



# PIERCE GROUP AB (publ)

## Interim report

January – September 2023

## Strong cash position ready for uncertain market development

### July – September 2023

- Net revenue decreased by 1%, totalling SEK 369 (373) million.
- Additional provision for slow moving inventory of SEK 44 million, affecting cost of goods sold, which constitutes 11.9 percent of revenue.
- Operating profit (EBIT) was SEK -47 (-15) million. Adjusted operating profit (EBIT) was SEK -47 (-9) million and the adjusted operating margin was -12.7% (-2.4%).
- Cash flow for the period was SEK -1 (96) million.
- Earnings per share before and after dilution was SEK -0.77 (-0.26).

### January – September 2023

- Net revenue decreased by 7%, totalling SEK 1,154 (1,243) million.
- Additional provision for slow moving inventory of SEK 44 million, affecting cost of goods sold, which constitutes 3.8 percent of revenue.
- Operating profit (EBIT) was SEK -66 (-37) million. Adjusted operating profit (EBIT) totalled SEK -61 (-30) million and the adjusted operating margin was -5.3% (-2.4%).
- Cash flow for the period was SEK 30 (100) million.
- Earnings per share before and after dilution was SEK -0.59 (-0.66).

SEKm (unless stated otherwise)	Jul-Sep		Jan-Sep		Oct 2022-	Jan-Dec
	2023	2022	2023	2022	Sep 2023	2022
<b>Net revenue</b>	<b>369</b>	<b>373</b>	<b>1,154</b>	<b>1,243</b>	<b>1,581</b>	<b>1,670</b>
Growth (%) <sup>1</sup>	-1%	3%	-7%	5%	-5%	5%
Growth in local currencies (%) <sup>1</sup>	-9%	0%	-12%	2%	-10%	1%
Gross profit	113	146	436	496	597	657
Profit after variable costs <sup>1 2</sup>	34	60	176	192	236	252
Overhead costs <sup>1</sup>	-67	-57	-195	-185	-266	-256
EBITDA <sup>1</sup>	-33	-2	-24	0	-43	-19
Operating profit (EBIT) <sup>3</sup>	-47	-15	-66	-37	-97	-68
Items affecting comparability <sup>1</sup>	-1	-6	-5	-7	-13	-15
Adjusted EBITDA <sup>1 5</sup>	-32	4	-19	7	-30	-4
<b>Adjusted operating profit (EBIT)<sup>1 3 5</sup></b>	<b>-47</b>	<b>-9</b>	<b>-61</b>	<b>-30</b>	<b>-84</b>	<b>-53</b>
Profit/loss for the period	-61	-20	-47	-35	-70	-58
Gross margin (%) <sup>1</sup>	30.7%	39.1%	37.8%	39.9%	37.8%	39.3%
Profit after variable costs (%) <sup>1</sup>	9.3%	16.2%	15.3%	15.5%	14.9%	15.1%
Adjusted EBITDA (%) <sup>1 5</sup>	-8.7%	1.1%	-1.6%	0.6%	-1.9%	-0.2%
Adjusted operating margin (EBIT) (%) <sup>1 5</sup>	-12.7%	-2.4%	-5.3%	-2.4%	-5.3%	-3.2%
Cash flow for the period	-1	96	30	100	46	117
Net debt (+) / Net cash (-) <sup>4</sup>	-171	-115	-171	-115	-171	-136
Earnings per share before dilution (SEK)	-0.77	-0.26	-0.59	-0.66	-0.88	-0.98
Earnings per share after dilution (SEK)	-0.77	-0.26	-0.59	-0.66	-0.88	-0.98

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

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

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

<sup>4</sup> Operating profit (EBIT) includes depreciation and amortisation. Amortisation attributable to business acquisitions<sup>1</sup> were SEK 0.4 million during the last twelve months' period.

<sup>5</sup> Net debt refers to the alternative performance measure net debt excluding IFRS 16.

<sup>6</sup> Adjusted measures exclude, among others, costs borne for transition to a permanent CEO.

### Significant events during the reporting period

#### 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 provision of SEK 44 million affecting third quarter 2023.

### Significant events after the end of the reporting period

#### Trademarks

To accelerate the development of market leading private brands, on 1 November 2023 the Board of Directors decided to consolidate the Company's brand portfolio, spreading investments across fewer brands. Some private brands will be removed, and products merged into the remaining brands. This will result in an accelerated depreciation relating to trademarks that will be distributed over the next few years, starting in fourth quarter of 2023. It may also lead to potential impairment of the brands during the fourth quarter of 2023. The total cost is approximately SEK 20 million.

#### **Change of Chief Financial Officer**

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

#### **Rightsizing the company – Operational efficiency program**

In order to improve efficiency and agility, the Company is planning to initiate an operational efficiency program to adjust the structure of the organization. It will therefore start a process with authorities and unions as per country specific legislation and practices. This could affect approximately 50 employees, across all functions and countries where Pierce has offices, and is expected to be implemented during the fourth quarter. The goal is to implement a more team-based operating model with fewer managers and a greater individual mandate and responsibility. To support this planned organizational simplification, the Company will improve its core processes through the implementation of Lean methodology across the company accompanied with an increase of digitization and automation. The ambition for the new operating model is to generate annual profit improvement of approximately SEK 25 million, which will 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 planned change will result in a non-recurring cost corresponding to approximately SEK 15 million in the fourth quarter 2023.

## CEO comments

As expected, the quarter showed relatively weak sales due to low season and a continued weak demand. However, we estimate that we maintained market share. We continued our focus from the beginning of 2023 on preserving cash and improving margins with successful results. Unfortunately, in spite of our efforts, we did not manage to reach a positive EBIT for the third quarter, excluding extraordinary items, which is a disappointment to the organization and me.

During the last months we have worked hard to create a new simplified, streamlined, and geared platform for Pierce for 2024 and onwards. As I mentioned in my previous CEO letter, we have been conducting a revision of our strategy. 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 strategy revision, we have re-calibrated our growth strategy. 24MX is by far the largest online retailer in Europe within the smaller but profitable Offroad segment. Despite having a leading position, we still have a huge potential to grow. Consequently, we aim to enhance our specialist position to consolidate and grow our market share within the Offroad segment. We have an excellent position with strong own and external brands that we will leverage further.

XMLMOTO has a challenger position in the much larger but in general less profitable Onroad segment. We are adjusting our approach by more clearly prioritizing profitable growth. We'll be more selective in which brands we partner with, what markets we invest in and which specific customer segments we target.

In the current overall soft market, customer relevance and retention are more crucial than ever. Therefore, we have made increased customer retention and loyalty to one of our absolute top priorities and we will take several important steps to increase sales from recurring customers during the coming quarters.

We will also be simplifying our go-to-market model by gradually consolidating our 39 local sites into 3 global sites, among other initiatives. This will help us streamline our work processes and create a better customer experience through enhanced personalization.

Consolidating our portfolio of our own brands will enable us to focus our brand investments to fewer brands. This, we expect, will accelerate our brand-building initiatives with the aim of developing our own private brands into market-leading value-for-money brands.

During the quarter, we have adjusted the assumptions underpinning depreciation of inventory, resulting in a significant adjustment of the inventory provision for slow moving stock in the quarter. The purpose was to reflect today's market situation and our increased focus on shorter product life cycles, thereby creating a more attractive customer offering.

Finally, our goal is to implement a more team-based operating model with fewer managers and greater individual mandate and responsibility. Accordingly, we plan to initiate a process with unions and employees according to local rules in countries where we have operations during the fourth quarter that may affect approximately 50 employees. To support this organizational simplification, we will improve our core processes through the implementation of Lean methodology across the company accompanied by an increase of digitization and automation. The ambition for the planned operating model is to generate annual profit improvement of approximately SEK 25 million, which will affect earnings already from the first quarter of 2024, while the corresponding effect on cash flow will be generated gradually during the first half of 2024.

The changes planned to be implemented will entail non-recurring costs during the third and fourth quarters this year. The adjustments to the assumption of write-downs of slow-moving inventory affected the third quarter by SEK 44 million, while the consolidation of the brand portfolio will entail costs of approximately SEK 20 million in the form of accelerated depreciation in the coming years including a possible write-down in the fourth quarter. Finally, the planned organizational change is expected to entail a cost of approximately SEK 15 million during the fourth quarter.

Upon the successful implementation of all these planned initiatives, focusing on our customer relevance across our two main segments in addition to the overall simplifications and digitalization of our operational set-up, we are all set for a new and exciting journey onwards.

Stockholm, 17 November 2023



Göran Dahlin  
CEO, Pierce Group AB



## Performance measures – Group

SEKm (unless stated otherwise)	Jul-Sep		Jan-Sep		Oct 2022-	Jan-Dec
	2023	2022	2023	2022	Sep 2023	2022
<b>Revenue measures</b>						
<b>Net revenue per geographical area</b>						
Nordics	118	124	401	447	522	567
Outside the Nordics	251	249	753	796	1,060	1,103
<b>Net revenue</b>	<b>369</b>	<b>373</b>	<b>1,154</b>	<b>1,243</b>	<b>1,581</b>	<b>1,670</b>
<b>Growth per geographical area</b>						
Nordics (%) <sup>1</sup>	-5%	-4%	-10%	5%	-11%	1%
Outside the Nordics (%) <sup>1</sup>	1%	7%	-5%	5%	-1%	7%
<b>Growth (%)<sup>1</sup></b>	<b>-1%</b>	<b>3%</b>	<b>-7%</b>	<b>5%</b>	<b>-5%</b>	<b>5%</b>
<b>Performance measures</b>						
Gross margin (%) <sup>1</sup>	30.7%	39.1%	37.8%	39.9%	37.8%	39.3%
Profit after variable costs (%) <sup>1</sup>	9.3%	16.2%	15.3%	15.5%	14.9%	15.1%
Overhead costs (%) <sup>1</sup>	18.1%	15.2%	16.9%	14.9%	16.8%	15.3%
Adjusted EBITDA (%) <sup>1 2</sup>	-8.7%	1.1%	-1.6%	0.6%	-1.9%	-0.2%
Adjusted operating margin (EBIT) (%) <sup>1</sup>	-12.7%	-2.4%	-5.3%	-2.4%	-5.3%	-3.2%
Earnings per share before dilution (SEK)	-0.77	-0.26	-0.59	-0.66	-0.88	-0.98
Earnings per share after dilution (SEK)	-0.77	-0.26	-0.59	-0.66	-0.88	-0.98
<b>Cash flow and other financial measures</b>						
Operating profit (EBIT)	-47	-15	-66	-37	-97	-68
Investments	-2	-3	-5	-12	-9	-16
<b>Operating profit (EBIT) minus investments</b>	<b>-49</b>	<b>-18</b>	<b>-71</b>	<b>-49</b>	<b>-106</b>	<b>-84</b>
Changes in net working capital	1	-22	35	-17	77	25
Other non-cash items <sup>1 3</sup>	45	2	63	25	68	30
<b>Operating cash flow<sup>1</sup></b>	<b>-3</b>	<b>-38</b>	<b>27</b>	<b>-42</b>	<b>39</b>	<b>-29</b>
Net change in loans	—	-195	—	-183	-1	-184
Other cash flow <sup>1 4</sup>	2	329	3	325	8	329
<b>Cash flow for the period</b>	<b>-1</b>	<b>96</b>	<b>30</b>	<b>100</b>	<b>46</b>	<b>117</b>
Cash and cash equivalents <sup>5</sup>	171	115	171	115	171	136
Net debt excluding IFRS 16 <sup>1 5 7</sup>	-171	-115	-171	-115	-171	-136
Net debt/EBITDA <sup>1 6</sup>	2.9	-267.0	2.9	-267.0	2.9	4.7
Inventory <sup>5</sup>	377	504	377	504	377	488
Other current operating assets <sup>1 5</sup>	20	24	20	24	20	20
Other current operating liabilities <sup>1 5</sup>	-219	-248	-219	-248	-219	-262
<b>Net working capital<sup>1 5</sup></b>	<b>179</b>	<b>280</b>	<b>179</b>	<b>280</b>	<b>179</b>	<b>246</b>
<b>Operating measures</b>						
Number of orders (thousands) <sup>1</sup>	332	371	1,115	1,315	1,548	1,749
Average order value (AOV) (SEK) <sup>1</sup>	1,110	1,004	1,036	945	1,021	955
Net revenue from private brands <sup>1</sup>	148	138	480	489	641	650
Active customers last 12 months (thousands) <sup>1</sup>	1,070	1,163	1,070	1,163	1,070	1,165

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

<sup>2</sup> Adjusted EBITDA, excluding IFRS 16, amounted during the last twelve months' period to SEK -59 (0) million.

<sup>3</sup> Other non-cash items refer, in all significance, to amortization and depreciation, excluding depreciation of right-of-use assets, and changes in current short term provisions. Additionally, in Jul-Sep 2023, Jan-Sep 2023 and Oct 2022 - Sep 2023 other non-cash items included an extraordinary provision for slow moving inventory of SEK 44 million.

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

<sup>5</sup> Measures correspond to each period end.

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

<sup>7</sup> Positive values refer to net debt, whereas negative values refer to net asset.



## Pierce – Riders in eCommerce

Pierce is a leading e-commerce company that sells 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 support function in Barcelona. The company employs approximately 400 people.

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

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

### July – September 2023

#### Net sales

Net revenue decreased by 1 percent to SEK 369 (373) million. In local currencies the decrease was 9 percent, which the company estimates to be in line with overall market development. Net revenue for the Offroad segment grew by 3 percent. The Onroad and the Other segments declined by 5 percent and 29 percent respectively.

Compared with the same period last year, the price increases have been slightly over 5 percent on average.

#### Gross profit and gross margin

Gross profit amounted to SEK 113 (146) million, equivalent to a gross margin of 30.7 (39.1) percent. The negative development of 8.3 percentage points was caused 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 provision of SEK 44 million. If the effect of the extraordinary provision was excluded, gross profit would have amounted to SEK 158 million, and gross margin would have increased to 42.8 percent.

Shipping costs from Asia of SEK -16 (-24) million correspond to 4.4 (6.4) percent of revenue. The relative cost continues to decrease gradually and, compared to the second quarter of 2023, costs as a percentage of revenue decreased by 0.5 percent points. A continued gradual improvement is expected in the coming quarters. The positive effects from increased prices to customers and lower shipping costs were to some extent offset by higher purchasing prices.

#### Operating costs

Sales and distribution costs amounted to SEK -115 (-116) million and include, primarily, variable costs for marketing and freight to customers. In relation to net revenue, these costs were equivalent to 31.1 (31.1) percent. The variable costs for performance marketing and freight have decreased, as a result of the profitability improvement program. The positive effect has been offset, in particular, by exchange rates development as both PLN and EUR have strengthened against the SEK, which is why the costs for warehouse operation in Poland have increased.

Administration costs were SEK -45 (-45) million. Excluding items affecting comparability, these costs totalled SEK -45 (-39) million.

#### Adjusted EBIT and EBIT

Adjusted operating profit (EBIT) was SEK -47 (-9) million, equivalent to a margin of -12.7 (-2.4) percent.

Items affecting comparability of SEK -1 (-6) million were borne for transition to a permanent CEO and for advisory costs connected with setting up a performance-based share program. Last year, items affecting comparability referred to external advisors' support with strategic initiatives.

Operating profit (EBIT) totalled SEK -47 (-15) million.

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

#### Financial items

Financial income was SEK 2 (8) million, of which SEK 2 (0) million referred to income from short-term bank deposits. Last year financial income referred to exchange rate differences from the revaluation of financial balance sheet items and from currency derivatives.

Financial expenses were SEK -15 (-5) million, primarily due to a SEK -12 million negative impact from the revaluation of financial balance sheet items, in contrast to the positive impact seen in the previous year on the financial net. In both periods, other financial expenses included leasing expenses, credit facility fees, and, in the previous year, interest expenses related to tax liabilities resulting from export adjustments.

#### Taxes and result for the period

Tax result totalled SEK 0 (-8) million and the result for the period was SEK -61 (-20) million.

## January – September 2023

### Net revenue

Net revenue decreased by 7 percent to SEK 1,154 (1,243) million. In local currencies, the decline was 12 percent. Decline within the main segments Offroad and Onroad was 3 percent and 12 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 aggressive efforts to stimulate revenue and generate cash, the Company has been able to prioritise increased margins during the first nine months of 2023.

### Gross profit and gross margin

Gross profit amounted to SEK 436 (496) million, equivalent to a margin of 37.8 (39.9) percent.

The negative development was caused 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 provision of SEK 44 million. If the effect of the extraordinary provision was excluded, gross profit would have amounted to SEK 480 million, and gross margin would have increased to 41.6 percent. Shipping costs totalled SEK -57 (-75) million, and the decrease improved margins by 1.1 percentage point.

Exchange rate differences, attributable to the revaluation of net working capital items, burdened gross profit by SEK -1 (-5) million.

### Operating costs

Sales and distribution costs amounted to SEK -368 (-403) million, equivalent to 31.9 (32.4) 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 -135 (-133) million. Excluding items affecting comparability, these costs totalled SEK -130 (-125) million.

### Adjusted EBIT and EBIT

Adjusted operating profit (EBIT) amounted to SEK -61 (-30) million, equivalent to a margin of -5.3 (-2.4) percent. The margin was affected negatively by the extraordinary provision for slow moving inventory and the negative effect was to some extent reversed by the positive gross margin development and lower costs for sales and distribution.

Operating profit (EBIT) amounted to SEK -66 (-37) million and was impacted by items affecting comparability totalling SEK -5 (-7) million. These were related to a transition to a permanent CEO and to advisory costs connected with setting up a performance-based share program. The equivalent costs in 2022 were attributed to external advisors' support with strategic initiatives.

Operating profit was negatively affected 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 7 (14) million reported in financial net.

### Financial items

Financial income totalled SEK 24 (19) million, of which SEK 15 (5) million referred to exchange rate differences related to the revaluation of financial balance sheet items, and SEK 7 (14) million was attributable to gains from exchange rate effects from currency derivatives.

Financial expenses of SEK -5 (-10) million in both periods consisted of leasing expenses and credit facility fees. In the previous year, these also included interest expenses related to external financing and tax liabilities from export adjustments.

### Taxes and results for the period

Tax totalled SEK 0 (-6) million and the result for the period was SEK -47 (-35) million.



## Comments to the Group's cash flow

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

### July – September 2023

Cash flow from operating activities was SEK 7 (-31) million. Compared with last year, operating profit (EBIT) was SEK 33 million lower and amounted to SEK -47 (-15) million.

Cash flow from changes in net working capital was SEK 1 (-22) million, which is a result of measures taken in recent quarters to optimise inventory levels together with inventory forecast. Additionally, the quarter was affected by positive non-cash items on net working capital totalling SEK 1 million, arising from exchange rate effects.

Cash flow from investments amounted to SEK -2 (-3) million and referred mainly to investments in IT systems in both periods.

Cash flow from financing activities was SEK -7 (130) million and consisted solely of leasing payments in the current period. Last year, cash flow was a result of the receipt of proceeds from a new rights issue, offset by loan repayments and leasing payments.

Cash flow for the period was SEK -1 (96) million and cash equivalents at the end of the period totalled SEK 171 (115) million.

### January – September 2023

Cash flow from operating activities was SEK 55 (-18) million. The difference between the comparative periods referred primarily to operating profit of SEK -66 (-37) million, and to changes in net working capital of SEK 35 (-17) million.

The improvement in net working capital this year is due to recent measures to optimise inventory levels and forecasts. Consequently, net cash inflow from inventory exceeded current liabilities outflows.

Cash flow from investments totalled SEK -5 (-12) million and referred to investments in IT systems and to purchase of equipment for the distribution warehouse.

Cash flow from financing activities was SEK -21 (131) 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 30 (100) million. Including exchange rate differences, which totalled SEK 5 (-4) million, cash and cash equivalents at the end of the period amounted to SEK 171 (115) million.

Operating cash flow during the last twelve months amounted to SEK 39 (-94) million.

## Comments to the Group's financial position

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

### Net working capital

Net working capital at the end of the period was SEK 179 (280) million. A decrease in current operating liabilities of SEK 29 million was outweighed by a continued decrease in inventory of SEK 127 million.

### Right-of-use assets and leasing liabilities

Right-of-use assets amounted to SEK 60 (61) million. The change was a result of new lease contracts netted against depreciation for the period. Leasing liabilities amounted to SEK 63 (68) million.

### Net debt / net asset and credit facility

The net cash position at the end of the period equaled cash and cash equivalents and amounted to SEK 171 (115) 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 30 September 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 are 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 677 (740) million. The SEK -62 million decrease in equity is explained mainly by the loss for the period, of SEK -70 million, as well as by adding back of the positive effect of the translation reserve of SEK 7 million.

## Development per segment

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

Pierce's operations are, in all essential aspects, carried out in Europe and primarily within the segments Offroad and Onroad. Offroad refers to sales to motocross and enduro riders, and these products are sold under the brand 24MX. Onroad refers to sales to motorcycle riders primarily using high roads, and the products are sold under the brand XLMOTO. Within Offroad, Pierce has significantly larger market shares compared to Onroad. The Company's addressable market within Onroad is significantly larger and more exposed to competition compared to Offroad. Pierce's sales consist of gear, parts and accessories. Pierce has one 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	Jul-Sep		Jan-Sep		Oct 2022-	Jan-Dec
	2023	2022	2023	2022	Sep 2023	2022
Offroad	238	233	694	717	976	999
Onroad	124	131	408	462	516	569
Other	6	9	52	65	89	102
<b>Net revenue</b>	<b>369</b>	<b>373</b>	<b>1,154</b>	<b>1,243</b>	<b>1,581</b>	<b>1,670</b>
Offroad	76	95	273	301	384	412
Onroad	36	49	144	172	179	208
Other	2	4	20	27	34	41
Intra-group costs <sup>1</sup>	-1	-2	-1	-5	1	-4
<b>Gross profit</b>	<b>113</b>	<b>146</b>	<b>436</b>	<b>496</b>	<b>597</b>	<b>657</b>
Offroad	28	45	127	130	174	177
Onroad	6	16	45	58	53	66
Other	0	1	6	9	9	13
Intra-group costs <sup>1</sup>	-1	-2	-1	-5	1	-4
<b>Profit after variable costs<sup>2 3</sup></b>	<b>34</b>	<b>60</b>	<b>176</b>	<b>192</b>	<b>236</b>	<b>252</b>

<sup>1</sup> Intra-group costs, consist of exchange rate revaluation of net working capital items which are not divided between segments. These amounted in Q4 2022 SEK 2 (2) million, Q1 2023 SEK 0 (-1) million, Q2 2023 SEK 0 (-2) million and Q3 2023 SEK -1 (-2) million.

<sup>2</sup> Alternative performance measures (APM), see pages 25 - 27 for definitions and purpose of these measurements.

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

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

For more information about the segment, see Note 4.

### Offroad 24MX

SEKm (unless stated otherwise)	Jul-Sep		Jan-Sep		Oct 2022-	Jan-Dec
	2023	2022	2023	2022	Sep 2023	2022
Net revenue	238	233	694	717	976	999
Growth (%) <sup>1</sup>	3%	3%	-3%	0%	0%	3%
Gross profit	76	95	273	301	384	412
Gross margin (%) <sup>1</sup>	31.9%	40.7%	39.4%	42.1%	39.3%	41.2%
Profit after variable costs <sup>1 2</sup>	28	45	127	130	174	177
Profit after variable costs (%) <sup>1</sup>	11.9%	19.1%	18.3%	18.2%	17.8%	17.7%
Number of orders (thousands) <sup>1</sup>	207	223	644	741	922	1,019
Average order value (AOV) (SEK) <sup>1</sup>	1,149	1,041	1,078	967	1,059	980
Active customers last 12 months (thousands) <sup>1</sup>	609	641	609	641	609	648

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

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

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

For more information about the segment, see Note 4.

### July – September 2023

Net revenue increased by 3 percent to SEK 238 (233) million. In local currencies the revenue declined by 6 percent. Net revenue outside the Nordics increased by 2 percent, and changed by -8 percent in local currencies. Net revenue growth in the Nordics was positive by 3 percent, 1 percent in local currencies.

Profit after variable costs amounted to SEK 28 (45) million, which was equivalent to a margin of 11.9 (19.1) percent. This decrease was caused mainly 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 59 million, and margin would have increased to 24.6 percent.

### January – September 2023

Net revenue decreased by 3 percent, totalling SEK 694 (717) million. In local currencies the development was -10 percent. Net revenue in the Nordics decreased by 6 percent and outside the Nordics it decreased by 2 percent. In local currencies, the decrease was 7 and 10 percent, respectively.

Profit after variable costs amounted to SEK 127 (130) million, equivalent to a margin of 18.3 (18.2) percent. The slight increase in the margins was firstly attributable to higher gross margin, lower costs for performance marketing and reduced costs for freight 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 157 million, and margin would have increased to 22.7 percent.

SEKm (unless stated otherwise)	Jul-Sep		Jan-Sep		Oct 2022-	Jan-Dec
	2023	2022	2023	2022	Sep 2023	2022
Net revenue	124	131	408	462	516	569
Growth (%) <sup>1</sup>	-5%	2%	-12%	15%	-8%	14%
Gross profit	36	49	144	172	179	208
Gross margin (%) <sup>1</sup>	29.2%	37.4%	35.2%	37.3%	34.8%	36.6%
Profit after variable costs <sup>1 2</sup>	6	16	45	58	53	66
Profit after variable costs (%) <sup>1</sup>	5.0%	12.6%	11.0%	12.6%	10.2%	11.6%
Number of orders (thousands) <sup>1</sup>	120	140	425	514	546	635
Average order value (AOV) (SEK) <sup>1</sup>	1,028	934	961	897	944	895
Active customers last 12 months (thousands) <sup>1</sup>	401	449	401	449	401	449

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

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

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

For more information about the segment, see Note 4.

### July – September 2023

Net revenue decreased by 5 percent to SEK 124 (131) million. The decrease in local currencies was approximately 11 percent. The decrease in the Nordics and outside the Nordics was 8 and 3 percent, respectively. In local currencies the decrease was 10 and 13 percent, respectively.

Profit after variable costs, SEK 6 (16) million, was equivalent to a margin of 5.0 (12.6) percent. This decrease was caused mainly 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 19 million, and margin would have increased to 15.5 percent.

### January – September 2023

Net revenue decreased by -12 percent compared to 2022, totalling SEK 408 (462) million. The decrease in local currencies was approximately 15 percent. Growth in the Nordics and outside the Nordics amounted to -11 and -12 percent respectively. In local currencies the change was -11 and -19 percent, respectively.

Profit after variable costs amounted to SEK 45 (58) million, equivalent to a margin of 11.0 (12.6) percent. The change in the margins was firstly positively affected by price increases to customers and lower freight cost to customers, but it 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 58 million, and margin would have increased to 14.2 percent.

### Other

SEKm (unless stated otherwise)	Jul-Sep		Jan-Sep		Oct 2022-	Jan-Dec
	2023	2022	2023	2022	Sep 2023	2022
Net revenue	6	9	52	65	89	102
Growth (%) <sup>1</sup>	-29%	22%	-20%	-1%	-25%	-14%
Gross profit	2	4	20	27	34	41
Gross margin (%) <sup>1</sup>	24.4%	39.6%	38.2%	42.1%	37.5%	40.1%
Profit after variable costs <sup>1 2</sup>	0	1	6	9	9	13
Profit after variable costs (%) <sup>1</sup>	6.3%	13.9%	10.8%	14.2%	10.1%	12.4%

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

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

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

For more information about the segment, see Note 4.

### July – September 2023

Net revenue decreased by 29 percent to SEK 6 (9) million compared with the previous year.

Profit after variable costs, SEK 0 (1) million, was equivalent to a margin of 6.3 (13.9) percent. This decrease was caused mainly 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 1 million, and margin would have increased to 22.4 percent.

The activity was low because the winter season for snowmobiles had not yet commenced.

### January – September 2023

Net revenue decreased by 20 percent to SEK 52 (65) million compared with the previous year. This decrease was driven by availability issues during the first quarter 2023.

Profit after variable costs amounted to SEK 6 (9) million, equivalent to a margin of 10.8 (14.2) percent. The change in the margins was negatively affected by an extraordinary provision for slow moving inventory. If the effect of the provision was excluded, profit after variable costs would have amounted to SEK 7 million, and margin would have increased to 12.9 percent.

## The Pierce Share

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

On 6 July 2022 a total of 39,687,050 shares were registered through a new share issue. The number of registered shares, and votes, as of 30 September 2023, amounted to 79,374,100, equivalent to a quota value of SEK 0.02.

The share price at the beginning of the year was SEK 9.0 and was SEK 6.7 on the last trading day of the period. The number of shareholders was 1,495, of which the largest were Verdane Capital (29.9%), Procuritas (25.4%), AP4 (Sw. *Fjärde AP-fonden*) (6.1%), Adrigo Asset Management (5.2%) and Allianz France (5.0%).

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

### LTIP 2021/2024

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

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

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

### LTIP 2023/2026

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

## Significant events during the reporting period

### 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 provision of SEK 44 million affecting third quarter 2023.

## Significant events after the end of the reporting period

### Trademarks

To accelerate the development of market leading private brands, on 1 November 2023 the Board of Directors decided to consolidate the Company's brand portfolio, spreading investments across fewer brands. Some private brands will be removed, and products merged into the remaining brands. This will result in an accelerated depreciation relating to trademarks that will be distributed over the next few years, starting in fourth quarter of 2023. It may also lead to potential impairment of the brands during the fourth quarter of 2023. The total cost of approximately SEK 20 million will be reported as an item affecting comparability.

### Change of Chief Financial Officer

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

### Rightsizing the company – Operational efficiency program

In order to improve efficiency and agility, the Company is planning to initiate an operational efficiency program to adjust the structure of the organization. It will therefore start a process with authorities and unions as per country specific legislation and practices. This could affect approximately 50 employees, across all functions and countries where Pierce has offices, and is expected to be implemented during the fourth quarter. The goal is to implement a more team-based operating model with fewer managers and a greater individual mandate and responsibility. To support this planned organizational simplification, the Company will improve its core processes through the implementation of Lean methodology across the company accompanied with an increase of digitization and automation. The ambition for the new operating model is to generate annual profit improvement of approximately SEK 25 million, which will 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 planned change will result in a non-recurring cost corresponding to approximately SEK 15 million in the fourth quarter 2023.

## Impact of currency effects

In all material aspects, net revenue and the sum of total costs and investments are equivalent to payments received and payments made. Payments received during the last 12-month period in EUR, SEK and NOK accounted for 57, 15 and 10 percent respectively. With regards to payments made, EUR, SEK, USD and PLN accounted for 47, 22, 16 and 9 percent respectively. In order to reduce exposure to effects on earnings and cash flow due to exchange rate fluctuations, the Group utilised currency derivatives for certain currencies, including EUR, PLN and USD.

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

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

the revaluation of financial balance sheet items, are reported in financial net.

## Employees

The average number of employees during the quarter amounted to 398 (415). Of these, 132 (138) worked at the distribution warehouse in Poland and 257 (267) were white collar workers in Sweden, Poland and Spain.

Excluding customer services personnel and certain production staff, the number of white-collar workers was 199 (201).

## Seasonal variations

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

## Parent Company

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

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

During the quarter, net revenue totalled SEK 6 (2) million and was fully attributable to sales to Group companies. The financial net consisted of interest income from an intercompany loan. The net result before tax for the quarter was SEK 7 (-2) million.

The Parent Company's equity at the end of the period was SEK 754 (747) million.

The CEO and CFO are employed in the Parent Company.

## Risks and factors of uncertainty

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

As in the previous periods, inflation and a possible recession affect consumer behavior and demand and continue to be factors of uncertainty.

The ongoing conflict between Russia and Ukraine that started on 24 February 2022, is 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 are involved.

The Pierce Group has no direct operations in any of these countries, which means that the direct impact of the events is assessed to be

limited. However, the indirect effects might prove to be significant, depending on how the situation develops and how long the conflict continues. The primary risk is a general dampening effect on consumer demand in Europe. Since the beginning of the conflict, this decrease in demand in Europe has had a negative effect on Pierce's sales. Furthermore, the impact on the financial and foreign exchange markets could also have a negative effect on Pierce.

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

Pierce has a credit facility with one of the larger Swedish banks of up to SEK 150 million that had not been utilised at the end of the period. The credit facility is subject to, amongst other things, certain financial covenants regarding the Group's leverage ratio and interest coverage ratio. As of 30 September 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 are not utilising the credit facility, but there is a risk that in the future Pierce will not be able to comply with the covenants and therefore not be able to utilise the credit facility.

For further information, see Note 7.

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

## Related party transactions

During the current interim period Pierce purchased goods (for resale in its ordinary business) from O'Neal Europe GmbH & Co. KG, a company controlled by Pierce Group AB Board Member Thomas Schwarz, for a price of SEK 10 (10) million. Transactions with this supplier were performed on commercial market terms.

For further information regarding related parties see Note 6.

## Medium to long term financial targets

Pierce's Board of Directors has adopted the following medium to long term financial targets<sup>1</sup>.

### Growth – 15-20%

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

### Adjusted operating margin – around 8%

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

### Capital structure – 2.0x

Net debt/EBITDA<sup>2</sup> not exceeding 2.0x, subject to temporary flexibility for strategic initiatives.

### Dividend policy

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

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

<sup>2</sup> Alternative performance measures (APM), see pages 25 - 27 for definitions and purpose of these measurements.

<sup>3</sup> Free cash flow refers to cash flow from operating activities and operations and investment activities.

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

## Other

### Upcoming financial events

#### 20 February 2024

Year-end report January – December 2023

#### 15 March 2024

Annual Report 2023

#### 3 May 2024

Interim report January – March 2024

#### 17 May 2024

Annual General Meeting

#### 23 August 2024

Interim report January – June 2024

#### 8 November 2024

Interim report January – September 2024

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

CEO Göran Dahlin and CFO Niclas Olsson will hold a web telephone conference in English on 17 November 2023, 9.00 am CET, in conjunction with the publication of the quarterly report.

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

<https://conference.financialhearings.com/teleconference/?id=5006357>

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

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

<https://ir.financialhearings.com/pierce-group-q3-report-2023>

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

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

## Contact information, Pierce

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Niclas Olsson, CFO, +46 70 889 05 75

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

## Signatures

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

Stockholm, 17 November 2023

Göran Dahlin

CEO

## Review report

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

### **Introduction**

We have reviewed the condensed interim report for Pierce Group AB as of September 30, 2023 and for the nine months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### **Scope of review**

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

### **Conclusion**

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

Stockholm, 17 November 2023

Ernst & Young AB

Jonatan Hansson

Authorized Public Accountant

## Condensed consolidated statement of profit/loss

SEKm (unless stated otherwise)	Note	Jul-Sep		Jan-Sep		Oct 2022-	Jan-Dec
		2023	2022	2023	2022	Sep 2023	2022
Net revenue	3.4	369	373	1,154	1,243	1,581	1,670
Cost of goods sold		-255	-227	-718	-747	-984	-1,013
<b>Gross profit</b>	<b>4</b>	<b>113</b>	<b>146</b>	<b>436</b>	<b>496</b>	<b>597</b>	<b>657</b>
Sales and distribution costs		-115	-116	-368	-403	-505	-540
Administration costs		-45	-45	-135	-133	-190	-188
Other operating income and expenses		-1	0	1	2	1	2
<b>Operating profit</b>	<b>4</b>	<b>-47</b>	<b>-15</b>	<b>-66</b>	<b>-37</b>	<b>-97</b>	<b>-68</b>
Financial net		-14	3	20	9	27	17
<b>Profit/loss before tax</b>	<b>4</b>	<b>-61</b>	<b>-11</b>	<b>-47</b>	<b>-28</b>	<b>-70</b>	<b>-52</b>
Tax		0	-8	0	-6	0	-6
<b>Profit/loss for the period</b>		<b>-61</b>	<b>-20</b>	<b>-47</b>	<b>-35</b>	<b>-70</b>	<b>-58</b>
<b>Attributable to shareholders of the parent company</b>		<b>-61</b>	<b>-20</b>	<b>-47</b>	<b>-35</b>	<b>-70</b>	<b>-58</b>
<b>Earnings per share</b>							
Earnings per share before dilution (SEK)		-0.77	-0.26	-0.59	-0.66	-0.88	-0.98
Earnings per share after dilution (SEK)		-0.77	-0.26	-0.59	-0.66	-0.88	-0.98
Average number of shares before dilution (thousands)		79,374	77,217	79,374	52,335	79,374	59,150
Average number of shares after dilution (thousands)		79,374	77,217	79,374	52,335	79,374	59,150

## Consolidated statement of comprehensive income

SEKm	Note	Jul-Sep		Jan-Sep		Oct 2022-	Jan-Dec
		2023	2022	2023	2022	Sep 2023	2022
Profit/loss for the period		-61	-20	-47	-35	-70	-58
<b>Items that may subsequently be reclassified to income</b>							
Translation difference		0	0	5	3	7	4
<b>Other comprehensive income for the period</b>		<b>0</b>	<b>0</b>	<b>5</b>	<b>3</b>	<b>7</b>	<b>4</b>
<b>Comprehensive income for the period and attributable to shareholders of the parent company</b>		<b>-62</b>	<b>-20</b>	<b>-41</b>	<b>-32</b>	<b>-63</b>	<b>-53</b>



## Condensed consolidated statement of financial position

SEKm	Note	Sep 30 2023	Sep 30 2022	Dec 31 2022
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets		335	348	345
Property, plant and equipment		13	15	16
Right-of-use assets		60	61	60
Financial assets	7	3	3	4
Deferred tax assets		5	5	6
<b>Total non-current assets</b>		<b>417</b>	<b>432</b>	<b>431</b>
<b>Current assets</b>				
Inventory		377	504	488
Other current assets	5	30	42	27
Cash and cash equivalents		171	115	136
<b>Total current assets</b>		<b>578</b>	<b>661</b>	<b>651</b>
<b>Total assets</b>		<b>995</b>	<b>1,093</b>	<b>1,083</b>
<b>Equity and liabilities</b>				
<b>Total equity attributable to shareholders of the parent company</b>				
		<b>677</b>	<b>740</b>	<b>719</b>
<b>Non-current liabilities</b>				
Leasing liabilities		31	43	39
Deferred tax liabilities		27	28	29
Provisions		0	0	0
<b>Total non-current liabilities</b>		<b>58</b>	<b>72</b>	<b>68</b>
<b>Current liabilities</b>				
Leasing liabilities		32	25	26
Trade payables		68	98	105
Other current liabilities	5	160	158	165
<b>Total current liabilities</b>		<b>259</b>	<b>281</b>	<b>296</b>
<b>Total equity and liabilities</b>		<b>995</b>	<b>1,093</b>	<b>1,083</b>

## Condensed consolidated statement of changes in equity

SEKm	Share capital	Other capital contributions	Translation reserve	Retained earnings including profit/loss for the year	Total equity attributable to shareholders of the Parent Company
<b>Opening balance 2022-01-01</b>	<b>1</b>	<b>484</b>	<b>0</b>	<b>-44</b>	<b>441</b>
Profit/loss for the year	—	—	—	-35	-35
Other comprehensive income for the year	—	—	3	—	3
<b>Total comprehensive income for the year</b>	<b>—</b>	<b>—</b>	<b>3</b>	<b>-35</b>	<b>-32</b>
<b>Transactions with shareholders</b>					
New share issue including issue costs	1	330	—	—	331
<b>Total</b>	<b>1</b>	<b>330</b>	<b>—</b>	<b>—</b>	<b>331</b>
<b>Closing balance 2022-09-30</b>	<b>2</b>	<b>814</b>	<b>3</b>	<b>-78</b>	<b>740</b>
<b>Opening balance 2023-01-01</b>	<b>2</b>	<b>814</b>	<b>5</b>	<b>-101</b>	<b>719</b>
Profit/loss for the year	—	—	—	-47	-47
Share-based compensation	—	0	—	—	0
Other comprehensive income for the year	—	—	2	4	5
<b>Total comprehensive income for the year</b>	<b>—</b>	<b>0</b>	<b>2</b>	<b>-43</b>	<b>-41</b>
<b>Closing balance 2023-09-30</b>	<b>2</b>	<b>814</b>	<b>7</b>	<b>-144</b>	<b>677</b>

## Condensed consolidated statement of cash flow

SEKm	Note	Jul-Sep		Jan-Sep		Oct 2022-	Jan-Dec
		2023	2022	2023	2022	Sep 2023	2022
<b>Operating activities</b>							
Operating profit		-47	-15	-66	-37	-97	-68
Adjustments for non-cash items <sup>1</sup>		53	8	86	45	98	56
Paid interest		-1	-5	-4	-9	-5	-11
Realised currency derivatives		1	5	5	9	9	13
Received interest		1	0	1	0	2	1
Paid/received tax		-1	-3	-2	-8	-2	-8
<b>Cash flow from operating activities before changes in net working capital</b>		<b>6</b>	<b>-9</b>	<b>21</b>	<b>-1</b>	<b>5</b>	<b>-17</b>
Changes in net working capital		1	-22	35	-17	77	25
<b>Cash flow from operating activities</b>		<b>7</b>	<b>-31</b>	<b>55</b>	<b>-18</b>	<b>82</b>	<b>9</b>
<b>Investing activities</b>							
Investments in non-current assets		-2	-3	-5	-12	-9	-16
<b>Cash flow from investing activities</b>		<b>-2</b>	<b>-3</b>	<b>-5</b>	<b>-12</b>	<b>-9</b>	<b>-16</b>
<b>Financing activities</b>							
New share issue including issue costs		—	331	—	331	0	331
Change in utilised credit facility		—	-45	—	-26	-1	-27
Repayment of liabilities to credit institutions		—	-150	—	-157	—	-157
Repayment of leasing liabilities		-7	-6	-21	-17	-27	-23
<b>Cash flow from financing activities</b>		<b>-7</b>	<b>130</b>	<b>-21</b>	<b>131</b>	<b>-28</b>	<b>124</b>
Cash flow for the period		-1	96	30	100	46	117
Cash and cash equivalents at the beginning of period		179	23	136	18	115	18
Exchange rate difference in cash and cash equivalents		-7	-4	5	-4	10	1
<b>Cash and cash equivalents end of period</b>		<b>171</b>	<b>115</b>	<b>171</b>	<b>115</b>	<b>171</b>	<b>136</b>

<sup>1</sup> Adjustments for non-cash items refer in all significance to amortisation and depreciation and changes in current short term provisions. Additionally, in the third quarter 2023 adjustments for non-cash items included a provision for slow moving inventory of SEK 44 million.

## Condensed Parent Company statement of profit/loss

SEKm	Jul-Sep		Jan-Sep		Jan-Dec
	2023	2022	2023	2022	2022
Net revenue	6	2	16	7	11
<b>Gross profit</b>	<b>6</b>	<b>2</b>	<b>16</b>	<b>7</b>	<b>11</b>
Administration costs	-5	-7	-19	-15	-31
<b>Operating profit</b>	<b>0</b>	<b>-5</b>	<b>-3</b>	<b>-7</b>	<b>-20</b>
Financial net	6	3	18	4	9
<b>Profit/loss after financial items</b>	<b>7</b>	<b>-2</b>	<b>15</b>	<b>-3</b>	<b>-11</b>
Appropriations	—	—	—	—	—
<b>Profit/loss before tax</b>	<b>7</b>	<b>-2</b>	<b>15</b>	<b>-3</b>	<b>-11</b>
Tax	—	—	—	—	—
<b>Profit/loss for the period</b>	<b>7</b>	<b>-2</b>	<b>15</b>	<b>-3</b>	<b>-11</b>

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

## Condensed Parent Company balance sheet

SEKm	Sep 30	Sep 30	Dec 31
	2023	2022	2022
<b>Assets</b>			
<b>Non-current assets</b>			
Shares in group companies	379	308	308
Receivables from group companies	374	412	416
<b>Total non-current assets</b>	<b>753</b>	<b>720</b>	<b>724</b>
<b>Current assets</b>			
Receivables from group companies	2	28	29
Other current assets	1	2	1
Cash and cash equivalents	4	4	1
<b>Total current assets</b>	<b>7</b>	<b>34</b>	<b>31</b>
<b>Total assets</b>	<b>760</b>	<b>753</b>	<b>755</b>
<b>Equity and liabilities</b>			
<b>Total equity</b>	<b>754</b>	<b>747</b>	<b>739</b>
<b>Current liabilities</b>			
Other current liabilities	6	6	16
<b>Total current liabilities</b>	<b>6</b>	<b>6</b>	<b>16</b>
<b>Total equity and liabilities</b>	<b>760</b>	<b>753</b>	<b>755</b>

## Note 1 - Accounting principles

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

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

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

Disclosures in accordance with IAS 34.16A are shown in the financial statements and associated Notes in this information, in addition to pages 1–13 which form an integral part of this financial report.

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

### Information on future standards

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

## Note 3 – Revenue

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

SEKm	Jul-Sep		Jan-Sep		Oct 2022- Sep 2023	Jan-Dec 2022
	2023	2022	2023	2022		
Sweden	26	27	71	80	95	104
Other Nordics	29	27	78	77	102	101
Outside the Nordics	183	179	546	559	779	793
<b>Revenue Offroad</b>	<b>238</b>	<b>233</b>	<b>694</b>	<b>717</b>	<b>976</b>	<b>999</b>
Sweden	21	26	76	89	91	103
Other Nordics	35	35	125	136	145	156
Outside the Nordics	68	70	207	237	280	309
<b>Revenue Onroad</b>	<b>124</b>	<b>131</b>	<b>408</b>	<b>462</b>	<b>516</b>	<b>569</b>
Sweden	4	6	28	36	48	56
Other Nordics	2	3	24	29	41	46
Outside the Nordics	—	—	—	—	—	—
<b>Revenue Other</b>	<b>6</b>	<b>9</b>	<b>52</b>	<b>65</b>	<b>89</b>	<b>102</b>
Sweden	52	59	175	205	234	264
Other Nordics	66	65	226	242	288	304
Outside the Nordics	251	249	753	796	1,060	1,103
<b>Revenue Group</b>	<b>369</b>	<b>373</b>	<b>1,154</b>	<b>1,243</b>	<b>1,581</b>	<b>1,670</b>

## Note 2 - Estimations and assessments

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

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

## Note 4 - Segment reporting

SEKm	Jul-Sep		Jan-Sep		Oct 2022-	Jan-Dec
	2023	2022	2023	2022	Sep 2023	2022
Offroad	238	233	694	717	976	999
Onroad	124	131	408	462	516	569
Other	6	9	52	65	89	102
<b>Net revenue</b>	<b>369</b>	<b>373</b>	<b>1,154</b>	<b>1,243</b>	<b>1,581</b>	<b>1,670</b>
Offroad	76	95	273	301	384	412
Onroad	36	49	144	172	179	208
Other	2	4	20	27	34	41
Intra-group costs	-1	-2	-1	-5	1	-4
<b>Gross profit</b>	<b>113</b>	<b>146</b>	<b>436</b>	<b>496</b>	<b>597</b>	<b>657</b>
Offroad	-48	-50	-146	-171	-210	-235
Onroad	-30	-32	-99	-114	-127	-142
Other	-1	-2	-14	-18	-24	-28
<b>Variable sales and distribution costs<sup>1</sup></b>	<b>-79</b>	<b>-85</b>	<b>-260</b>	<b>-304</b>	<b>-361</b>	<b>-405</b>
Offroad	28	45	127	130	174	177
Onroad	6	16	45	58	53	66
Other	0	1	6	9	9	13
Intra-group costs	-1	-2	-1	-5	1	-4
<b>Profit after variable costs<sup>1, 2</sup></b>	<b>34</b>	<b>60</b>	<b>176</b>	<b>192</b>	<b>236</b>	<b>252</b>
Other expenses in the operation <sup>1, 3</sup>	-82	-75	-243	-229	-333	-320
<b>Operating profit</b>	<b>-47</b>	<b>-15</b>	<b>-66</b>	<b>-37</b>	<b>-97</b>	<b>-68</b>
Financial net <sup>3</sup>	-14	3	20	9	27	17
<b>Pre-tax income</b>	<b>-61</b>	<b>-11</b>	<b>-47</b>	<b>-28</b>	<b>-70</b>	<b>-52</b>

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

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

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

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

Pierce sells gear, parts and accessories to riders. The operating segments into which the Group's operations are divided are:

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

▪ **Intra-group transactions:**

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

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

## Note 5 - Financial instruments, fair value

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

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

## Note 6 - Related party transactions

### Other related party transactions

During the current interim period Pierce purchased goods (for resale in its ordinary business) from O'Neal Europe GmbH & Co. KG, a company controlled by Pierce Group AB Board Member Thomas Schwarz, for SEK 10 (10) million. Thomas Schwarz is a Board Member since June 2022, therefore O'Neal Europe GmbH & Co. KG was recognised as a related party since the second quarter 2022.

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

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

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

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

The valuation of currency derivatives is based on official market data for exchange rates. At the end of the period, the fair value amounted to SEK 1 (8) million and these derivatives have been classified as current assets.

### Warrant program

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

All transactions are based on market terms and conditions.

### Performance-based share program

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

All transactions are based on market terms and conditions.

## Note 7 - Pledged assets and contingent liabilities

SEKm	Sep 30 2023	Sep 30 2022	Dec 31 2022
<b>To credit institutions for the Group's own liabilities and provisions</b>			
Deposits for fulfillment of payments	3	2	2
<b>Total pledged assets</b>	<b>3</b>	<b>2</b>	<b>2</b>

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

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

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

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

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

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

### 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, spreading investments across fewer brands. Some private brands will be removed, and products merged into the remaining brands. This will result in an accelerated depreciation relating to trademarks that will be distributed over the next few years, starting in fourth quarter of 2023. It may also lead to potential impairment of the brands during the fourth quarter of 2023. The total cost is approximately SEK 20 million.

### Change of Chief Financial Officer

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

### Rightsizing the company – Operational efficiency program

In order to improve efficiency and agility, the Company is planning to initiate an operational efficiency program to adjust the structure of the organization. It will therefore start a process with authorities and unions as per country specific legislation and practices. This could affect approximately 50 employees, across all functions and countries

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where Pierce has offices, and is expected to be implemented during the fourth quarter. The goal is to implement a more team-based operating model with fewer managers and a greater individual mandate and responsibility. To support this planned organizational simplification, the Company will improve its core processes through the implementation of Lean methodology across the company accompanied with an increase of digitization and automation. The ambition for the new operating model is to generate annual profit improvement of approximately SEK 25 million, which will 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 planned change will result in a non-recurring cost corresponding to approximately SEK 15 million in the fourth quarter 2023.



## Alternative Performance Measures

### Financial measures not defined in accordance with IFRS

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

### Definitions

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

### Financial Performance Measures – Group

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

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

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

### Operating performance measures – Group

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

## Reconciliation of Alternative Performance Measures from statement of profit/loss

SEKm (unless stated otherwise)	Jul-Sep		Jan-Sep		Oct 2022-	Jan-Dec
	2023	2022	2023	2022	Sep 2023	2022
Gross profit	113	146	436	496	597	657
Variable sales and distribution costs	-79	-85	-260	-304	-361	-405
<b>Profit after variable costs</b>	<b>34</b>	<b>60</b>	<b>176</b>	<b>192</b>	<b>236</b>	<b>252</b>
Operating profit (EBIT)	-47	-15	-66	-37	-97	-68
Reversal of depreciation and amortisation	15	13	43	37	54	49
<b>EBITDA</b>	<b>-33</b>	<b>-2</b>	<b>-24</b>	<b>0</b>	<b>-43</b>	<b>-19</b>
Reversal of items affecting comparability	1	6	5	7	13	15
<b>Adjusted EBITDA</b>	<b>-32</b>	<b>4</b>	<b>-19</b>	<b>7</b>	<b>-30</b>	<b>-4</b>
Operating profit (EBIT), past twelve months	-97	-32	-97	-32	-97	-68
Reversal of depreciation and amortisation, past twelve months	54	49	54	49	54	49
Reversal of items affecting comparability, past twelve months	13	7	13	7	13	15
Rental costs, past twelve months, regarding leasing agreements reported in the statement of financial position <sup>1</sup>	-29	-24	-29	-24	-29	-25
<b>Adjusted EBITDA excluding IFRS 16</b>	<b>-59</b>	<b>0</b>	<b>-59</b>	<b>0</b>	<b>-59</b>	<b>-29</b>
<sup>1</sup> Refers in all significance to depreciation of right-of-use assets and interest expenses on leasing liabilities.						
Operating profit (EBIT)	-47	-15	-66	-37	-97	-68
Reversal of items affecting comparability	1	6	5	7	13	15
<b>Adjusted operating profit (EBIT)</b>	<b>-47</b>	<b>-9</b>	<b>-61</b>	<b>-30</b>	<b>-84</b>	<b>-53</b>
Sales and distribution costs	-115	-116	-368	-403	-505	-540
Reversal of non-variable sales and distribution costs	36	31	109	99	144	135
<b>Variable sales and distribution costs</b>	<b>-79</b>	<b>-85</b>	<b>-260</b>	<b>-304</b>	<b>-361</b>	<b>-405</b>
Sales and distribution costs	-115	-116	-368	-403	-505	-540
Administration costs	-45	-45	-135	-133	-190	-188
Other operating income and expenses	-1	0	1	2	1	2
<b>Operating costs</b>	<b>-161</b>	<b>-160</b>	<b>-502</b>	<b>-533</b>	<b>-694</b>	<b>-725</b>
Reversal of variable sales and distribution costs	79	85	260	304	361	405
<b>Other expenses in the operation</b>	<b>-82</b>	<b>-75</b>	<b>-243</b>	<b>-229</b>	<b>-332</b>	<b>-320</b>
Reversal of depreciation and amortisation	15	13	43	37	54	49
Reversal of items affecting comparability	1	6	5	7	13	15
<b>Overhead costs</b>	<b>-67</b>	<b>-57</b>	<b>-195</b>	<b>-185</b>	<b>-266</b>	<b>-256</b>
Amortisation	-6	-6	-18	-17	-21	-20
Reversal of amortisation excluding business acquisitions	6	6	17	16	21	19
<b>Amortisation related to business acquisitions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-1</b>
IPO costs	—	0	—	-1	0	-1
Restructuring expenses	0	—	-4	—	-8	-4
Share-based payments	0	—	-1	—	-1	—
Share-based payments (social costs)	0	—	0	—	0	—
Other	—	-5	0	-6	-4	-11
<b>Items affecting comparability</b>	<b>-1</b>	<b>-6</b>	<b>-5</b>	<b>-7</b>	<b>-13</b>	<b>-15</b>

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

SEKm (unless stated otherwise)	Jul-Sep		Jan-Sep		Oct 2022-	Jan-Dec
	2023	2022	2023	2022	Sep 2023	2022
<b>Inventory</b>	<b>377</b>	<b>504</b>	<b>377</b>	<b>504</b>	<b>377</b>	<b>488</b>
Other current assets	30	42	30	42	30	27
Current tax receivables	-9	-10	-9	-10	-9	-8
Current investments	-1	-8	-1	-8	-1	—
<b>Other current operating assets</b>	<b>20</b>	<b>24</b>	<b>20</b>	<b>24</b>	<b>20</b>	<b>20</b>
Trade payables	-68	-98	-68	-98	-68	-105
Other current liabilities	-160	-158	-160	-158	-160	-165
Reversal of:						
Current tax liabilities	3	3	3	3	3	1
Current provisions	6	6	6	6	6	7
<b>Other current operating liabilities</b>	<b>-219</b>	<b>-248</b>	<b>-219</b>	<b>-248</b>	<b>-219</b>	<b>-262</b>
<b>Net working capital</b>	<b>179</b>	<b>280</b>	<b>179</b>	<b>280</b>	<b>179</b>	<b>246</b>
Liabilities to credit institutions	—	0	—	0	—	—
Cash and cash equivalents	-171	-115	-171	-115	-171	-136
<b>Net debt excluding IFRS 16<sup>1</sup></b>	<b>-171</b>	<b>-115</b>	<b>-171</b>	<b>-115</b>	<b>-171</b>	<b>-136</b>
Net debt excluding IFRS 16 (A) <sup>1</sup>	-171	-115	-171	-115	-171	-136
Adjusted EBITDA excluding IFRS 16, past twelve months (B)	-59	0	-59	0	-59	-29
<b>Net debt/EBITDA (A) / (B)</b>	<b>2.9</b>	<b>-267.1</b>	<b>2.9</b>	<b>-267.1</b>	<b>2.9</b>	<b>4.7</b>

<sup>1</sup> Positive values refer to net debt, whereas negative values refer to net asset

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

SEKm (unless stated otherwise)	Jul-Sep		Jan-Sep		Oct 2022-	Jan-Dec
	2023	2022	2023	2022	Sep 2023	2022
Cash flow from operating activities	7	-31	55	-18	82	9
Investments in non-current assets	-2	-3	-5	-12	-9	-16
Repayment of leasing liabilities	-7	-6	-21	-17	-27	-23
Interest expenses on leasing liabilities	-1	-1	-2	-3	-3	-3
Reversal of:						
Paid interest	1	5	4	9	5	11
Realised currency derivatives	-1	-5	-5	-9	-9	-13
Received interest	-1	0	-1	0	-2	-1
Paid/received tax	1	3	2	8	2	8
<b>Operating cash flow</b>	<b>-3</b>	<b>-38</b>	<b>27</b>	<b>-42</b>	<b>39</b>	<b>-29</b>
Adjustments for non-cash items <sup>2</sup>	53	8	86	45	98	56
Repayment of leasing liabilities	-7	-6	-21	-17	-27	-23
Interest expenses on leasing liabilities	-1	-1	-2	-3	-3	-3
<b>Other non-cash items</b>	<b>45</b>	<b>2</b>	<b>63</b>	<b>25</b>	<b>68</b>	<b>30</b>
Cash flow from financing activities	-7	130	-21	131	-28	124
Paid interest	-1	-5	-4	-9	-5	-11
Realised currency derivatives	1	5	5	9	9	13
Received interest	1	0	1	0	2	1
Paid/received tax	-1	-3	-2	-8	-2	-8
Reversal of:						
Interest expenses on leasing liabilities	1	1	2	3	3	3
Net change in loans <sup>1</sup>	—	195	—	183	1	184
Repayment of leasing liabilities	7	6	21	17	27	23
<b>Other cash flow</b>	<b>2</b>	<b>329</b>	<b>3</b>	<b>325</b>	<b>8</b>	<b>329</b>

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

<sup>2</sup> Adjustments for non-cash items refers in all significance to amortisation and depreciation and changes in current short term provisions. Additionally, in the third quarter 2023 adjustments for non-cash items included a provision for slow moving inventory of SEK 44 million.

## Reconciliation of other Alternative Performance Measures

SEKm (unless stated otherwise)	Jul-Sep		Jan-Sep		Oct 2022-	Jan-Dec
	2023	2022	2023	2022	Sep 2023	2022
Net revenue (A)	369	373	1,154	1,243	1,581	1,670
Number of orders (thousands) (B)	332	371	1,115	1,315	1,548	1,749
<b>Average order value (AOV) (SEK) (A) / ((B) / 1,000)</b>	<b>1,110</b>	<b>1,004</b>	<b>1,036</b>	<b>945</b>	<b>1,021</b>	<b>955</b>
Net revenue	369	373	1,154	1,243	1,581	1,670
Reversal of net revenue from external brands	-190	-195	-616	-680	-862	-925
Non-branded net revenue	-30	-39	-58	-75	-79	-95
<b>Net revenues from private brands</b>	<b>148</b>	<b>138</b>	<b>480</b>	<b>489</b>	<b>641</b>	<b>650</b>

## Reconciliation of Alternative Performance Measures concerning growth

SEKm (unless stated otherwise)	Jul-Sep		Jan-Sep		Oct 2022-	Jan-Dec
	2023	2022	2023	2022	Sep 2023	2022
Net revenue for the period (A)	369	373	1,154	1,243	1,581	1,670
Net revenue for the period previous year (B)	373	361	1,243	1,181	1,656	1,594
<b>Growth (%) (A) / (B) -1</b>	<b>-1%</b>	<b>3%</b>	<b>-7%</b>	<b>5%</b>	<b>-5%</b>	<b>5%</b>
Net revenue for the period in local currencies <sup>1</sup> (A)	341	359	1,089	1,204	1,489	1,603
Net revenue for the period previous year (B)	373	361	1,243	1,181	1,656	1,594
<b>Growth in local currencies (%) (A) / (B) -1</b>	<b>-9%</b>	<b>0%</b>	<b>-12%</b>	<b>2%</b>	<b>-10%</b>	<b>1%</b>
<small><sup>1</sup> Net revenue for both the period and the period last year in local currencies, converted to SEK using previous year's exchange rates.</small>						
Net revenue Nordics for the period (A)	118	124	401	447	522	567
Net revenue Nordics for the period previous year (B)	124	129	447	425	584	563
<b>Growth Nordics (%) (A)/(B) -1</b>	<b>-5%</b>	<b>-4%</b>	<b>-10%</b>	<b>5%</b>	<b>-11%</b>	<b>1%</b>
Net revenue outside the Nordics for the period (A)	251	249	753	796	1,060	1,103
Net revenue outside the Nordics for the period previous year (B)	249	231	796	755	1,072	1,031
<b>Growth outside the Nordics (%) (A) / (B) -1</b>	<b>1%</b>	<b>7%</b>	<b>-5%</b>	<b>5%</b>	<b>-1%</b>	<b>7%</b>
Net revenue (A)	369	373	1,154	1,243	1,581	1,670
Net revenue, 2 years ago (B)	361	329	1,181	1,109	1,595	1,523
Number of years calculated (C)	2	2	2	2	2	2
<b>CAGR (%) ((A) / (B)) ^ (1 / (C)) -1</b>	<b>1%</b>	<b>6%</b>	<b>-1%</b>	<b>6%</b>	<b>0%</b>	<b>5%</b>

