

Significant events after balance sheet date

Pursuant to the authorization granted by the Annual General Meeting on 16 May 2023, the Board of Directors of Parent Company has resolved to issue and immediately thereafter repurchase 950,000 series C shares. The shares are issued and repurchased in accordance with the performance-based share program LTI 2023, which was adopted by the Annual General Meeting on 16 May 2023.

The series C shares carry one-tenth of a vote per share and do not entitle the holder to dividends.

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 2023.

The following profits are at the disposal of the Annual General Meeting:

Share premium reserve	744,695,563
Retained earnings	-7,179,717
Profit/loss for the year	57,478
	737,573,324
To be appropriated as follows:	
Carry forward	-7,122,239
Remaining share premium reserve to be carried forward	744,695,563
Total	**737,573,324**

Risks and uncertainties

In general, the Group's earnings capacity and financial position are impacted primarily by the demand from its customers, geopolitical risks, 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 disposable incomes or consumption is low.

There is also a risk that potential 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 à 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 same applies to eBay and e.g. Temu.

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.

Political, social or economic instability, as well as implementation of sanctions or trade restrictions, in countries where Pierce's operations or suppliers are located (e.g. China) could affect or disrupt Pierce's business. While Pierce is not directly exposed to the war in the Ukraine or Russia or the instability in Israel and the Red Sea, there is a risk that such instability affects the economic climate generally, the willingness of customers to make discretionary purchases, the cost base of suppliers and/or the costs of transport.

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 recent years, the Covid-19 pandemic and its aftermath has impacted the operations through cost increases, certain product availability shortages in the market and through delays and disturbances in deliveries. Sales of private brands imply that Pierce has the product responsibility and can be required to recall defective products.

In previous periods we identified a risk of significantly increased shipping prices from Asia due to global shortage of containers. As of the end of the year that risk was deemed less relevant, as shipping prices from Asia have fallen back to pre-pandemic levels. However, ongoing geo-political challenges in the middle east and the Red Sea in particular have again impacted shipping prices from Asia. The inflation, interest rate increases and possible recession's impact on customer behaviour and demand also continue to be factors of uncertainty.

Online marketing

Pierce relies on online marketing channels such as e-mail, Google, Facebook and Instagram. Changes in the scope or effectiveness of enforcement and regulatory activities, the models of these companies, or in their algorithms could negatively impact the ability to market to customers and prospects.

Project and change management

Pierce is active with an extensive portfolio of initiatives to improve the business, drive simplification and process improvement as well as to and ensure compliance. This entails a risk of difficulties effectively implementing a complex project portfolio and to drive the necessary change across the business.

IT and data compliance

It is assessed that the there is a greater risk in 2024 for compliance with EU privacy regulation/GDPR and Information security, both in terms of internal processes and systems as well as 3rd party solutions, incl. vulnerability management.

Product compliance in local markets

Changing regulations and certification requirements in different markets and a larger tail catalogue of own-brand products, entails a greater risk that Pierce will be late in identifying or complying with changing regulations in each of the markets where we operate.

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 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.

In conjunction with the listing, the Group entered into a new financing agreement with one of the larger Swedish banks for a credit facility totalling SEK 300 million. It was reduced to SEK 200 million in connection with the new share issue in the third quarter of 2022 and has since been further reduced to SEK 150 million during 2023.

The credit facility contains certain financial covenants and there is a risk that Pierce will not be able to comply with them in the future. As of 31 December 2023, there was no breach of covenants stipulated in the agreement for the credit facility and there was no material utilisation of the facility or balances due under the facility.

The Group's financial risks and how they are handled are described in more detail in the Group's Note 24 – Financial risks.

Pierce performs impairment testing for assets using a discount rate considering the risk-free interest. There is a risk that the risk-free interest will increase and therefore the discount rate used to calculate the asset value will increase which could lead to a recognition of impairment of assets.

Conflicts in Ukraine and middle-East

On 24 February 2022, the conflict between Russia and Ukraine started and has continued since.

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

The general geo-political instability and the specifically mentioned conflicts are deemed to possibly imply a major impact on prices, exchange rates, import and export restrictions, availability of raw materials and goods and resources where Russia, Belarus and/or Ukraine as well as Israel and other countries in the middle-East are involved.

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

Climate risk

Pierce is aware that in the recent periods a climate risk has become relevant. We assess that the climate risk has no direct material financial and non-financial impact on Pierce Group.

Consolidated statement of profit/loss

SEKm (unless stated otherwise)	Note	2023-01-01 2023-12-31	2022-01-01 2022-12-31
Net revenue	3,4	1,537	1,670
Cost of goods sold	4,5	-930	-1,013
Gross profit		**607**	**657**
Sales and distribution costs	4,5,6,8,15	-505	-540
Administration costs	5,6,7,8,15	-212	-188
Other operating income and expenses		-1	2
Operating profit/loss		**-111**	**-68**
Financial net[1]	9,10	13	17
Profit/loss before tax		**-98**	**-52**
Tax	11	2	-6
Profit/loss for the year		**-96**	**-58**
Attributable to shareholders of the Parent Company		**-96**	**-58**
Earnings per share:			
Earnings per share before dilution (SEK)	12	-1.21	-0.98
Earnings per share after dilution (SEK)	12	-1.21	-0.98
Average number of shares before dilution (thousands)[1]		79,374	59,150
Average number of shares after dilution (thousands)[1]		79,374	59,150

[1] Exchange rate differences reported for previous financial year are presented net in this statement.

Consolidated statement of comprehensive income

SEKm	Note	2023-01-01 2023-12-31	2022-01-01 2022-12-31
Profit/loss for the year		-96	-58
Items that may subsequently be reclassified to income statement			
Translation difference	20	5	4
Other comprehensive income for the year		**5**	**4**
Comprehensive income for the year		**-91**	**-53**
Comprehensive income for the year attributable to:			
Shareholders of the Parent Company		-91	-53

Consolidated statement of financial position

SEKm	Note	2023-12-31	2022-12-31
Assets			
Non-current assets			
Intangible assets	4,13	310	345
Property, plant and equipment	4,14	15	16
Right-of-use assets	4,15	53	60
Financial assets	24,25,27	3	4
Deferred tax assets	11	8	6
Total non-current assets		**389**	**431**
Current assets			
Inventory	3,16	344	488
Receivables from payment providers	24,25	4	7
Current tax receivables		1	8
Other receivables	24,25	5	7
Prepaid expenses and accrued income	17	5	6
Cash and cash equivalents	18,25	222	136
Total current assets		**582**	**651**
Total assets		**970**	**1,083**
Equity and liabilities			
Equity	20		
Share capital		2	2
Other contributed capital		814	814
Translation reserve	20	5	5
Retained earnings including profit/loss for the year		-193	-101
Total equity attributable to shareholders of the Parent Company		**627**	**719**
Total equity		**627**	**719**
Non-current liabilities			
Leasing liabilities	15,24	24	39
Deferred tax liabilities	11	26	29
Provisions		0	0
Total non-current liabilities		**51**	**68**
Current liabilities			
Leasing liabilities	15,24,25	30	26
Trade payables	24,25	81	105
Current tax liabilities		2	1
Other current liabilities	24,25	56	54
Contractual liabilities	3	13	20
Provisions	3,24,25	8	7
Accrued expenses and prepaid income	23,24,25	103	82
Total current liabilities		**292**	**296**
Total equity and liabilities		**970**	**1,083**

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 2022-01-01		**1**	**484**	**0**	**-44**	**441**
Profit/loss for the year		—	—	—	-58	-58
Other comprehensive income for the year		—	—	4	—	4
Total comprehensive income for the year		**—**	**—**	**4**	**-58**	**-53**
Transactions with shareholders						
New share issue including issue costs[1]		1	330	—	—	331
Total		**1**	**330**	**—**	**—**	**331**
Closing balance 2022-12-31		**2**	**814**	**5**	**-101**	**719**
Opening balance 2023-01-01		**2**	**814**	**5**	**-101**	**719**
Profit/loss for the year		—	—	—	-96	-96
Share-based compensation		—	0	—	—	0
Other comprehensive income for the year		—	—	0	5	5
Total comprehensive income for the year		**—**	**0**	**0**	**-92**	**-91**
Closing balance 2023-12-31	20	**2**	**814**	**5**	**-193**	**627**

[1] New share issue including issue costs was finalized in July 2022, total issue costs amounted to SEK 16 million.

Consolidated statement of cash flows

SEKm	Note	2023-01-01 2023-12-31	2022-01-01 2022-12-31
Operating activities			
Operating profit/loss		-111	-68
Adjustments for non-cash items[1]	26	122	56
Paid interest	15,26	-5	-11
Received interest		3	1
Realised currency derivatives		9	13
Paid/received tax		3	-8
Cash flow from operating activities before changes in working capital		**21**	**-17**
Cash flow from changes in working capital			
Increase (-) / decrease (+) in inventory		105	79
Increase (-) / decrease (+) in operating receivables		11	15
Increase (+) / decrease (-) in operating liabilities		-10	-69
Cash flow from operating activities		**127**	**9**
Investing activities			
Acquisition of intangible assets	13	-5	-12
Acquisition of property, plant and equipment	14	-3	-2
Sales of property, plant and equipment	14	0	0
Acquisition of financial assets		0	-1
Cash flow from investing activities		**-8**	**-16**
Financing activities	26		
Change in utilised credit facilities	22,25	—	-27
Repayment of liabilities to credit institutions		—	-157
Repayment of leasing liabilities	15	-28	-23
New share issue including issue costs[2]	20	—	331
Cash flow from financing activities		**-28**	**124**
Cash flow for the year		**91**	**117**
Cash and cash equivalents at beginning of the year		136	18
Exchange rate difference in cash and cash equivalents		-4	1
Cash and cash equivalents at year end	18	**222**	**136**

[1] Adjustments for non-cash items refer in all significance to amortisation and depreciation and changes in current short term provisions. Amortisation in current financial year was affected by goodwill impairment and amortisation of discontinued brands of total SEK 18 million. Additionally, the current financial year adjustments for non-cash items included a provision for slow moving inventory of SEK 44 million.
[2] Total issue costs amounted to SEK 16 million.

Notes for the Group

Note 1 – Material accounting policy information

Corporate information

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 22 March 2024. 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 17 May 2024 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. 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 several 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 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 2023

New or changed existing standards that came into force on 1 January 2023 have not had any significant impact on the Group's financial reports.

New accounting policies from 1 January 2024 and later

A number of new and revised accounting standards and interpretations have been published and are effective from 2024 and later. Among these is IAS 1 (classification of liabilities as current or non-current). The new and revised accounting standards or interpretations are not expected to have a material impact on the Pierce Group's financial statements.

Consolidation

Subsidiaries

There are no subsidiaries in Pierce Group that are not consolidated.

Transaction costs related to business acquisitions, 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. 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 as other operating income/expense.

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.

Transactions in foreign currencies

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.

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 60 days' option to return any purchases, 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" section.

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.

Repurchases (right of withdrawal and option to return purchases)

As the Group offers its customers the option to return purchases for 60 days, Pierce offers a right of return that goes beyond the minimum requirements set out in applicable EU Consumer legislation (such as the Swedish Distance Purchase Act and Consumer Protection Act and corresponding legislation in other jurisdictions). 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.

Leases

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

Valuation of lease liabilities

Lease 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 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.

Lease payments are specified between amortised amounts and the interest on the lease liability. Certain of the Group's lease contracts are in a currency other than the subsidiary's functional currency. This implies that the associated lease 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.

Financial income and costs

Financial net is comprised of exchange rate differences related to the revaluation of financial balance sheet items, valuation of currency derivatives, interest income, interest expenses on external financing and periodic expense of prepaid loan fees.

The Group holds currency derivatives 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 lease liabilities, in the case the lease contract is in a currency other than the functional currency, are reported net.

Employee remuneration

Share-based remuneration – warrants settled through equity instruments

The Group currently has two long-term incentive programs for certain senior members of management and key personnel.

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.

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

Intangible assets

Intangible assets with an indefinite useful life are tested for impairment 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 are 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

Intangible assets from capitalised expenses for software are 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. Those assets with a limited useful life are recognised at cost less amortisation and any impairment. The useful life is reassessed at each balance sheet date and adjusted as necessary.

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:

Capitalised expenses for software	1–5 years
Other intangible assets	1–5 years

The useful lives are reassessed at least annually.

Depreciation policy

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

The estimated useful lives are:

Machinery	5–10 years
Equipment	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 trademarks), 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. 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 inventory, goods in transit and the portion of the cost of goods sold that is associated with the right of return. 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.

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.

Cash flow reporting

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 – Material accounting policy.

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 Group 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 a right of return that goes beyond the minimum requirements set out in applicable EU Consumer legislation (such as the Swedish Distance Purchase Act and Consumer Protection Act and corresponding legislation in other jurisdictions), as Pierce offers its customers 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 and accessories. 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 one 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, until the end of 2023 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

2023	Offroad	Onroad	Other	Intra-group	Group
Sweden	91	86	49	—	225
Other Nordics	100	142	40	—	283
Outside Nordics[1]	761	268	—	—	1,029
Total[2]	**952**	**496**	**89**	**—**	**1,537**

[1] The Group's net revenue Outside Nordics mainly refers to Germany, France, Italy and United Kingdom.
[2] The Group's total net revenue by market, except for Sweden, mainly refers to Germany (203 MSEK), France (187 MSEK) and Norway (156 MSEK).

2022	Offroad	Onroad	Other	Intra-group	Group
Sweden	104	103	56	—	264
Other Nordics	101	156	46	—	304
Outside Nordics[1]	793	309	—	—	1,103
Total[2]	**999**	**569**	**102**	**—**	**1,670**

[1] The Group's net revenue Outside Nordics mainly refers to France, Germany, Italy and United Kingdom.
[2] The Group's total net revenue by market, except for Sweden, mainly refers to France (220 MSEK), Germany (217 MSEK), and Norway (178 MSEK).

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

	2023	2022
Receivables from payment providers	4	7
Contract liabilities	13	20

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 2023	Dec 31 2022
Return rights asset	4	4
Return provision	8	7

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

	Gift cards	Returns	Total
2022-01-01	**0**	**8**	**8**
Additional provisions	0	4	4
Utilised during the year	0	-6	-6
2022-12-31	**0**	**7**	**7**
Additional provisions	—	8	8
Utilised during the year	—	-6	-6
2023-12-31	**0**	**8**	**8**

No provisions for guarantees was created in the current and previous year.

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

2023	Offroad	Onroad	Other	Intra-group	Group
Net revenues	952	496	89	0	1,537
Cost of goods sold	-559	-318	-52	-1	-930
Gross profit	**393**	**178**	**37**	**-1**	**607**
Sales and distribution costs					
Variable sales and distribution costs[1]	-205	-122	-23	—	-351
Profit after variable costs[1]	**188**	**55**	**14**	**-1**	**256**
Non-variable sales and distribution costs[1]				-155	-155
Administration costs				-212	-212
Other operating income				3	3
Other operating expenses				-3	-3
Operating profit/loss				**-368**	**-111**
Financial income				19	19
Financial costs				-6	-6
Profit/loss before tax				**-355**	**-98**

[1] Alternative Performance Measures (APM), see pages 72 - 74 for definitions and purpose of these measurements.

2022	Offroad	Onroad	Other	Intra-group	Group
Net revenues	999	569	102	0	1,670
Cost of goods sold	-587	-361	-61	-4	-1,013
Gross profit	**412**	**208**	**41**	**-4**	**657**
Sales and distribution costs					
Variable sales and distribution costs[1]	-235	-142	-28	—	-405
Profit after variable costs[1]	**177**	**66**	**13**	**-4**	**252**
Non-variable sales and distribution costs[1]				-135	-135
Administration costs				-188	-188
Other operating income				4	4
Other operating expenses				-1	-1
Operating profit/loss				**-324**	**-68**
Financial income[2]				28	28
Financial costs[2]				-11	-11
Profit/loss before tax				**-307**	**-52**

[1] Alternative Performance Measures (APM), see pages 72 - 74 for definitions and purpose of these measurements.
[2] Exchange rate differences reported for previous financial year are presented net in this note.

Geographical specification of fixed assets

2023	Sweden	Poland	Other	Total
Intangible assets	288	0	21	310
Property, plant and equipment	2	13	0	15
Right-of-use assets	7	40	6	53

2022	Sweden	Poland	Other	Total
Intangible assets	324	0	21	345
Property, plant and equipment	3	13	0	16
Right-of-use assets	11	49	0	60

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

	2023	2022
Cost of goods sold		
Cost of goods	-929	-1,009
Exchange rate effects	-1	-4
Total	**-930**	**-1,013**
Sales and distribution costs		
Employee costs	-94	-81
Depreciation and amortisation	-42	-33
Other sales and distribution costs	-370	-425
Total	**-505**	**-540**
Administration costs		
Employee costs	-115	-99
Depreciation and amortisation[1]	-33	-16
Other administration	-64	-73
Total	**-212**	**-188**

[1] Includes goodwill impairment of SEK 17 million in the current year.

Note 6 – Depreciation and amortisation

	2023	2022
Intangible assets		
Sales and distribution costs	-17	-14
Administration costs	-24	-6
Total	**-42**	**-20**
Property, plant and equipment		
Sales and distribution costs	-3	-3
Administration costs	-2	-4
Total	**-6**	**-7**
Right-of-use assets		
Sales and distribution costs	-21	-16
Administration costs	-7	-6
Total	**-27**	**-22**

Further information regarding events affecting amortisation in 2023 is found in Note 13 – Intangible assets.

No impairment of intangible assets, property, plant and equipment or rights of use assets was recorded in the previous financial year.

Note 7 – Remuneration to auditors

The audit assignment refers to 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 historically mainly was related to services connected to the listing.

	2023	2022
Ernst & Young AB		
Audit assignment	-2	-2
Audit work beyond audit assignment	0	0
Other services	—	-1
Total	**-3**	**-3**

Note 8 – Employees and personnel costs

	2023	2022
Parent Company		
Board, CEO and other senior executives		
Salaries and other benefits	-16	-9
Social security contribution	-2	-2
Pension costs	-1	-1
Other employee costs	-1	-2
Total	**-20**	**-14**
Total Parent Company	**-20**	**-14**
Subsidiaries		
Senior executives		
Salaries and other benefits	-6	-11
Social security contribution	-1	-2
Pension costs	-1	-1
Total	**-8**	**-14**
Other employees		
Salaries and other benefits	-140	-114
Social security expenses	-34	-28
Pension costs	-7	-5
Other employee costs	0	-5
Total	**-182**	**-152**
Total subsidiaries	**-190**	**-166**
Total Group	**-210**	**-180**

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

2023

Gender distribution, Group	2023 Average number	2023 Of which women	2023 Of which men	2022 Average number	2022 Of which women	2022 Of which men
Subsidiary in Sweden	77	42%	58%	85	40%	60%
Subsidiary in Poland	257	53%	47%	266	48%	52%
Subsidiary in Spain	61	46%	54%	70	54%	46%
Total subsidiaries	**395**	**49%**	**51%**	**420**	**47%**	**53%**
Parent Company	3	-%	100%	1	-%	100%
Total Group	**398**	**49%**	**51%**	**421**	**47%**	**53%**
Gender distribution, Board and senior executives						
Board members	6	33%	67%	7	29%	71%
CEO and other senior executives	7	29%	71%	7	10%	90%
Total	**13**	**31%**	**69%**	**14**	**19%**	**81%**

2023	Base salary/ Board fees	Variable remuneration	Pension costs[7]	Other compensation and benefits	Total
Chairman of the Board					
Henrik Theilbjørn[1]	-0.5	-0.3	—	—	-0.8
Board members					
Mattias Feiff	—	—	—	—	—
Shu Sheng[2]	—	—	—	—	—
Gunilla Spongh[2]	-0.1	—	—	—	-0.1
Thomas Schwarz	-0.2	-0.0	—	—	-0.2
Max Carlsen	—	—	—	—	—
Thomas Ekman[2]	-0.1	—	—	—	-0.1
Lottie Saks[3]	-0.2	—	—	—	-0.2
CEO					
Willem Vos (fmr.)[4 8]	-2.6	-0.9	-0.3	-5.3	-9.0
Göran Dahlin[5]	-2.2	-0.8	-0.5	-0.1	-3.6
Other senior executives[6]	-6.7	-1.4	-1.6	0.0	-9.7
Total	**-12.7**	**-3.5**	**-2.4**	**-5.4**	**-23.9**

[1] Variable remuneration consists of travel allowance.
[2] 5 months, resigned May 2023.
[3] 7 months, joined May 2023.
[4] 6 months, resigned June 2023. Basic salary consists of salary earned during the employment period in 2023. Variable remuneration refers to bonuses related to financial targets or other pre-determined metrics. Other benefits consist of cost of salary, holiday pay and pension allowance paid during termination period until March 2024.
[5] 6 months, joined June 2023. Variable remuneration refers to bonuses related to financial targets or other pre-determined metrics. Other compensation and benefitsrefers to company car rental.
[6] Consists of 7 people during 2023.
[7] Pension costs are excluding special payroll tax (Sw. särskild löneskatt).
[8] Pension costs are paid as a pension allowance directly to Willem Vos.

2022	Base salary/ Board fees	Variable remuneration	Pension costs	Other compensation and benefits[8]	Total
Chairman of the Board					
Henrik Theilbjørn[1]	-0.3	-0.1	—	—	-0.4
Ketil Eriksen (fmr.)[2]	-0.2	—	—	—	-0.2
Board members					
Gunilla Spongh	-0.3	—	—	-0.1	-0.4
Mattias Feiff	—	—	—	—	—
Max Carlsen[3]	—	—	—	—	—
Shu Sheng	—	—	—	—	—
Thomas Ekman	-0.2	—	—	—	-0.2
Thomas Schwarz[4]	-0.1	—	—	—	-0.1
CEO					
Willem Vos[5]	-0.4	-0.6	-0.0	—	-1.0
Henrik Zadig (fmr.)[6]	-2.3	-0.7	-0.5	-2.3	-5.9
Other senior executives[7]	-11.5	0.4	-1.5	—	-13.4
Total	**-15.4**	**-1.8**	**-2.0**	**-2.5**	**-21.8**

[1] 7 months, joined June 2022. Variable remuneration consists of travel allowance.
[2] 6 months, resigned June 2022.
[3] 1 month, joined December 2022.
[4] 7 months, joined June 2022.
[5] COO until November 2022, Acting CEO since December 2022
[6] 11 months, resigned in November 2022.
[7] Consists of 9 people during 2022. Out of those 9, 4 people have resigned during 2022 and Willem Vos has become Acting CEO since December 2022.
[8] Includes: the cost of salary for Henrik Zadig during termination period that was paid out during 2023; the cost of Gunilla Spongh for consulting services

Guidelines for remuneration to senior executives

The 2023 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 2027.

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 the Board of Directors may determine remuneration to senior executives 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 leaders. Total remuneration varies in relation to the individual's responsibilities and performance.

Remuneration for senior executives may properly be adjusted where relevant to reflect mandatory rules in the relevant jurisdiction of employment and may be duly adjusted to comply with established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

Elements of remuneration

The remuneration to the senior executives covered by these guidelines may consist of a fixed salary, variable cash remuneration, pension, non-financial benefits, long-term share-based incentive programs that senior executives may participate in.

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 cash 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 70 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 at any given time predetermined and measurable criteria, aimed at promoting the Group's long-term value creation. Such criteria could for instance be associated with sales, cash flow, EBIT, return on equity or similar key performance ratios or sustainability matters. By linking the goals in a clear and measurable way to the remuneration of the senior executives to Pierce's financial and/or operational development, they contribute to the implementation of the Company's business strategy, long-term interests and sustainable business practices

The variable remuneration to the senior executives is subject to annual review and approval by the Board of Directors. The satisfaction of criteria for awarding variable cash remuneration shall be measured over a period of one or several years. The extent to which the criteria for awarding variable cash remuneration have been satisfied shall be evaluated/determined when the measurement period has ended. The remuneration committee of the Board of Directors is responsible for the evaluation of the variable salary to the senior executives. The Board of Directors will approve any variable payouts to the senior executives.

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

The Company has not previously been able to recover the cash variable remuneration on a contractual basis, but future programs shall give the Company the possibility, in whole or in part, to reclaim variable cash remuneration paid on incorrect grounds.

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

Non-financial benefits may include, inter alia, health insurance and parking space. 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 percent of the fixed cash salary of each senior executive.

Extraordinary circumstances

One-off payments can be made on individual level in extraordinary circumstances when deemed necessary and approved by the Board of Directors. The purpose might be in relation to recruitments, retention of senior executives needed to secure implementation of the business strategy and extraordinary efforts in special projects, including but not limited to transformation, savings and restructuring programs and M&A projects.

One-off payments may not amount to more than 100 percent of the fixed cash salary and cannot be paid more than once per year and per individual.

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 are subject to compulsory conditions in accordance with mandatory legislation or applicable collective agreements.

Remuneration to the Board of Directors

Fees are paid to the Chair of the Board and Board Members as per resolutions adopted by the AGM. According to the 2023 AGM, the annual Board fees and fees for board committee work was set at SEK 1.51 (1.31) million. For more information see the Corporate Governance Report, pages 15-20.

Of the total fees 100 (100) percent was paid during 2023. 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 Chair 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 CEO has a period notice of 12 months if notice is given by the Group and 6 months if the CEO chooses to resign. During the first 12 months of employment the CEO has a notice period of 6 months if notice is given by the Group.

Variable remuneration refers to bonuses related to financial targets or other pre-determined metrics. It is to be in line with market terms, capped, and linked to the fixed remuneration. Variable cash remuneration may amount to a maximum of 70 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). The bonus is expensed in the period to which it relates and paid during the following financial year.

Long-term incentive programs

At year end, the Group had two active long-term incentive programs — LTIP, as part of an incentive program for certain senior executives and key employees of the Group.

For LTIP 2021/2024 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.

Other senior executives and other key employees (and former senior executives and key employees) had 290,973 outstanding warrants in LTIP 2021/2024 at the balance sheet date.

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. The warrants were subscribed at market value, calculated using the Black & Scholes model, equivalent to SEK 4 million. Following the rights issue in July 2022 the incentive program was recalculated and after the update each warrant grants the right to subscribe to 1 (1) ordinary share in the Company.

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 71.2. 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.

LTIP 2023/2026

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

Note 9 – Financial income

	2023	2022
Interest income[1] [2]	5	1
Net profit from currency derivatives	8	10
Exchange rate differences	6	18
Total	**19**	**28**

[1] Refers to interest income from deposits 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

	2023	2022
Interest expenses[1]	-3	-6
Interest expenses leasing liabilities	-3	-3
Other financial expenses	0	-2
Total	**-6**	**-11**

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

Note 11 – Tax

Current tax	2023	2022
Amount recognised in the income statement		
Current tax	-2	-3
Foreign tax	—	—
Adjustment of previous years	2	1
Total	**0**	**-2**
Deferred tax		
Temporary differences	-2	-6
Untaxed reserves	0	2
Tax asset for losses carried forward	4	0
Total	**2**	**-4**
Reported tax in the income statement	**2**	**-6**
Amount recognised in total equity		
Current tax	—	3
Total	**—**	**3**

Reconciliation of effective tax rate	2023	2022
Profit/loss before tax	**-98**	**-52**
Tax according to the applicable tax rate for the Parent Company 20,6%	17	11
Tax effects of:		
Non-taxable income	0	-1
Non-deductible expenses	-2	-5
Taxable revenue on untaxed reserves	—	0
Adjustments related to previous years	4	1
Deferred tax attributable to previous years	—	-1
Utilisation of unrecognised tax losses carried forward	—	0
Capitalization / non-capitalization of tax losses carried forward	-16	-11
Effects attributable to change in functional currency	—	—
Difference in foreign tax rates	0	0
Reported tax	**2**	**-6**
Effective tax rate	-2%	11%

Deferred tax asset	**Deficit deduction**	**Not deductible net interest**	**Change in tax base of consolidated surplus values**	**Leasing liabilities**	**Total**
2022-01-01	**—**	**5**	**4**	**1**	**10**
Offset versus deferred tax liabilities	—	2	—	—	2
Recognised through profit and loss	—	-5	0	0	-5
Recognised through other comprehensive income	—	—	-1	0	-1
2022-12-31	**—**	**3**	**2**	**1**	**6**
Offset versus deferred tax liabilities	—	0	—	—	0
Recognised through profit and loss	4	0	0	-1	3
Recognised through other comprehensive income	—	—	-1	0	-1
2023-12-31	**4**	**3**	**1**	**0**	**8**

	Untaxed reserves	**Intangible assets**	**Total**
2022-01-01	**2**	**27**	**29**
Offset versus deferred tax liabilities	-1	—	-1
Recognised through profit and loss	—	1	1
2022-12-31	**1**	**28**	**29**
Offset versus deferred tax liabilities	-1	—	-1
Recognised through profit and loss	—	-2	-2
2023-12-31	**0**	**26**	**27**

There are tax loss carry-forwards amounting to SEK 218 (105) million, equivalent to a tax effect of SEK 45 (22) million. Out of these, an amount of SEK 91 (69) million, equivalent to a tax effect of SEK 19 (14) million, concerns previous years' non-deductible net interest, which can be used in future years' declarations, if there is room for deduction. For 18 SEK (0) million of the tax loss carry-forwards, a deferred tax asset has been recognised in the balance sheet, equivalent to a tax effect of SEK 4 (0) million. 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. Tax loss carry-forwards' utilisation is unlimited in time. The Group recognises deferred tax assets that are expected to be utilised in the next one years' tax returns. Previous years' non-deductible net interest can be used as deductible within 6 years' declarations provided there is room for deduction.

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.

	2023	2022
Earnings per share before dilution		
Profit for the year (TSEK)	-96,240	-57,716
Average number of shares outstanding (thousands)[1]	79,374	59,150
Earnings per share before dilution (SEK)	**-1.21**	**-0.98**
Earnings per share after dilution		
Profit for the year (TSEK)	-96,240	-57,716
Average number of shares outstanding after dilution	79,374	59,150
Earnings per share after dilution (SEK)	**-1.21**	**-0.98**

Note 13 – Intangible assets

Acquisition cost	**Goodwill**	**Trademarks**	**Capitalised expenses for software**	**Other intangible assets[1]**	**Total**
2022-01-01	**163**	**131**	**83**	**21**	**399**
Internally generated	—	—	12	0	12
Translation effects	2	0	6	1	9
2022-12-31	**164**	**132**	**98**	**22**	**417**
Internally generated	—	—	13	—	13
Reclassification	—	—	-8	—	-8
Translation effects	0	0	-1	1	0
2023-12-31	**164**	**132**	**103**	**23**	**422**
Amortisation and impairment					
2022-01-01	**—**	**-2**	**-30**	**-16**	**-48**
Amortisation for the year	—	0	-17	-3	-20
Translation effects	—	0	-4	-1	-5
2022-12-31	**—**	**-3**	**-49**	**-19**	**-71**
Amortisation for the year	—	-1	-22	-2	-25
Impairment	-17	—	—	—	-17
Translation effects	—	0	1	-1	0
2023-12-31	**-17**	**-4**	**-70**	**-22**	**-113**
Total carrying amount					
2022-12-31	**164**	**129**	**49**	**3**	**345**
2023-12-31	**148**	**128**	**33**	**1**	**310**

[1] Other intangible assets refers primarily to licenses.

No impairment took place 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 0 (5) 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 148 (164) 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 128 (129) million arose when Pierce Group acquired Twenty Distribution AB in May 2014, a group which included Pierce AB as a subsidiary. 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.

During the fourth quarter of 2023 the Company decided to discontinue some of the private brands, and to merge their related products into the remaining brands. The value of those brands will be amortised until the second quarter of 2026.

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 test.

Distribution of goodwill and trademarks	2023	2022
Offroad	167	167
Onroad	82	83
Other	27	45
Total	**275**	**294**

Distribution of ongoing developments	2023	2022
Intra-group	0	5
Total	**0**	**5**

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 forecasted future cash flows are based on the strategic plan for the next 10 (10) years set by the Group management. Since 2022 Pierce uses a 10 year forecast period to reflect the value of the expected above market growth beyond the previously used five year period. Instead of a higher terminal growth rate beyond five year period, Pierce has estimated that declining growth rate between year six and year ten is more representative and accurate. 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 indicated an impairment requirement in segment Other. The calculated value in use, SEK 36 million, for segment Other indicated a valuation below its carrying amount, SEK 52 million. An impairment of goodwill attributable to segment Other was therefore made with SEK 17 million, affecting amortisation and impairment in the fourth quarter of 2023.

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 impairment. The impairment was however only recognized within the Other segment. No reasonable change in variables in sensitivity analysis indicated an impairment in segments Offroad and Onroad.

Summary of essential parameters (%)	2023	2022
Offroad		
Forecast period (years)	10	10
Discount rate (%)	14.0%	13.8%
Average annual growth after the forecast period (%)	2.0%	3.0%
Onroad		
Forecast period (years)	10	10
Discount rate (%)	14.0%	13.8%
Average annual growth after the forecast period (%)	2.0%	3.0%
Other		
Forecast period (years)	10	10
Discount rate (%)	14.0%	13.8%
Average annual growth after the forecast period (%)	2.0%	3.0%

Note 14 – Property, plant and equipment

Acquisition cost	Inventories
2022-01-01	**40**
Purchases during the year	2
Sales/disposals	-2
Translation effects	2
2022-12-31	**44**
Purchases during the year	3
Sales/disposals	-2
Reclassification	0
Translation effects	5
2023-12-31	**50**
Depreciation	
2022-01-01	**-21**
Depreciation for the year	-7
Sales/disposals	2
Translation effects	—
2022-12-31	**-28**
Depreciation for the year	-6
Sales/disposals	2
Reclassification	—
Translation effects	-3
2023-12-31	**-35**
Total carrying amount	
2022-12-31	**16**
2023-12-31	**15**

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

Note 15 – Leases

Cost	Premises	Inventories	Total
2022-01-01	**111**	**6**	**116**
Additional agreements	0	6	6
Remeasurement of agreements	9	—	9
Terminated agreements	0	-1	-1
Translation effects	6	0	6
2022-12-31	**126**	**11**	**137**
Additional agreements	8	1	9
Remeasurement of agreements	6	0	6
Terminated agreements	-11	-3	-14
Translation effects	15	0	15
2023-12-31	**143**	**10**	**154**
Depreciation			
2022-01-01	**-50**	**-4**	**-53**
Depreciation for the year	-20	-2	-22
Terminated agreements	0	0	1
Translation effects	-2	1	-2
2022-12-31	**-72**	**-5**	**-77**
Depreciation for the year	-25	-2	-27
Terminated agreements	10	3	12
Translation effects	-8	-1	-9
2023-12-31	**-96**	**-4**	**-100**
Total carrying amount			
2022-12-31	**53**	**7**	**60**
2023-12-31	**47**	**6**	**53**

The Company has closed the physical store in Sweden effective 31 December 2023. Total cost of store closure, excluding personnel redundancies, was SEK 1 million, which is included in line "Terminated agreements" in the table above.

No impairment took place in the previous year.

	Leasing liabilities
2022-01-01	**71**
Additional agreements	6
Revaluations of lease liability	9
Terminated agreements	0
Translation effects	2
Interest expenses on lease liabilities	3
Leasing fees	-26
2022-12-31	**65**
Additional agreements	9
Revaluations of lease liability	6
Terminated agreements	-2
Translation effects	4
Interest expenses on lease liabilities	3
Leasing fees	-31
2023-12-31	**55**

Premises

The Group rents warehouse and office premises in Poland and offices in Sweden and Spain. Lease 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 lease period, an option to extend the rental period is included if using the option is deemed probable. The lease 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	2023	2022
Expenses related to leasing liabilities:		
Depreciation right-of-use assets	-27	-22
Interest expenses on leasing liabilities	-3	-3
Costs related to:		
Short-term contracts	-1	0
Low-value contracts	0	0
Variable leasing fees	-8	-7
Total	**-40**	**-34**

Amount recognised in the Group's statement of cash flow	2023	2022
Payments related to leasing liabilities:		
Repayment of leasing liabilities	-28	-23
Interest expenses leasing liabilities	-3	-3
Costs related to:		
Short-term contracts	-1	0
Low-value contracts	0	0
Variable leasing fees	-8	-7
Total	**-40**	**-34**

One of the larger lease 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 lease liabilities will be revalued to the subsidiary's functional currency EUR.

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

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

Note 16 – Inventory

	Dec 31 2023	Dec 31 2022
Goods for resale[1]	284	421
Return rights	4	4
Goods in transit	56	64
Total	**344**	**488**
Current year write-down of inventory	-49	-13

[1] Goods for resale includes current year obsolete provision for inventory

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 60 day return right. See Note 3 – Revenue.

Note 17 – Prepaid expenses and accrued income

	Dec 31 2023	Dec 31 2022
Prepaid expenses refered to:		
Rental costs	0	0
Insurance premiums	0	1
Marketing	1	0
IT expenses	2	3
Other items	2	2
Total	**5**	**6**

Note 18 – Cash and cash equivalents

	Dec 31 2023	Dec 31 2022
Cash and cash equivalents	222	136
Carrying amount	**222**	**136**

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 2023	Dec 31 2022
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%

Note 20 – Equity

Share capital

On 31 December 2023, the share quota value on outstanding shares was SEK 0.02 (0.02).

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
2022-01-01	**39,687,050**
New share issue	39,687,050
2022-12-31	**79,374,100**
New share issue	—
2023-12-31	**79,374,100**

New share issue and redemption of warrants

On 6 July 2022 a total of 39,687,050 shares were registered through a new share issue. As at 31 December 2023, the number of registered shares, and votes, amounted to 79,374,100.

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, regarding the share issue in 2022, reported against equity amounted to SEK — (-16) million. The reported tax effect on these was SEK 3 (3) million.

Warrant programs

At the end of the financial year, the Group had two ongoing programs.

LTIP 2021/2024

LTIP 2021/2024 comprised 376,443 warrants carrying the right to subscribe to a corresponding number of ordinary shares in the Company. If all the warrants were fully subscribed, 387,736 new ordinary shares would be issued, which would mean a dilution of approximately 0 percent based on the total number of ordinary shares in the Parent Company.

LTIP 2023/2026

LTIP 2023/2026 was an incentive program in the form of a performance-based share program for the CEO, Group Management and key employees. Provided that specific targets are met, a maximum number of 950,000 ordinary shares can be issued to the participants for a subscription price of SEK 0.00. If all the targets were met and all shares were awarded to participants, there would be a dilution of approximately 1 percent based on the total number of ordinary shares in the Parent Company.

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	2023	2022
Opening balance	5	0
Change for the year	0	4
Closing balance	**5**	**5**

Note 21 – Non-current liabilities to credit institutions

At the end of the financial year 2023, 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 2023	Dec 31 2022
Total granted credit facility	150	200
Unutilised credit facility	150	200

As regards risks related to the Company's compliance with financial covenants in the granted credit facility and the uncertainty of it's utilisation, see "Risks and uncertainties", page 30.

Note 23 – Accrued expenses and prepaid income

	Dec 31 2023	Dec 31 2022
Accrued expenses refered to:		
Cost of goods	42	36
Sales	11	7
Employees	42	24
Consultants	2	8
Audit	2	2
Other items	4	5
Total	**103**	**82**

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 (100) percent.

If 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.

During the previous year, following a completion of the rights issue, Pierce received approximately SEK 337 million after deductions of issue costs. After receipt of the proceeds from the rights issue, Pierce repaid bank loans of approximately SEK 180 million. Since then, the Company decreased its credit facility from initial SEK 300 million to SEK 150 million.

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 0 (—) million before tax.

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

	2023	2022
Liabilities to credit institutions (loan facility)	—	0
Liabilities to credit institutions (overdraft facility)	—	—
Lease liabilities	55	65
Total	**55**	**65**

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 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 (%)

	2023	2022
Operating income		
EUR	57%	55%
SEK	15%	17%
USD	1%	1%
NOK	10%	11%
PLN	4%	3%
Other currencies	14%	13%
Total	**100%**	**100%**
Operating expenses		
EUR	45%	46%
SEK	24%	24%
USD	16%	15%
NOK	0%	0%
PLN	9%	9%
Other currencies	5%	6%
Total	**100%**	**100%**
Sensitivity analysis +/- 5%		
EUR	+/- 6	+/- 6
USD	-/+ 13	-/+ 12
NOK	+/-8	+/-9
PLN	-/+ 5	-/+ 5

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.

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, as at balance sheet date. The effect on equity is the same.

Sensitivity analysis +/- 5%	2023	2022
SEK	-/+ 2	-/+ -1
EUR	N/A	N/A
USD	-/+ 1	-/+ 0
NOK	-/+ 1	+/- 0
PLN	-/+ 2	-/+ 0
GBP	-/+ 1	-/+ 1
CNY	-/+ 1	-/+ 0

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%	2023	2022
EUR	+/- 1	+/- 1
PLN	+/- 1	+/- 1

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 short term forecasts, which are made weekly, and long term forecasts, which aims to ensure that the Group has a satisfactory liquidity reserve. The Group's liquidity reserve is covered by the SEK 150 million credit facility.

The total liquidity reserve at the end of 2023 was comprised of cash and cash equivalents of SEK 222 million and the unutilised portion of the credit facility was SEK 150 million. As regards risks related to the Company's compliance with financial covenants in the granted credit facility and the uncertainty of it's utilisation, see "Risks and uncertainties", page 30.

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 refers to the credit facility that Pierce extended until March 2025 within agreed framework, also with the right to an extension for additional 2 years.

Maturity analysis, 2023	<6 months	6-12 months	1-3 years	3-5 years	>5 years	Total
Liabilities to credit institutions (credit facility)	1	0	1	—	—	2
Lease liabilities	17	15	30	3	—	65
Trade payables	81	0	0	—	—	81
Other current liabilities[1]	8	—	—	—	—	8
Accrued expenses	57	2	1	0	—	60
Total	**164**	**17**	**32**	**4**	**—**	**217**

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

Maturity analysis, 2022	<6 months	6-12 months	1-3 years	3-5 years	>5 years	Total
Liabilities to credit institutions (credit facility)[1]	1	0	2	—	—	3
Lease liabilities	14	14	49	3	—	79
Trade payables	105	0	0	—	—	105
Other current liabilities[2]	7	—	—	—	—	7
Accrued expenses	56	1	2	—	—	58
Total	**183**	**15**	**52**	**3**	**—**	**253**

[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.

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 "Risks and uncertainties", page 30.

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.

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

Capital is defined as total equity and amounted to SEK 627 (719) million.

Note 25 – Financial instruments

	Dec 31 2023	Dec 31 2022
Assets		
Measured at amortised cost		
Financial assets	3	4
Receivables from payment providers	4	7
Cash and cash equivalents	222	136
Measured at fair value through profit or loss		
Currency derivatives	—	—
Total carrying amount	**230**	**147**
Liabilities		
Measured at amortised cost		
Liabilities to credit institutions	—	0
Trade payables	81	105
Accrued expenses	60	58
Other current liabilities[1]	8	7
Measured at fair value through profit or loss		
Currency derivatives	1	0
Total carrying amount	**149**	**170**

[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 2023 financial year, the fair value of currency derivatives amounted to SEK -1 (0) million. The currency derivatives were classified as current liabilities (assets) at the end of the financial year.

The were no contingent considerations in the current and previous periods.

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.

Note 26 – Statement of cash flows

Adjustments for items not included in cash flow

	2023	2022
Depreciation and amortisation	75	49
Change in provisions	2	-2
Other non-cash flow items	46	9
Total	**122**	**56**

Reconciliation of liabilities attributable to financing activities

	Current financing[1]	Non-current financing[2]	Leasing liabilities	Total
2022-01-01	**178**	**—**	**71**	**249**
Cash flow for the year related to:				
Within financing activities	-184	—	-23	-207
Within operating activities	-4	—	—	-4
Changes not affecting cash flow related to:				
Changes in lease liabilities	—	—	17	17
Capitalised loan fees	2	—	—	2
Accrued interest expenses and financial costs	2	0	—	2
Translation effects	5	—	—	5
2022-12-31	**-1**	**—**	**65**	**64**
Cash flow for the year related to:				
Within financing activities	—	—	-28	-28
Within operating activities	-2	—	-3	-5
Changes not affecting cash flow related to:				
Changes in lease liabilities	—	—	21	21
Capitalised loan fees	2	—	—	2
Accrued interest expenses and financial costs	0	—	—	0
Translation effects	—	—	—	—
2023-12-31	**0**	**—**	**55**	**54**

[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 2023	Dec 31 2022
To credit institutions for the Group's own liabilities and provisions		
Deposits	3	2
Total	**3**	**2**

Pledged assets at the end of 2023 and 2022 pertained to deposits paid.

Note 28 – Contingent liabilities

	Dec 31 2023	Dec 31 2022
Subsidiaries' liabilities and provisions to leasing companies		
Guarantees	10	10
Subsidiaries' liabilities and provisions to bank		
Guarantees	8	8
Other guarantees	3	3
Total	**21**	**21**

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.

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.

Warrant program

The Group has a warrant program as a part of an incentive program for certain senior executives and key employees in the Group. See page 46 for further information.

All transactions are based on market terms and conditions.

Performance-based share program

The Group has two performance-based programs as a part of incentive programs for certain senior executives and key employees in the Group. See page 46 for further information.

All transactions are based on market terms and conditions.

Intra-Group transactions

For the Parent Company's transactions with its subsidiaries, refer to the Parent Company Note 20 – Related party transactions.

Other transactions with related parties

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

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

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

Former Board member Stefan Rönn, with a significant influence in: Useful Words, Unipessoal, Lda (KSEK)	2023	2022
Purchase of consultancy services	—	9

Board Member Thomas Schwarz, with a significant influence in: O'Neal Europe GmbH & Co. KG (KSEK)	2023	2022
Purchase of goods	27,152	39,656
Debt on the balance sheet date	420	564

Former Board member Gunilla Spongh, with a significant influence in: G Spongh Förvaltnings AB (KSEK)	2023	2022
Purchase of consultancy services	—	140

Note 30 – Significant events after the balance sheet date

Pursuant to the authorization granted by the Annual General Meeting on 16 May 2023, the Board of Directors of Parent Company has resolved to issue and immediately thereafter repurchase 950,000 series C shares. The shares are issued and repurchased in accordance with the performance-based share program LTI 2023, which was adopted by the Annual General Meeting on 16 May 2023.

The series C shares carry one-tenth of a vote per share and do not entitle the holder to dividends.

Parent Company profit/loss

SEKm	Note	2023-01-01 2023-12-31	2022-01-01 2022-12-31
Net revenue	4	21	11
Gross profit		**21**	**11**
Administration expenses	5	-25	-31
Operating profit/loss		**-5**	**-20**
Financial income	7	24	9
Financial costs	8	0	0
Profit/loss after financial items		**19**	**-11**
Appropriations	9	-19	—
Profit/loss before tax		**0**	**-11**
Tax	10	—	—
Profit/loss for the year		**0**	**-11**

Parent Company statement of comprehensive income

SEKm	2023-01-01 2023-12-31	2022-01-01 2022-12-31
Profit/loss for the year	0	-11
Other comprehensive income for the year	—	—
Comprehensive income for the year	**0**	**-11**

Parent Company balance sheet

SEKm	Note	2023-12-31	2022-12-31
Assets			
Non-current assets			
Shares in subsidiaries	11	409	308
Receivables from Group companies	12,13	350	416
Non-current assets		**759**	**724**
Current assets			
Receivables from Group companies	12,13	—	29
Other receivables		0	0
Prepaid expenses and accrued income	14	0	0
Cash and cash equivalents	12	4	1
Current assets		**5**	**31**
Total assets		**763**	**755**
Equity and liabilities			
Equity	15		
Share capital		2	2
Restricted equity		**2**	**2**
Share premium reserve		745	745
Profit/loss brought forward		-7	4
Profit/loss for the year		0	-11
Non-restricted equity		**738**	**737**
Total equity		**739**	**739**
Current liabilities			
Liabilities to Group companies		16	0
Trade payables	12	0	3
Other current liabilities		2	0
Accrued expenses and prepaid income	12,16	6	12
Current liabilities		**24**	**16**
Total equity and liabilities		**763**	**755**

Parent Company statement of changes in equity

SEKm	Note	Restricted equity Share capital	Non-restricted equity Share premium reserve	Profit/loss brought forward	Net profit for the year	Equity
Opening balance 2022-01-01		**1**	**415**	**0**	**4**	**419**
Appropriation of profit/loss from last year		—	—	4	-4	—
Net profit, also other comprehensive income, for the year		—	—	—	-11	-11
Total		**—**	**—**	**4**	**-15**	**-11**
Transactions with Parent Company's shareholders						
New share issue including issue costs[1]		1	330	—	—	331
Total		**1**	**330**	**—**	**—**	**331**
Closing balance 2022-12-31		**2**	**745**	**4**	**-11**	**739**
Appropriation of profit/loss from last year		—	—	-11	11	—
Net profit, also other comprehensive income, for the year		—	—	—	0	0
Total		**—**	**—**	**-11**	**11**	**0**
Closing balance 2023-12-31	**15**	**2**	**745**	**-7**	**0**	**739**

[1] New share issue including issue costs was finalized in July 2022, total issue costs amounted to SEK 16 million.

Parent Company statement of changes of cash flow

SEKm	Note	2023-01-01 2023-12-31	2022-01-01 2022-12-31
Operating activities			
Operating profit/loss		-5	-20
Adjustments for non-cash items	17	0	—
Paid interest	17	0	0
Paid tax		0	0
Cash flow from operating activities before changes in working capital		**-5**	**-20**
Cash flow from changes in working capital			
Increase (-) / decrease (+) in operating receivables		0	0
Increase (+) / decrease (-) in operating liabilities		-9	13
Cash flow from operating activities		**-14**	**-7**
Investing activities			
Paid intercompany loans		16	-330
Cash flow from investing activities		**16**	**-330**
Financing activities	17		
Repayments of leasing liabilities		0	—
New share issue		—	347
Paid issue costs referring to new share issue		—	-16
Cash flow from financing activities		**0**	**331**
Cash flow for the year		**2**	**-6**
Cash and cash equivalents at beginning of year		1	7
Cash and cash equivalents at year end		**4**	**1**

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.

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 guarantee 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

A number of new and revised accounting standards and interpretations have been published and are effective from 2024 and later. Among these is IAS 1 (classification of liabilities as current or non-current). The new and revised accounting standards or interpretations are not expected to have a material impact on 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.

	2023	2022
Sweden	21	11
Total	**21**	**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.

	2023	2022
Ernst & Young AB		
Other services	—	-1
Total	**—**	**-1**

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

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

	2023	2022
Interest income	24	9
Exchange rate differences	—	—
Total	**24**	**9**

Note 8 – Financial costs

	2023	2022
Interest expenses	0	0
Exchange rate differences	0	—
Other financial costs	—	—
Total	**0**	**0**

Note 9 – Appropriations

	2023	2022
Group contributions given	-19	—
Total	**-19**	**—**

Group contributions received relate to the subsidiary Pierce AB.

Note 10 – Tax

	2023	2022
Current tax	—	—
Adjustment refered to previous years	—	—
Total	**—**	**—**
Reported tax in the income statement	**—**	**—**
Amount recognised in total equity		
Current tax	0	3
Total	**0**	**3**

Reconciliation of effective tax	2023	2022
Profit/loss before tax	**0**	**-11**
Tax according to the applicable tax rate 20.6%	0	2
Tax effects of:		
Non-deductible expenses	0	0
Adjustments related to previous years	—	0
Non-capitalized tax deficit	—	-2
Utilisation of unrecognised tax losses carried forward	—	—
Reported tax	**0**	**—**
Effective tax rate	0%	-%

There are tax losses carry-forwards for which deferred tax assets have not been recognised in the balance sheet amounting to SEK 65 (46) million, equivalent to a tax effect of SEK 13 (9) million. Out of these, an amount of SEK 29 (20) million, equivalent to a tax effect of SEK 6 (4) million, refers to previous years' non-deductible net interest, which can be used in future year's declarations, if there is room for deduction. 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. Tax loss carry-forwards' utilisation is unlimited in time. 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.

Note 11 – Shares in subsidiaries

	2023	2022
Opening balance	308	308
Shareholder contributions	101	—
Closing balance	**409**	**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 2023	Dec 31 2022
Pierce Group AB (publ)						
Pierce AB	556763-1592	Stockholm, Sweden	1,000	100%	409	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 2023	Dec 31 2022
Assets		
Measured at amortised cost		
Receivables from subsidiaries	350	445
Cash and cash equivalents	4	1
Total carrying amount[1]	**353**	**446**
Liabilities		
Measured at amortised cost		
Liabilities to subsidiaries	16	0
Trade payable	0	3
Accrued expenses	0	7
Total carrying amount[1]	**16**	**10**

[1] Reported values are a reasonable approximation of fair value.

Note 13 – Receivables from subsidiaries

	Dec 31 2023	Dec 31 2022
Opening balance	445	105
Additional	150	356
Settled receivables	-245	-16
Closing balance	**350**	**445**

Parent Company receivables from subsidiaries only related to Pierce AB in the current and previous financial year.

Note 14 – Liabilities to Group companies

	Dec 31 2023	Dec 31 2022
Opening balance	—	0
Settled liabilities	16	0
Closing balance	**16**	**—**

Parent Company liabilities to subsidiaries only related to Pierce AB in the current and previous financial year.

Note 15 – Equity

As of 31 December 2023, the share capital consisted of 79,374,100 (79,374,100) ordinary shares with a quota value of SEK 0.02 (0.02). Also refer to the information in the Group's Note 20 – Equity.

Note 16 – Accrued expenses and deferred income

	Dec 31 2023	Dec 31 2022
Accrued expenses relating to:		
Employees	6	5
Consultants	0	7
Other items	0	0
Carrying amount	**6**	**12**

Note 17 – Statement of cash flows

Comments to cash flow from investing activities

Cash flow from investing activities referred to repayments of an intercompany loan from Pierce AB in the current year.

In the previous year, after receipt of the proceeds from share issue, the Parent Company granted Pierce AB a loan of SEK 330 million.

Note 18 – Pledged assets

At the end of the 2023 financial year, the Parent Company had no pledged assets. There is a guarantee for the subsidiary Pierce AB's liabilities to credit institutions, which relates to the new financing structure established in 2021. See the next note for information on this.

Note 19 – Contingent liabilities

There is a guarantee 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 150 million, of which SEK 80 million is in an overdraft facility. The credit facility includes certain financial covenants; also refer to the Group's Note 24 – Financial risks.

Note 20 – Related party transactions

Intra-Group transactions

Subsidiaries	2023	2022
Sale of goods/services	21	11
Purchase of goods/services	0	0
Interest income related to loans to subsidiaries	24	9
Receivables on the balance sheet date	350	445
Debt on balance sheet date	16	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 21 – Significant events after the balance sheet date

Pursuant to the authorization granted by the Annual General Meeting on 16 May 2023, the Board of Directors of Parent Company has resolved to issue and immediately thereafter repurchase 950,000 series C shares. The shares are issued and repurchased in accordance with the performance-based share program LTI 2023, which was adopted by the Annual General Meeting on 16 May 2023.

The series C shares carry one-tenth of a vote per share and do not entitle the holder to dividends.

Note 22 – Proposed appropriation of profits

	Dec 31 2023	Dec 31 2022
The following profits are at the disposal of the Annual General Meeting:		
Share premium reserve	745	745
Retained earnings	-7	4
Profit/loss for the year	0	-11
	738	**737**
To be appropriated as follows:		
Carry forward	0	-7
Remaining share premium reserve to be carried forward	745	745
Total	**745**	**737**
To be carried forward	**745**	**737**

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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 2023. In the event of any discrepancies between the two versions, the original Swedish version shall apply.

Stockholm, 22 March 2024

Henrik Theilbjørn
Chair of the Board

Göran Dahlin
CEO

Lottie Saks
Board Member

Mattias Feiff
Board Member

Thomas Schwarz
Board Member

Max Carlsén
Board Member

Our audit report was submitted on 22 March 2024

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 Group AB (publ), corporate identity number 556967-4392

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Pierce Group AB AB (publ) for the year 2023. The annual accounts and consolidated accounts of the company are included on pages 27-65 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 financial position of the parent company as of 31 December 2023 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 2023 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.

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.

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. 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, 2023, a large part (28% or 275 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, 2023, a large proportion (36% or 344 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 1-20, 22-25 and 71-79. The other information also includes the remuneration report and were obtained before the date of this auditor's report. 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 Group AB (publ) for the year 2023 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated 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 organization 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 organization 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 Group AB for the financial year 2023.

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

In our opinion, the Esef report 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 Group 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 ISQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or other Assurance or Related Services Engagements* which requires the firm to design, implement and operate a system of quality management, including policies and procedures regarding compliance with professional ethical requirements, professional standards and applicable 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 validation that the Esef report has been prepared in a valid XHTML format 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 consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esef report have been marked with iXBRL in accordance with what follows from the Esef regulation.

Ernst & Young AB, Box 7850, 103 99 Stockholm was appointed auditor of Pierce Group AB by the general meeting of the shareholders on the 16 May 2023 and has been the company's auditor since the 21 May 2014.

Stockholm, March 22, 2024

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

Definitions

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

2023

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

Operating performance measures – Group

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

Reconciliation of Alternative Performance Measures from Statement of profit/loss

	2023	2022
Net revenue (A)		
Offroad	952	999
Onroad	496	569
Other	89	102
Group	**1,537**	**1,670**
Gross profit (B)		
Offroad	393	412
Onroad	178	208
Other	37	41
Intra-Group costs	-1	-4
Group	**607**	**657**
Variable sales and distribution costs		
Offroad	-205	-235
Onroad	-122	-142
Other	-23	-28
Group	**-351**	**-405**
Profit after variable costs (C)		
Offroad	188	177
Onroad	55	66
Other	14	13
Intra-Group costs	-1	-4
Group	**256**	**252**
Gross margin (%) (B) / (A)		
Offroad	41.3%	41.2%
Onroad	35.9%	36.6%
Other	41.1%	40.1%
Group	**39.5%**	**39.3%**
Profit after variable costs (%) (C) / (A)		
Offroad	19.8%	17.7%
Onroad	11.2%	11.6%
Other	15.2%	12.4%
Group	**16.7%**	**15.1%**
Operating profit/loss (EBIT)	-111	-68
Reversal of depreciation and amortisation	75	49
Reversal of items affecting comparability	26	15
Rental costs regarding leasing agreements reported in the Statement of Financial Position	-32	-25
Adjusted EBITDA excluding IFRS 16	**-42**	**-29**

	2023	2022
Operating profit/loss (EBIT)	-111	-68
Reversal of items affecting comparability	26	15
Adjusted operating profit (EBIT) (A)	**-85**	**-53**
Net revenue (B)	1,537	1,670
Adjusted operating margin (EBIT) (%) (A) / (B)	**-5.6%**	**-3.2%**
IPO costs	—	-1
Restructuring expenses	-25	-4
Share-based payments	-1	—
Share-based payments (social costs)	0	—
Other	0	-11
Items affecting comparability	**-26**	**-15**
Sales and distribution costs	-505	-540
Reversal of non-variable sales and distribution	155	135
Variable sales and distribution costs	**-351**	**-405**
Sales and distribution costs	-505	-540
Administration costs	-212	-188
Other operating income	3	4
Other operating expenses	-3	-1
Operative expenses	**-718**	**-725**
Reversal of:		
Variable sales and distribution costs	351	405
Depreciation and amortisation	75	49
Items affecting comparability	26	15
Overhead costs (A)	**-267**	**-256**
Depreciation and amortisation (B)	-75	-49
Overhead costs, depreciation and amortisation (C)	**-342**	**-305**
Net revenue (D)	1,537	1,670
Overhead costs (%) -(A) / (D)	**17.4%**	**15.3%**
Depreciation and amortisation (%) -(B) / (D)	**4.9%**	**3.0%**
Overhead costs, depreciation and amortisation (%) -(C) / (D)	**22.2%**	**18.3%**
Amortisation	-42	-20
Reversal of amortisation excluding business acquisitions	24	19
Amortisation related to business	**-18**	**-1**

2023

Reconciliation of Alternative Performance Measures concerning growth – Group

	2023	2022
Net revenue current year (A)	1,537	1,670
Net revenue previous year (B)	1,670	1,594
Growth (%) (A) / (B) -1	**-8%**	**5%**
Net revenue current year in local currencies (A)	1,453	1,603
Net revenue previous year (B)	1,670	1,594
Growth in local currencies (%) (A) / (B) -1	**-13%**	**1%**
Net revenue Nordics (A)	508	567
Net revenue Nordics previous year (B)	567	563
Growth Nordics (%) (A) / (B) -1	**-10%**	**1%**
Net revenue Outside Nordics (A)	1,029	1,103
Net revenue Outside Nordics previous year (B)	1,103	1,031
Growth Outside Nordics (%) (A) / (B) -1	**-7%**	**7%**
Net revenue (A)	1,537	1,670
Net revenue, 2 years ago (B)	1,594	1,523
Number of years calculated (C)	2	2
CAGR (%) ((A) / (B)) ^(1 / (C)) -1	**-2%**	**5%**

Reconciliation of Alternative Performance Measures concerning growth – segment

	2023	2022
Offroad		
Net revenue (A)	952	999
Net revenue previous year (B)	999	974
Growth (%) (A) / (B) -1	**-5%**	**3%**
Onroad		
Net revenue (A)	496	569
Net revenue previous year (B)	569	500
Growth (%) (A) / (B) -1	**-13%**	**14%**
Offroad		
Net revenue Nordics (A)	191	206
Net revenue Nordics previous year (B)	206	212
Growth Nordics (%) (A) / (B) -1	**-7%**	**-3%**
Net revenue Outside Nordics (A)	761	793
Net revenue Outside Nordics previous year (B)	793	763
Growth Outside Nordics (%) (A) / (B) -1	**-4%**	**4%**
Onroad		
Net revenue Nordics (A)	228	259
Net revenue Nordics previous year (B)	259	232
Growth Nordics (%) (A) / (B) -1	**-12%**	**12%**
Net revenue Outside Nordics (A)	268	309
Net revenue Outside Nordics previous year (B)	309	269
Growth Outside Nordics(%) (A) / (B) -1	**-14%**	**15%**
Offroad		
Net revenue (A)	952	999
Net revenue, 2 years ago (B)	974	952
Number of years calculated (C)	2	2
CAGR (%) ((A) / (B)) ^(1 / (C)) -1	**-1%**	**2%**
Onroad		
Net revenue (A)	496	569
Net revenue, 2 years ago (B)	500	461
Number of years calculated (C)	2	2
CAGR (%) ((A) / (B)) ^(1 / (C)) -1	**0%**	**11%**

2023

Reconciliation of Alternative Performance Measures from the Statement of financial position

	2023	2022
Inventory	**344**	**488**
Trade receivables	4	7
Other receivables	5	7
Prepaid expenses and accrued income	5	6
Reversal of:		
Currency derivatives	—	—
Other current operating assets	**14**	**20**
Trade payables	-81	-105
Other current liabilities	-56	-54
Contractual liabilities	-13	-20
Accrued expenses and prepaid income	-103	-82
Reversal of:		
Currency derivatives	1	0
Other current operating liabilities	**-251**	**-262**
Net working capital	**107**	**246**
Net revenue (A)	1,537	1,670
Net working capital (B)	107	246
Net working capital (%) (B) / (A)	**7.0%**	**14.7%**
Cash and cash equivalents	-222	-136
Net debt excluding IFRS 16[1]	**-222**	**-136**
Net debt (+) / Net cash (-)[1]	-222	-136
Adjusted EBITDA excluding IFRS 16 (B)	-42	-29
Net debt/EBITDA (A) / (B)	**5.2**	**4.7**

[1] Net debt refers to the alternative performance measure net debt excluding IFRS 16.

Reconciliation of Alternative Performance Measures from Statement of cash flows

	2023	2022
Cash flow from operating activities	127	9
Cash flow from investing activities	-8	-16
Repayment of leasing liabilities	-28	-23
Interest expenses leasing liabilities	-3	-3
Reversal of:		
Paid interest	5	11
Received interest	-3	-1
Realised currency derivatives	-9	-13
Paid tax	-3	8
Operative cashflow	**78**	**-29**
Adjustments for non-cash items	122	56
Repayment of leasing liabilities	-28	-23
Interest expenses leasing liabilities	-3	-3
Other non-cash items	**91**	**30**
Cash flow from financing activities	-28	124
Paid interest	-5	-11
Received interest	3	1
Realised currency derivatives	9	13
Paid tax	3	-8
Reversal of:		
Interest expenses leasing liabilities	3	3
Net change in loans[1]	—	184
Repayment of leasing debt	28	23
Other cashflow	**13**	**329**

[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

	2023	2022
Net revenue		
Offroad	952	999
Onroad	496	569
Other	89	102
Group	**1,537**	**1,670**
Reversal of net revenue from external brands		
Offroad	-482	-526
Onroad	-295	-346
Other	-41	-53
Group	**-818**	**-925**
Reversal of non-branded net revenue		
Offroad	-54	-66
Onroad	-21	-26
Other	-4	-2
Group	**-78**	**-95**
Net revenues from private brands		
Offroad	416	406
Onroad	180	196
Other	44	47
Group	**640**	**650**
Net revenue (A)		
Offroad	952	999
Onroad	496	569
Other	89	102
Group	**1,537**	**1,670**
Number of orders (thousands) (B)		
Offroad	868	1,019
Onroad	511	635
Other	77	94
Group	**1,456**	**1,749**
Average order value (AOV) (SEK) (A) / ((B) / 1000)		
Offroad	1,096	980
Onroad	969	895
Other	1,162	1,087
Group	**1,055**	**955**

Upcoming financial events

10 May 2024

Interim report January – March 2024

17 May 2024

Annual General Meeting 2024

23 August 2024

Interim report January – June 2024

15 November 2024

Interim report January – September 2024

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This information is information that Pierce Group AB (publ) is obliged to make public pursuant to the Swedish Securities Markets Act.

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