

INTERIM REPORT FROM PRICER AB (publ)

January - September 1999

The operating result before amortization of goodwill and items affecting comparability improved to -104.2 (-166.0) MSEK

The market for ESL systems is still weak

Restructuring of the ESL operation

Rights issue of a maximum 170 MSEK decided

Intactix shares disposable as threat of constructive trust has been averted

OPERATION For the period July - September 1999, Pricer ESL received orders amounting to 3.1 MSEK from KoreaLink, Meto and others. Meto's Fruit & Vegetable label campaign has been well received by the market. The order backlog as per September 30, 1999 amounted to 148 (215) MSEK. The reduction of the order backlog is due to substantial deliveries to Metro in Germany that have not been replaced by new orders. In line with comments in earlier interim reports, the market development for ESL systems is continually weak. A substantial part of the remaining order backlog, 65 per cent, relates to orders from Migros in Turkey. Pricer still considers it uncertain when call-off orders will be received.

Restructuring A considerable restructuring of the ESL operation has been made during the third quarter. The number of staff in Pricer ESL is reduced to around 45 people as a result of this restructuring. When the restructuring and other savings measures have been completed, they are estimated to halve the costs for the ESL operation.

Rights issue An Extra Shareholders' Meeting on October 28 approved the Board's decision of a rights issue with preferential rights to be carried out between November 22 and December 3. The rights issue will provide Pricer with a maximum 170 MSEK, before issue costs, of which 120 MSEK has already been secured.

Lawsuit Pricer AB et al were sued in July 1999 for 28 MUSD plus legal fees and punitive damages on the claim that they had given incorrect information to the former owners in connection with the acquisition of Intactix in 1997. The outcome of this lawsuit is uncertain and could possibly lead to future obligations. However, Pricer still considers that the claim is ungrounded. Therefore, no accrual has been recorded for possible damages.

The plaintiff had demanded that the Intactix shares be placed in constructive trust. However, the Texas court removed this request last September. Thereby, Pricer has regained access to the shares. The work on divesting the shares in Intactix could thus continue at a more vigorous pace.

SALES AND RESULT The Group's net revenue for the third quarter amounted to 81.9 (82.3) MSEK. The net revenue relating to ESL systems amounted to 36.9 (35.9) MSEK for the third quarter, consisting mainly of deliveries to Metro in Germany where installations have been completed for the 53 Cash & Carry stores. The Intactix operation had net revenue of 45.0 (46.4) MSEK for the same period.

The operating result before amortization of goodwill, market- and industrial rights and items affecting comparability for the third quarter amounted to -27.1 (-43.8) MSEK. The Group deficit has been reduced over the last four quarters. The equivalent result during four quarters in early 1998 was around -230 MSEK, compared to the present -150 MSEK. The restructuring work in Pricer ESL is estimated to further reduce the operating loss.

The corresponding operating result for Pricer, excluding Intactix, amounted to -25.5 (-37.2) MSEK. The improvement is due to reduced costs and lower product costs, thus giving better contribution.

The Intactix operating result before amortization of goodwill and items affecting comparability during the third quarter amounted to -1.6 (-6.6) MSEK. Reduced costs account for this improvement. The uncertainty over the ownership of Intactix, caused by the divestiture process as well as the lawsuit, and the Group's weak financial position, have all adversely affected the sales development. When these issues have been resolved, sales are expected to increase.

Items affecting comparability in the operation amounted to -29,9 (-0.6) MSEK for the third quarter and related primarily to accruals for personnel costs and write-down of stocks and production tools in connection with the restructuring of the operation. Accruals for estimated legal fees in connection with the lawsuits is also included.

FINANCIAL POSITION The operating cash flow, before items affecting comparability, amounted to -24.3 (-56.7) MSEK for the third quarter. The Group's disposable funds as per September 30, 1999 amounted to 20.0 MSEK.

The company's financial position has been considerably strengthened as a convertible debenture of around 120 MSEK was converted to shareholders' capital in November. The decided rights issue will be carried out and provide the company a maximum 170 MSEK before issue costs.

The Group's intangible assets consist of goodwill relating to Intactix, market rights for ESL systems in North America (Pricer Inc.) and patents for the ESL operation. The value of the intangible assets is largely unchanged in comparison to that of the annual report. The valuation of market rights is based on a forecast provided by the company that supports the opinion that the market value is substantially higher than the book value. The remaining book value is not vital for the going concern of the company. For Intactix, the value is based on an estimated market value and the values presently being discussed in the ongoing process to divest the company.

CAPITAL EXPENDITURE The total investments for the third quarter amounted to 0.0 (3.8) MSEK. Pricer expenses all production costs.

PERSONNEL The average number of Group employees in the third quarter was 262 (316), while the number of employees at the end of the period was 247 (307). The restructuring will lead to further reductions in the number of employees.

PARENT COMPANY The Parent Company's net revenue for the third quarter was 36.4 (38.5) MSEK and for the first nine months 105.7 (96.0) MSEK. The operating results for the corresponding periods were - 65.2 (-28.5) MSEK and -156.2 (-97.8) MSEK, respectively. The result before taxes for the first nine months of the year was -155.3 (-92.4) MSEK. Liquid funds amounted to 3.7 MSEK at the end of the period.

OUTLOOK FOR 1999 The operating loss for the Pricer Group in the fourth quarter of 1999, before items affecting comparability and amortization, are expected to be in level with the corresponding result for the third quarter. This combines to a smaller operating loss for 1999 compared to that of 1998.

NEXT REPORT DATE The preliminary report for 1999 will be published on February 24, 2000.

Uppsala, November 4, 1999
Pricer AB (publ)

President and CEO

We have reviewed the accompanying interim report in accordance with the recommendation issued by the Swedish Institute of Authorized Public Accountants (FAR). A review is considerably less in scope than an audit. Nothing has come to our attention that indicates that the interim report does not fulfil the requirements of the Swedish Annual Accounts Act.

Stockholm November 4, 1999

Karl-G Giertz
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Pricer AB (publ) was founded in 1991 in the city of Uppsala, Sweden. In only a few years, it has built a leading position in the growing market of electronic price and information systems for the retail trade. Through the co-operation with Intactix International Inc., the world leader in Space Management, Pricer has built a strong platform for future growth. Pricer offers integrated IT solutions such as electronic price and information systems, application software and consulting services to substantially improve consumer value and satisfaction and increase the profitability of retailers and their suppliers. The share is listed on the O-list of OM Stockholm Stock Exchange.

Please also visit Pricer's web site at **www.pricer.se**.