PRICER

ANNUAL REPORT 1997

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ANNUAL GENERAL MEETING The Annual General Meeting of Pricer AB (publ) will be held on April 2, 1998 at 5 p.m. in Atrium Konferens, Folkets Hus, Uppsala, Sweden.

RIGHT TO PARTICIPATE IN THE MEETING Shareholders who are listed in the share register maintained by Värdepapperscentralen VPC AB (Swedish Securities Register Center) March 23, 1998, are entitled to participate in the Meeting.

NOTICE OF INTENT TO PARTICIPATE Shareholders who wish to participate in the Annual Meeting must notify Pricer no later than March 27, 1998, at 4 p.m. preferably in writing, addressed to Pricer AB, Kristallen, S-754 51 Uppsala, Sweden, by telephone (+46–18–18 81 00), or by telefax (+46–18–69 60 56). Such notice should specify the name of the shareholder, the number of shares held in each series, and the shareholder's address and telephone number.

Dates for Financial Reporting

Interim Report January - March 1998	April 29, 1998
Interim Report January - June 1998	August 18, 1998
Interim Report January - September 1998	October 29, 1998
Preliminary Report on 1998 Operations	During week 8, 1999
Annual Report 1998	During week 12,1999

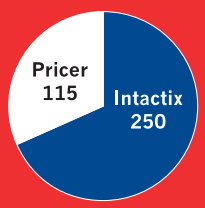
BUSINESS CONCEPT
PRICER GROUP

Pricer's business concept is to offer integrated merchandising solutions encompassing leading edge technology systems and consulting services to substantially improve consumer satisfaction and the profitability of retailers and their suppliers.

MAIN EVENTS

- The Pricer-Intactix merger
- Strategic co-operation agreement with Telxon
- Continued global expansion
- New organization structure with new President/CEO 1998
- Release of the new version of The Pricer System
- Migros increased their contract from 700,000 to 1,200,000 Pricer Labels.
- ESL test pilots at Stew Leonard's, Statoil, Macy's, among others
- Intactix Space Management products further increased its world market share
- Intensified research and development in Category Management
- Software orders from Daiei, Ahold, among others

No of employees
31 dec 1997

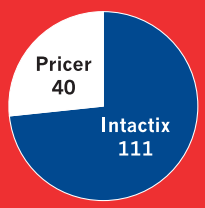


Pricer Group 365

Operating[1] result 1997
MSEK

Pricer Group -218

Revenue 1997
MSEK



Pricer Group 151

1) Operating result before depreciation of goodwill and marketing- and industrial rights.

A new stronger Pricer

In 1997, Pricer made a number of powerful moves to further strengthen our position as world leader in our market sector. The merger with Intactix and the close cooperation agreement with Telxon have given Pricer distinct advantages over all possible competitors. As a result of the Intactix merger, Pricer has been transformed from a company delivering hardware with important, but limited, applications, to a company offering a complete system. With Intactix software The Pricer System enables the retail industry in a revolutionary way to automate and rationalize a number of important processes which improve profitability and competitiveness.

Intactix also gave Pricer a customer base of at least 400 retailers - compared to the 30 we had prior to the merger as well as a fully developed, skilled and motivated sales organization, a fact worth emphasizing. Why should a customer already using a vital part of The Pricer System – Intactix software – choose another hardware supplier? This is a key factor for our future success. Furthermore, the Intactix customer base of 1,800 suppliers is a significant asset as we move towards electronic in-store marketing signs.

Regarding Telxon, I am convinced that the agreement is equally important as the big technological challenge in our field lies in the handling of wireless communication with tens of thousands of labels in a store. Telxon has a powerful presence worldwide and a totally dominant position in the US with 24 of the top 25 US retailers as customers. It would clearly be difficult for any supplier of wireless applications to survive unless they coordinate their specific solutions with the Telxon system. The solution we develop with Telxon, Spread/RED™ Grid, means that Telxon will offer the great advantages of infrared communication as a complement to their present radio-based solution.

In time, this will prove a very significant solution with positive implications for both Pricer and Telxon. Leading retailers are well aware of the limited capacity of radio-based communication systems.

In Pricer's original business area, our position has also been significantly strengthened. The new version of The Pricer System, developed to enable high volume deliveries, was ready for installation in March 1997. The first store was Metro's Cash & Carry in Aachen, Germany. Many years of hard work by our skillful technicians have laid the foundation for this success. No one doubts that Pricer's solution is technically superior to that of the competitors. This is confirmed by the fact that The Pricer System accounts for around 95% of all wireless installations that do not use aerials. In 1997, seven installations were completed for Metro. With this positive experience, Pricer has channelled its resources to prepare the organization for handling large volumes of labels and infrastructure in the coming years. It is my view that it would have been difficult for Pricer to manage this task without people with expertise in fields such as logistics and quality assurance, gained from working in successful companies like Ericsson and ABB.

In February 1998, we will began installations on a large-scale and the subsequent invoicing that will make Pricer the profitable and successful company we have always forecast. Our plans for 1998 include installations of orders of at least 1,5 million labels, which is a fourfold increase compared to 1997.

We are fortunate to be in a very strong position as relates to order backlog for 1998. Further good news is that tests of our new chip have been completed and production will start in the first half of 1998. As a result, manufacturing costs will be reduced.

Niche with strong incentive for Pricer products	Customer	Comments
Cash & Carry	Metro (Makro)	Europe's leading chain
Department stores	Macy's	Leading US-chain
Convenience stores	Statoil	Progressive Nordic chain
High-inflation countries	Migros	Leading chain in Turkey

CUSTOMERS

With more than one million labels to be installed for Metro in 1998, it is obvious that Metro is still Pricer's most important customer. Migros in Turkey, where rocketing inflation is a strong incentive to buy our system, is the second most important customer. Furthermore, several potentially large customers have been added in 1997. One of these is Macy's, who is now testing our new signs, introduced at the end of 1997, in one department store in New Jersey. Macy's belongs to the gigantic FSG chain that also includes Bloomingdales and Rish's. Normally, prices are changed more frequently in this type of store than in supermarkets, which in our experience creates even larger problems with price integrity.

Statoil is another new and very interesting customer, who has made a decision in principle to use The Pricer System in a large project on convenience stores in the Nordic countries. There is a strong interest in our system for this type of store. In the future, convenience stores could, for example, have different prices at night and in the day.

Initially, it is important that Pricer focuses on niches where the need for our products is the largest. In this respect, we are in a perfect position with these new customers.

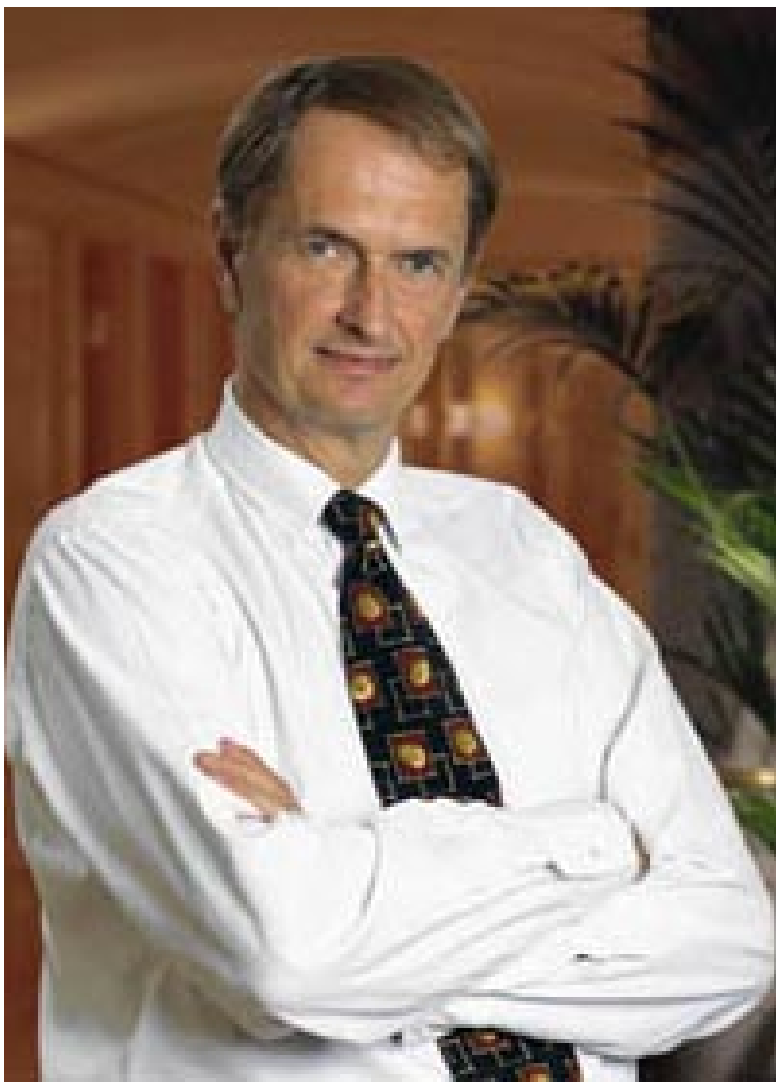
At the end of 1997, The Pricer System was installed in 127 stores at 30 chains. In total, the world market for Electronic Shelf Labels is estimated to more than 10 billion labels. The segments we are focusing on have great potential for Pricer in the next few years.

VALUE PROGRAM

Obviously, the customers' returns on the investment is critical to long-term success for The Pricer System. In 1997, substantial resources have been invested in addressing this issue. We have found that The Pricer System – including Intactix software – affects at least ten important parameters which are crucial to the profitability of a chain. We believe that the general pay-back time is less than one year and in some niches less than six months. Further research remains to be done but is likely to confirm our views.

INTACTIX

The very successful development that Intactix has had since its start in 1990 has continued in 1997. Intactix products – especially for Space Management – have further increased their market share. During the year, Intactix market share in the US has increased from around 40% to 60%, and there is no doubt that the core product, InterCept™, is now being recognized as the industry standard for Space Management. Together with this success in its traditional field, Intactix has directed significant resources to an expanded business area, Category Management. This product was greeted with great industry acceptance at its pre-launch in the fall of 1997. Expanding this project, rapid worldwide expansion and post-merger restructuring, meant that Intactix was unable to reach its profit target for 1997, which, together with the approximately six-month delay in the cost reduction in our new version of The Pricer



Erik Danielsson, Executive Chairman in Pricer AB

results did not meet our expectations for 1997. The fact that Category Manager™ and our new cost-optimized Pricer label are released in 1998, should significantly improve the net result for the Group. The possibilities must be considered good, bearing in mind that it is particularly difficult to forecast development in a project-based company just entering its commercial phase.

The forecast is strengthened by a number of strategic alliances planned for 1998. These include possibilities to further increase our power on the market and possibilities of license fees.

At this crucial stage, I personally, as founder and managing director, have chosen to become Executive Chairman of the Pricer Group to allow myself more time to concentrate on strategic issues. I have recruited a new President and CEO, Thomas Landberg, with several years experience inour area, who has a clear mandate to take all the necessary actions to make Pricer reach our target of yielding profits as soon as possible.

Thomas Landberg, CEO in Pricer AB

PRICER

1991

Pricer was founded in June 1991 by Erik Danielsson, former CEO of Pharmacia AB, with Jan-Olov Sandin as co-investor (33%).
In connection with the formation, Nordic region license rights to a patent pertaining to electronic price-marking were acquired from Unigrafic AG, a Swiss company. The acquisition agreement also gave Pricer the option to acquire license rights for the rest of the world at a later date. Development of the first electronic price marking system began.

1992

The first installation of a Pricer System with a total of 5,000 labels was made in a supermarket south of Stockholm. Approximately 30,000 Pricer Labels were invoiced during the period and orders of another 82,100 labels were received.

1993

In December 1993, Pricer and Unigrafic signed an agreement pertaining to an exclusive license to the original patents and patent applications for the entire world, excluding North and South America. Pricer Inc. and Unigrafic signed a comparable agreement regarding rights in North and South America.

A few Pricer Systems were sold in Sweden and an international launch was made at Euroshop ‘93 in June, which led to 500 contacts. Intense follow-up of these contacts gave the first export order of 20,000 labels for two Leclerc stores in France.

1994

In February 1994, Pricer and Pricer Inc. signed an agreement whereby Pricer sold patent rights, know-how and other rights for the North and South American market to Pricer Inc. This agreement also set forth provisions governing forms of cooperation in connection with product development and purchases. The subsidiary Pricer SA was formed in May 1994 to cultivate the French market.

A number of international pilot orders were received during the year, the most important one being from Metro in Germany.

Development work on The Pricer System continued and installations were made in Sweden as well as in a number of European countries.

1995

Pricer Inc. became a consolidated company in August through Pricer’s acquisition of Pricer Inc. shares and convertible debentures.

The Metro pilot order led to a roll-out contract for 53 stores throughout Germany, and development of a new version of The Pricer System (Release 2) for this order began.

Approximately 180,000 Pricer Labels were invoiced and orders for Pricer Labels totalled 2,683,000, including Metro.

1996

An order was received from Edeka in Germany, one of Europe’s largest retail chains with 13,000 stores, for complete installations in two stores with possible follow-ups in further stores. Pilot orders included contracts with Wal-Mart and Marsh in the US, SHV Makro in The Netherlands and Delhaize in Belgium.

In all, 140,700 Pricer Labels were invoiced during the year and orders for 951,000 Pricer Labels were received.

A joint-venture agreement was signed with Intactix International Inc.

Investments also included the acquisition of know-how and patents from Esselte Meto.

INTACTIX

1990

Intactix International Inc. was founded as Intactix Corporation by Dale Byrne and Susan Harp. The initial operations focused on consulting, database management and file format utilities for the retail shelf Space Management industry.

1991

Intactix released InterSpace™, the first universal file translator for retail shelf space management systems. Following the introduction of InterSpace™, operations were expanded to encompass development of a Space Management capture program called InterCept™, InterSection™, a Windows-based store floor planning system, and InterData™, a database management solution for retailers and suppliers. In the US, Intactix secured major accounts with Frito Lay Inc., Johnson & Johnson Consumer Products, Meijer Inc. and Bristol-Myers.

1992

Intactix was renamed Intactix International Inc. Intactix's influence expanded to over 50 industry leading companies and the Company passed the million-dollar sales mark. Intactix released InterCept™ for Windows. The InterAction Conference, Intactix's first user conference, was held in Cancun, Mexico. Intactix's major sales for 1992 included Campbell's, Hunt-Wesson, Target Stores, Miller Brewing Company and Nestle Food, all in the US.

1993

In 1993, Intactix sales increased by 40%, and the number of customers doubled as the company invested in establishing a presence in Europe with an office in Guildford, England. InterCept™'s capabilities continued to expand, growing from a basic field-based data collection tool to a full-feature Space Management system. Intactix's second user conference was held in San Diego, California. Intactix signed on Thomas J. Lipton, M&M Mars, Kraft General Foods Canada and SuperValu in the U.S.

1994

With more infrastructure in place, Intactix's sales climbed to over $3 million and the number of customers increased to over 200. In June, Intactix's third user conference was held in Denver, Colorado. Intactix's offices moved to Dallas, Texas, in September where the headoffice still is located. Intactix signed on Ernest and Julio Gallo Winery, 3M Consumer Products and Warner-Lambert in the US and J. Sainsbury, Coca-Cola and Colgate-Palmolive in the UK.

1995

By 1995, Intactix had 500 customers and sales of over $6 million. In May, Intactix acquired Citation Group Ltd, Georgia, and in November, Graphic Systems, a company which developed CAD-based software systems for store planning which are now marketed under the StorePlan™ brand name. Intactix signed a major contract for several of its products with Meijer Inc., one of the most innovative retailers in the US and the originator of the US hypermarket or supercenter concept. Intactix signed on WalMart, Sears Roebuck and Company, Toys 'R' Us, and Lever Brothers Company, all in the US.

1996

By 1996, Intactix's number of customers grew to approximately 1,500, and sales increased to just over $14 million. In May, Intactix merged with MarketWare Corp., located in Georgia. This provided Intactix with another Space Management system marketed under the Pegman™ brand name and a substantial customer base in many industry segments. Many large-scale accounts were signed this year, including Conagra, Procter & Gamble, H.E. Butt Grocery Company, and Miller Brewing Company in the US; Safeway and Makro in the UK; and Metro in Germany.

1997

PRICER-INTACTIX

In January, Pricer acquired all of the patents and patent applications pertaining to The Pricer System from Unigrafic AG.

In the spring, a marketing and development cooperation agreement was signed with Telxon Corp. in the US, a world-leading supplier of radio-based local networks with mobile, hand-held computers for the store environment. Telxon was given the right to acquire a maximum 10% of the shares in Pricer Inc. As of year-end, 7.5% of the shares were acquired.

Metro in Germany received their first roll-out installations of the new Pricer System and signed a Letter of Intent for installation of The Pricer System in all their Cash & Carry stores in another European country.

In March, Intactix acquired Bilateral S.A. in France and obtained a Space Management software, Gold, and a sales force automation package, Majic. Two months later, Intactix acquired Virginia Software. Intactix also hired a highly experienced development staff in Leicester, England. This team is now working on Intactix Category Manager.

Migros Türk increased their contract with Pricer for a further volume of 500,000 electronic price labels.

Pricer followed up the 1996 Intactix joint-venture agreement and merged with Intactix. Intactix was included in the Pricer Group as of July 1. Two product companies and three sales regions were formed, and sales offices were established in several markets, including Australia, Italy, Malaysia and South Africa.

Prior to the merger with Pricer, Intactix made large-scale sales to Ahold, Procter & Gamble, Kmart, Coca-Cola – and to Farmacias Ahumada in Chile. In May, The Canadian Spacemanagement Databank Foundation (CSDF) selected Intactix as its maintenance service provider for the next two years. The CSDF has developed a “data warehouse” for storing and maintaining sales item information, including product images, dimensions and categorization.

In September, Pricer acquired Connect3 which produces and sells software for marketing information.

The new Pricer Group received strategic ESL orders from Stew Leonard’s, Statoil and Macy’s.

A growing organization

HUMAN RESOURCES

During 1997, Pricer has continued its expansion, and the number of employees increased to 365 as of December 31, 1997, from 98 a year earlier. A major part of this increase is due to the merger with Intactix in June 1997. Excluding Intactix, Pricer grew from 98 to 115 employees.

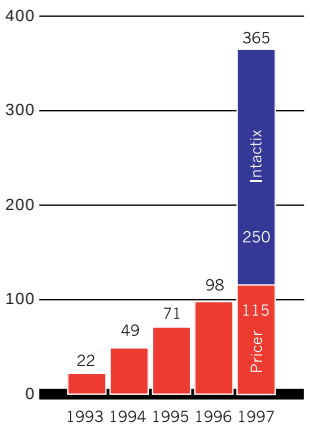
The international expansion had started prior to the merger, but has further accelerated in 1997. In addition to Intactix main offices in Dallas, U.S. and Guildford, UK, Pricer now has offices in Italy, Australia, Malaysia and South Africa and is in the process of establishing sales offices in a number of other countries. As of December 31, 1997 a total of 71% of the employees were based outside Sweden.

As of December 31, 1997, approximately 62% of the employees had a university degree, of which 159 were degrees in science.

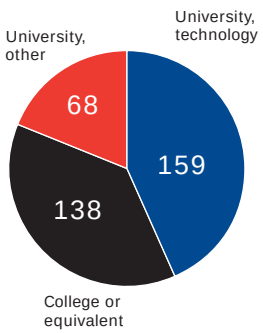
In total, 24% of the work force is involved in research and development. The R&D of software related products is mainly conducted in Dallas, U.S. and Guildford and Leicester, UK and the majority of the product development of The Pricer System is carried out in Uppsala, Sweden.

In order to manage the rapid expansion and to maintain a technological leadership in its chosen fields, it is of great importance to Pricer that skilled personnel are recruited and that the employees are able to further develop their skills in their respective fields of work. From the very start, Pricer has tried to maintain its “small business” approach, without large hierarchies and bureaucracy. This is a paramount means to creating a feeling of responsibility and ability to influence, two factors which are important for motivation. More than 38% of the employees have subscribed for the different Pricer option schemes, which has further strengthened personnel motivation.

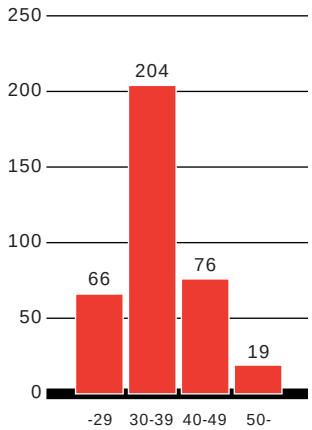
Number of employees as of December 31, 1997



Education level as of December 31, 1997



Age structure as of December 31, 1997




PRICER
Global Adoption Rate of ESLs

Increase the efficiency

Definition Category:
A distinct, manageable group of products/services that consumers perceive to be interrelated and/or substitutable in meeting a consumer need.

Definition Category Management:
A distributor/-supplier process of managing categories as strategic business units, producing enhanced business results by focusing on delivering consumer value.

ECR – EFFICIENT CONSUMER RESPONSE

ECR is a grocery industry strategy, developed by the US retail industry in 1992. The ultimate goal of ECR is a responsive, consumer-driven system in which distributors and suppliers work together as business allies to maximize customer satisfaction and minimize cost. ECR primarily focuses on re-engineering business processes to make them efficient, and then automating them, through retail automation, to further reduce time and cost.

The ECR strategy could be practiced both on the demand and the supply chain within the retail industry and the process for this is called Category Management. Examples of improvements in the supply chain are measures to enhance order-, stock- and logistic processes, using automatic reordering, just-in-time deliveries or truck scheduling and routing. In the supply chain, the ECR strategy is fairly well developed and implemented. Major players in this market segment are i2 and Manugistics, both NASDAQ-listed companies.

However, the Category Management process on the demand side has lagged in effectiveness. Manufacturers and retailers have had difficulty realizing the promise of demand chain improvements for a variety of reasons, including:

- Inadequate planning tools, for example rigid template based Category Management software approaches
- The complexity and expense of bringing together the disparate data required for strategic analysis
- The lack of a coherent, collaborative and focused planning process
- The lack of suitable tools for execution

Demand side management in some other consumer based industries, such as airlines, has lead to significant improvements in results. This is only achievable with good information and systems that allow the information to be acted upon both in terms of analysis and execution.

In retailing, the work has only just started through the Category Management process. Bringing together improvements already achieved on the supply side with effective demand management will provide retailers and their suppliers with great opportunities for further enhanced performance.

CATEGORY MANAGEMENT - FROM STRATEGY TO THE SHELF EDGE

Category Management is the process, together with relevant software and hardware, that enables the manufacturer to get the Right Product at the Right Price with the Right Promotion at the Right Place and Space to the end consumer. To achieve real benefit, it is essential that Category Management is implemented throughout the enterprise.

Right Product

By using detailed market information in the Category Management process, the optimal assortment can be determined. Implementation of the assortment in store can be confirmed with the ESL technology. Combined with the efficiencies in the supply chain, suppliers can ensure that correct products are manufactured and delivered to stores to meet consumer demand.

Right Price

The Category Management process enables the manufacturer and retailer to optimize the pricing strategy for each product or product group. By using The Pricer System, the implementation of the pricing strategies is done in a split second and could then be frequently adjusted as a response to changes in demand. One example of the potential is Retailer Happy Hours, when prices during off-peak hours are reduced to enhance sales. A future development is Price Management software, that further improves the optimizing process.

Right Promotion

Approximately 30-35% of sales for larger consumer product companies are spent on advertising and trade- and consumer promotion, in some cases with a rather poor result. Through the

use of tools such as Micro-Marketing and In-Store Advertising, that enables the manufacturer to direct the resources in a more efficient way, even a small improvement in the promotion efficiency would result in multi-billion dollar savings for the manufacturers. Combining the present products and ideas with The Pricer System, Electronic In-Store Marketing is the obvious next step in the development.

Right Place

Today, Space Management software for promoting the products more efficiently in the store is not used to any significant extent, even though the use in the US and some European countries is more frequent. Even when the software is used, however, the actual compliance in the stores is not fully satisfactory. Combining the Space Management planograms with ESLs, with the ability to ensure compliance, the implementation of the strategies is easily verified and the advantages of Space Management could then be fully utilized.

Right Combination

In the market, there are a number of companies supplying different tools to enhance the Category Management process. However, the Pricer Group is in a unique position to be able to provide Intactix´ Category Management tools all the way to the shelf edge through the use of Pricer ESLs, thereby controlling and verifying execution. This is the main competitive advantage for the Pricer Group.

Pricer Labels can verify that the strategic decisions are implemented in-store.

STRATEGY IMPLEMENTATION

Pricer has always viewed the ESL industry only as a starting point for its long-term strategy. The business objective focuses on the integrated retail automation aiming to improve customer satisfaction and the profitability of retailers, manufacturers, wholesalers and brokers. Retail automation consists of all the different technologies and software and hardware applications used to create efficient solutions within the retail industry, such as Category Management software, ESLs, consumer self scanning devices, etc.

The partnership between Telxon and Pricer in March 1997 was an important step in the process of delivering a complete retail automation package. Telxon, an Ohio-based company, is a leader in radio-based Local Area Networks (LAN) with portable hand-held computers for the retail industry. Telxon has equipment installed in over

Manufacturer ↔ Distributor ↔ Retailer ↔ End consumer

INTACTIX	PRICER
World leader in Space Management	World leader in wireless ESLs

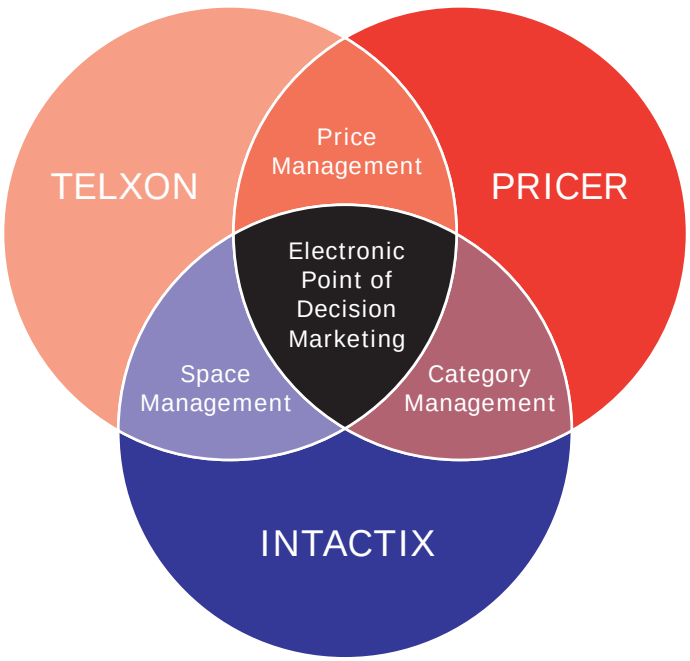
25,000 stores and has a 60% market share in North America, including 24 of the top 25 US retailers. The partnership agreement includes both marketing and technical cooperation. As part of the technological cooperation agreement, Pricer and Telxon are jointly developing a combined LAN, or Grid, for wireless communication, using both Telxon's radio technology (Spread Spectrum) and Pricer's infrared technology. The new network is called Spread/RED™ Grid and can operate ESLs, displays, consumer self scanning devices, employee mobile computers, etc.

In June 1997, Pricer merged with Intactix in order to further implement the strategy. Intactix is a world leading supplier of software solutions for Space Management and consulting services for the retail industry, and the Dallas-based company provides the necessary components for further integration of the Pricer technology into the retail automation business.

The use of Space Management and related consulting services is making rapid progress in the retail industry. In addition to offering Space Management software and consulting services, Intactix is also expanding into Category Management, assortment, promotion and price management tools. Intactix products will be integrated with The Pricer System to create a powerful retail automation package. This package will shift the retail automation concept to a new paradigm, which is very palatable to the retailer, as it opens a multitude of opportunities to maximize sales and profit margins and to more efficiently utilize the store space available.

Pricer will be in a position where the Group can provide fully integrated merchandising solutions by combining the Spread/RED™ Grid and Intactix software applications to include fast and efficient price changes; price integrity between shelf and checkout register; price, promotion, space and Category Management tools; and in-store marketing applications, the combination of which allows the retailer to optimize product offers. For the first time, it will be possible to drive pricing and promotion adjustments at store level extremely quickly. This package is unique on the market, as there is no other company that can actually supply such a totally integrated solution.

Consequently, Pricer should be viewed as a company that in 1997 has entered a strategic alliance and a merger, which have significantly transformed the company from being a leading niche player in the ESL market to becoming a supplier of integrated retail automation solutions.



The Pricer/Intactix/Telxon alliance will generate new and improved products to the customers.


PRICER intactix
helpdesk
PRICER
Transceiver 20

Improving retailers' profitability

MANUAL PRICING

In-store computer systems with bar-code scanners were introduced in the early 1980s to improve the efficiency and reliability of price recording. Today, the major part of the merchandise handled by daily-commodity retailers is delivered to stores with EAN (European Article Number) or UPC (Universal Product Code). These codes make it possible to record prices automatically with the aid of scanners and to make price changes faster and at a lower cost.

In retailing today, prices are usually indicated by means of paper labels attached to the shelves, near each item. Price changes are effected by changing the shelf labels manually; at the same time, a check has to be made to ensure that the new prices on the shelf labels are identical with the new prices in the store's data processing system.

Price labels are produced centrally by the store chains, by suppliers, or locally in the stores. Changing paper labels is a time-consuming operation and the risk of incorrect marking is high.

In-store computer systems that have registers of current prices and are linked to scanner-equipped cash registers eliminate the risk of differences between the actual price paid by the customer and the price recorded in the store's central price register. But there is still a risk of differences between prices in the central register and prices displayed on the paper label.

Pricers "peghook" labels

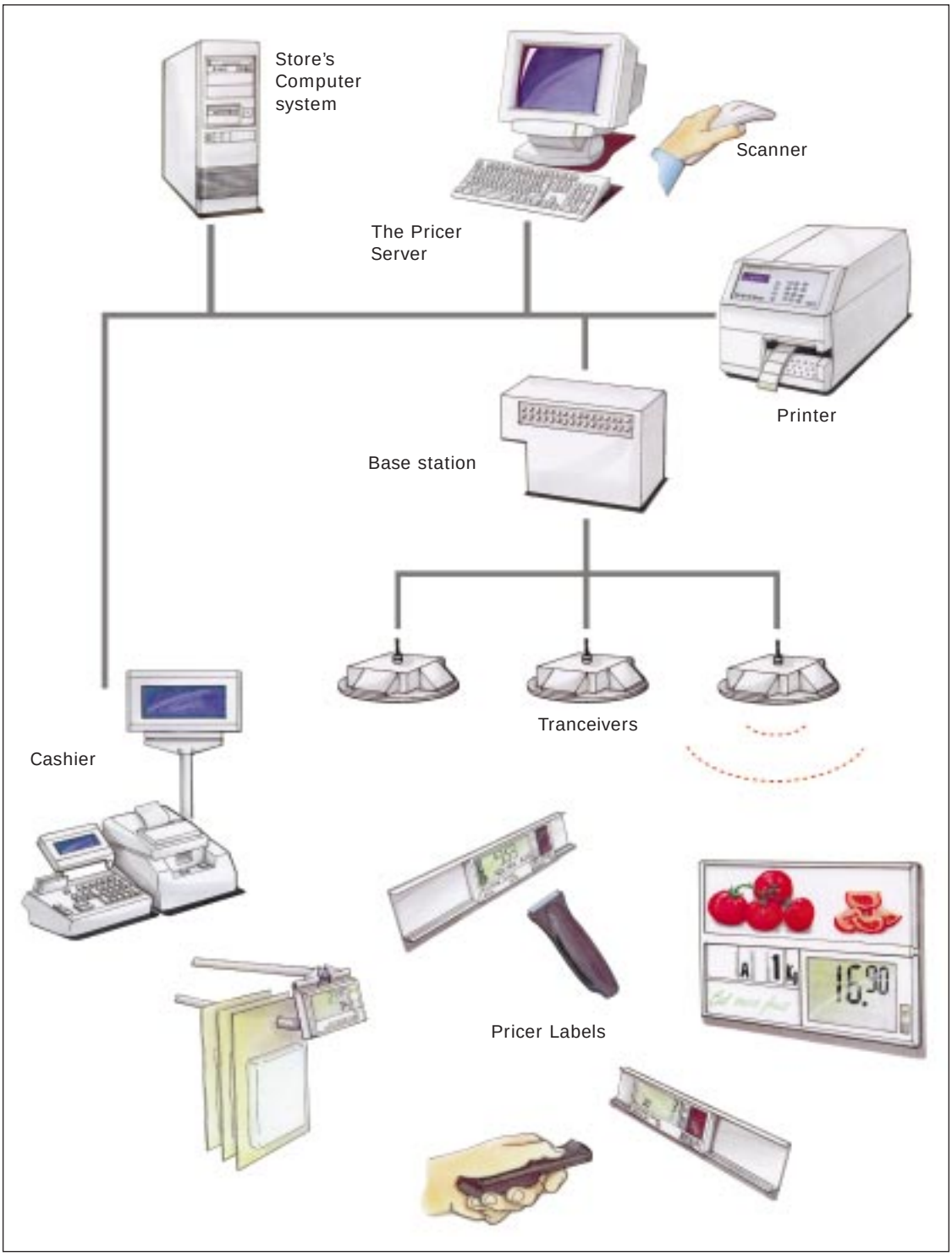
THE PRICER SYSTEM

There is a growing demand on the retailer to take a number of decisions, to implement these quickly, to measure the effects and determine whether they need to make corrections. The pace with which the retailer is able to make these decisions and the quality of the implementation will decide who are the winners in the very competitive trading environment.

With The Pricer System combined with Intactix´ software, Pricer can offer a complete Business Decision System for the retailer. This decision system will allow the user to make the proper decisions to put the Right Product at the Right Place with the Right Price and the Right Promotion and to do this quickly with the proper verification and reporting of the results back to the decision system.

Installation of The Pricer System for electronic price information reduces the risk of discrepancies between prices in a store's price register and those displayed in the store. At the same time, the store personnel and administrative costs related to the use of paper labels are reduced. The Pricer System also makes it possible to use active price campaigns as a tool for improving profitability.

The Pricer System is a complete system for information handling. The system's server communicates with the infrastructure via an Ethernet and the infrastructure communicates with the Pricer Labels by means of infrared light. Software is used to control communication between the store computer and the Pricer Labels. All pricing can be made from the store computer,



The Pricer System for Price Information

When a price is changed in a store's computer system, the information is sent to The Pricer Server. From the server, the information goes via a base station to a transceiver located in the store ceiling.

In the transceiver, the signal is converted to infrared light and then distributed throughout the store. When the Pricer Label receives the signal, the price information on the label's display panel is changed immediately.

The label confirms the change in price by transmitting a feedback signal to the transceiver, where it is processed and then relayed to The Pricer System's server. The latter, in turn, transmits the results to the store's data processing system.

Each transaction in The Pricer System - a price change, for example - is stored for purposes of verification and processing.

ensuring that the price displayed on the shelf edge is charged at the cash register.

Pricer offers a broad range of products that are adapted to different requirements and locations within a store. These products include shelf-edge labels, labels where perishables are sold, peg hooks, and electronic signs for fruits and vegetables and areas in the store where larger LCDs are required. Pricer's ESLs are based on state-of-the-art technology for power supply, communication and LCD function.

The system makes it possible for large store chains to make price change decisions and transmit them to the products in each store. Independent stores obtain a means of differentiating their pricing to deal with local competition. The usefulness of The Pricer System is obvious in connection with the change-over to a common European currency.

Pricer Labels for areas that need larger displays

PRODUCT DEVELOPMENT

Pricer introduced a new-generation product in the beginning of 1997. Development work on the new-generation product has focused on creating a Pricer Label that can be produced in large quantities. To accomplish this, virtually all of the electronics have been integrated into one microchip components surface-mounted. This has resulted in a high degree of production automation, thereby reducing the production cost per unit, which was one of the prerequisites for greater market acceptance.

Development work is continuing to further reduce production costs.

In addition to the program to adapt the Pricer Labels for industrialized production - with a potential for manufacturing tens of millions of labels per year - the software in the system has also been enhanced to a substantial degree.

- The system is based on the Windows NT operating system, which is the fastest growing operating system in retailing.

- The time for price changes has been reduced, thereby further improving the cost-saving features of The Pricer System. It takes about five minutes for a store to change the prices of 2,000 items. In the future, this time is likely to be further reduced. Comparable manual changing of shelf-edge labels takes several hours.

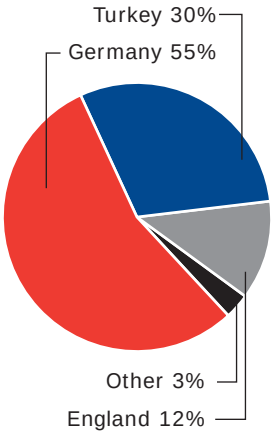
Because Pricer's wireless infrared network for data transmission covers the entire store and is integrated with the store's computer system, the retailer obtains a tool that is adapted for future marketing and logistics operations. The ability to implement price changes quickly and at a reasonable cost means that promotional campaigns based on price can be employed more frequently and that operations in the store can be controlled by differentiated pricing to increase profits. Awareness of the importance of the location of goods in a store has steadily increased and has, in turn, furthered the need for information on how space should be optimized – for example, by shifting the location of items, or groups of items to improve profitability. The future development of The Pricer System is therefore expected to focus on additional software applications in the following areas:

- Development of the ability to conduct price-elasticity studies as a means for increasing store margins. The Pricer System enables the retail trade to analyze current data, fore cast demand and work strategically with active pricing involving, for example, frequent price changes.

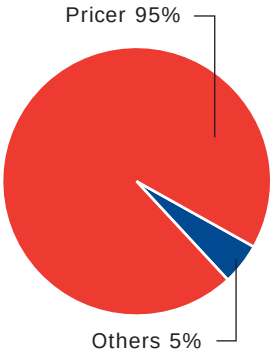
- Transmission of Space Management and logistics information to the Pricer Label, to make work in the store easier and ensure that decisions made by the store management are implemented.


PRIPPS
5.98
12.99
HARIBO
BERRIES
Kellogg's
DRÖM
Toppas
Toppas
FROSTIES
FROSTIES
GROSS
GROSS
Nestlé

Order backlog incl framework orders as of December 31, 1997 by geographical market



Market share wireless installations not using aerials



- Integration of additional applications in the infrared network to increase efficiency and speed up the work in the store, including transmission of advertising messages via infrared to displays and shelf talkers.

MARKET

After the initial launching phase, Pricer's efforts are growing more focused on special market segments (countries and customers), which are known to produce particular fast pay-back times on the investment. Such segments are e.g. high inflation countries, customers with strong focus on customer loyalty, markets with strong price legislation.

Currently, Pricer primarily focuses on the United States, Turkey and some key European countries such as Germany, Great Britain and the Nordic Region. Other attractive markets are the other European countries, Japan, Australia, South Africa and the South American countries of Argentina, Brazil and Chile, each of which offers substantial sales potential. These markets may be cultivated entirely or partly through local partners. In addition, Pricer may sell all or portions of its marketing rights in a particular country or part of a geographical market.

The markets in which Pricer has so far recorded the largest sales are Germany, Turkey, France, Great Britain and Sweden.

A basic requirement for installation of Pricer's system is that the store has an in-store computer system and check-out scanners. The number of stores with computer systems is steadily increasing in most markets as both new and existing stores install computer systems.

U.S. RETAIL STRUCTURE

Segment	No. of chains	No. of stores	Percentage with scanners	Average no. of items per store
Supermarkets	1 989	34 803	87	21 000
Convenience Stores	1 617	70 306	35	2 600
General Merchandise	4 293	39 233	37	5 000
Home Centers/DIY	5 195	19 772	31	18 000
Drugs	1 617	45 732	27	15 000
Auto Parts	1 285	19 489	84	12 000
Department Stores	237	5 690	70	120 000
Discount Department Stores	142	9 726	66	80 000
Total	16 375	244 751		

Source: CGS Information Services.

CUSTOMERS

Pricer is increasingly focusing on large, centrally managed retail chains in Europe and the U.S., which make decisions on investing in equipment for electronic price-marking on a central level. In the Nordic region, however, Pricer will continue to cultivate the market on a store-by-store basis. Two categories of customers can be identified.

One category comprises chains of stores - food stores, hypermarkets, convenience stores, etc. - in which prices are generally set at a central location. In this category, the decision to introduce electronic price-marking is generally made at a central level. As a result, the decision-making process is prolonged. However, when a favorable decision is made, it involves much larger orders. An installation of The Pricer System in an individual store comprises 5,000 to 50,000 Pricer

Labels. A roll-out decision in this category generally involves installation of a million or more Pricer Labels. Examples of customers in this category include most of the large European and North American department stores and supermarket chains such as Metro in Germany, Auchan in France, Sainsbury in Great Britain and Wal-Mart and Marsh in the U.S.

The second category consists of retail chain "cooperatives" in which store investment decisions are made by the individual retailer. Examples of customers in this category include ICA in Sweden, Centres Leclerc in France and Edeka in Germany. The Edeka chain consists of both Edeka-owned stores and stores which are owned by other entities cooperating with Edeka in areas such as procurement and marketing.

Introduction of The Pricer System for electronic price information requires integration of Pricer software with the software in the chain's stores. This integration has been effected completely or partially in the "cooperative" chains named above.

Pricer's primary target group in North America consists of department stores' food stores and hypermarkets. In the U.S. alone, the number of food stores is estimated at 35,000, of which 90% are believed to have in-store computer systems with scanners.

A food store in the U.S. is estimated to have, on average, approximately 21,000 items. Usually, the frequency of price changes is greater in this segment, which is one reason for the short pay-back time.

Other target groups, such as department stores and discount department stores, that are attractive to Pricer from a marketing standpoint are characterized by much broader product lines than those of food stores. The number of items in stores in these groups is estimated at between 80,000 and 120,000. There are approximately 15,000 such stores, of which 65 to 70% are estimated to be using some form of in-store computer system and scanners.

COMPETITORS

Electronic price-marking is still a relatively young field and the technology continues to develop rapidly.

Pricer estimates that about ten companies are currently developing and marketing electronic price marking systems. In most of the competing systems on the market, the energy required for the labels is supplied via batteries or cable. Information is transmitted between the labels and the store computer via radio waves, infrared light or cable. Some of the more permanent competitors are described below.

MAJOR RETAILERS - EUROPE

Company	Country	Total turnover 1995/96, SEK billion	No. of stores
Metro	Germany	306.6	1 239
Tengelmann	Germany	229.4	5 538
Rewe	Germany	222.7	15 051
Promodés	France	214.3	2 669
Carrefour	France	194.7	741
Edeka	Germany	192.1	12 925
Aldi	Germany	183.9	3 000
Auchan	France	180.4	1 123
Leclerk	France	174.8	1 100
Intermarché	France	174.8	2 083
C&A	Germany/The Netherlands	137.9	186
Sainsbury	Great Britain	135.1	363
Tesco	Great Britain	124.7	1 545
Karstadt	Germany	124.1	740
Ahold	The Netherlands	121.7	1 315
Otto Versand	Germany	114.0	26
Spar Handels	Germany	97.5	7 271
Lidl & Schwarz	Germany	91.9	1 674
Delhaize "Le Lion"	Belgium	82.5	355
Euromadi & Vima	Spain	82.5	2800

Source: The Corporate Intelligence Group, 1995.

MAJOR RETAILERS - US

Company	Total turnover 1995 USD billion	No. of stores
Wal-Mart	89.1	2 943
Sears, Roebuck and Co.	34.9	2 306
Kmart	34.4	2 477
Kroger	23.9	2 144
Dayton Hudson Corp.	23.5	1 029
J C Penney	21.4	1 883
American Stores Co.	18.3	1 650
Price/Costco	18.2	240
Safeway	16.4	1 059
The home depot	15.4	423

Source: Chain Store Age, 1996.

ERS in the U.S. was formed in 1990 and is marketing a system for electronic price-marking in which information is transmitted via high-frequency radio waves to nodes in the store's shelving, from which it is relayed to the shelf labels via cable. The labels are also supplied with energy via this cable system.

ERS's marketing is currently directed at leading supermarket chains in North America. The company released a new generation system based on 2.4 GHz spread spectrum radio frequency in 1997, which enables wireless communication directly to the shelf-edge labels. ERS made a public offer in 1997 to acquire Telepanel System Inc.

In **Telepanel's** electronic price-marking system, information is transmitted to the labels via low-frequency radio waves, which requires the installation of antennas on store shelves. Batteries are the source of energy for the labels. Telepanel's marketing is currently directed primarily at supermarket chains in North America. The company has an agreement with IBM that gives the latter distribution rights to Telepanel's products in North America.

Sitour is active in France, and is a part of a larger group that mainly markets office equipment. In Sitour's system, information is transmitted via low-frequency radio waves. Batteries are the source of energy for the labels. In its present form, the system lacks a function for confirming information received.

NCR is a leading supplier of information systems to banks and the retail trade in the U.S. The company's electronic label system, which has been under development for some time, uses high-frequency radio waves for communication with price labels and a confirming signal back from the labels.

Other Competitors

In addition, Pricer knows of a number of other potential competitors whose projects are in the development stage. These include Eldat in Israel, Krabbe in Denmark, BSC in Great Britain and 3i Systems in Sweden. No commercial break-through has been registered regarding any of these projects.

PATENTS

According to an agreement with Unigrafic, dated January 24, 1997, Pricer has acquired a strategic patent family owned by Unigrafic that pertain to The Pricer System. As a consequence of this acquisition, Pricer's obligation to make royalty payments to Unigrafic, which was covered by previous license agreements and which amounted to 100,000 USD in 1996, has ceased.

The strategic patent family, is called "Device for marking edges of shelves" and has been granted in Australia, the United States, Canada, Taiwan, South Korea and Europe including Austria, Belgium, Switzerland, Liechtenstein, Germany, France, Great Britain, Italy, Luxemburg, the Netherlands, Norway, Finland and Sweden. Moreover, applications have also been submitted in Japan.

Although the European patent was opposed, the European Patent Office declared its final validity by maintaining it in an amended form.

Following an agreement with Esselte Meto in March 1996, Pricer has acquired three patent families pertaining to:

- An arrangement for obtaining an acknowledgment signal from the price label.
- A method for recharging the power supply units of the price labels.
- A method for synchronizing the receivers of the price labels.

Since its foundation in 1991, Pricer has continuously improved its electronic price marking system. In order to properly protect these improvements, 13 published patent family applications have been filed. Eight of these applications have been granted and pertain to:

- A method for transmitting data to price labels without having to address them.
- A peg-hook adapter.
- A feedback method using infrared light, whereby the label serves as a transmitter.
- A technical solution that facilitates the use of solar cells as energy sources based on minimizing electrical consumption by shutting off various functions when they do not need to be in an active mode.

Pricer Labels for freezer sections.

- The ability to make very thin labels through a method whereby the printed circuit board is linked to the label´s display.
- A method for temporarily displaying information other than price by using the solar cell as a switch.
- A method for identifying the labels more easily than was previously possible.
- A method for controlling the color of an LCD.

It is the view of the Board of Directors, that Pricer's patents and patent applications, combined with its know-how, constitute a substantial product protection. It is also Pricer's intention to uphold its policy of protecting product development by filing patent applications.

AGREEMENTS

In addition to contracts pertaining to installations, Pricer has entered the following major agreements.

ACQUISITION AGREEMENT CONCERNING ESL MANAGER SYSTEM

In 1994, Pricer acquired ownership rights to software designed for use as control systems and integration programs for electronic price information. The software comprises the ESL Manager System. In payment for the software, Pricer agreed to pay royalties to Sandin First AB until February 15, 1999. Royalty payments are structured at the rate of SEK 10,000 per store for the first 1,000 stores which purchase and install electronic price information systems from Pricer.

After Pricer and Pricer Inc. have jointly concluded agreements with 1,000 stores, the royalty payments will be reduced to SEK 3,000 per store. As of December 31, 1997, Pricer had paid Sandin First AB approximately 1.2 MSEK.

COOPERATION WITH TELXON

Pricer, Pricer Inc. and Telxon Corporation of Akron, Ohio signed an agreement in March 1997 concerning marketing and technology cooperation as well as acquisitions of Pricer Inc. shares by Telxon, based on the conditions stated below.

Marketing cooperation

The companies will establish comprehensive forms of cooperation focused on marketing activities in the U.S., Canada and other parts of the world. The agreement gives Pricer access to Telxon's comprehensive network of contacts with North American retail companies. Telxon will market Pricer products and services in return for a fixed fee and various commissions for business transacted by Telxon on behalf of Pricer.

Technical cooperation

The parties will integrate their technologies in the form of Pricer's IR-based technique and Telxon's radio-based "Spread-Spectrum" technique in a united, wireless network (LAN) called "Spread/RED™ Grid". In addition to Pricer's price marking/labeling equipment and Telxon's portable, hand-held computers, the parties will also strive to develop new applications for functions in the new LAN communication system. New applications developed by either of the two parties, or a third party, may include such new concepts as advertising displays, temperature control devices and queuing systems.

Acquisition of shares in Pricer Inc.

In addition to marketing and technical cooperation, Telxon was given the option to acquire shares in Pricer Inc. valued at 10 MUSD. The investment pertains to Cumulative Convertible Preferred Stock (CPS) in Pricer Inc. Payment and transfer of CPS in Pricer Inc. will be effected in three stages.

(I) Payment of 5 MUSD when the final agreement is signed. The amount has been paid.

(II) Payment of 2.5 MUSD no later than September 30, 1997. The transaction is contingent on the introduction of the new Pricer System in the U.S. and a stipulated maximum production cost per Pricer Label. The amount has been paid.

(III) Payment of 2.5 MUSD no earlier than January 1, 1998. The transaction is contingent on successful and approved installation of a minimum of two of the three contracted pilot installations and a stipulated maximum production cost per Pricer Label.

After a period of three years, Telxon may request redemption of its CPS holding, whereby the company is entitled to a cash settlement and/or new shares in Pricer Inc. The redemption price comprises the total sum of Telxon's investment and accumulated dividends. Telxon also has the right to request a cash settlement as repayment for half of its investment in Pricer Inc. In addition, Telxon has the right to convert all or part of its CPS holdings to Common Stock, defined as the same series of shares as the remaining 90% of all shares in Pricer Inc. Full conversion of Telxon's final share holding will amount to 10% of all common stock in Pricer Inc.

After a period of three years, Telxon has the right to sell its entire holding of Pricer Inc. stock to Pricer AB in return for a cash settlement or new Series B shares in Pricer AB, as decided by Pricer AB.

Cumulative Convertible Preferred Stock is entitled to dividends as described below:

Shares acquired in accordance with item (I) above, are entitled to dividends of 10% per annum, to be paid quarterly.

Shares acquired in accordance with item (II) and (III) above, are entitled to a dividend of 8% per annum, to be paid quarterly.

Dividends will be accumulated continuously and are subject to payment upon redemption. Pricer is contractually obliged to provide liquidity to Pricer Inc. corresponding to Telxon's total investment, subsequent to utilization of such resources. Pricer AB guarantees repayment to Telxon if and when redemption is requested.

AGREEMENT WITH ESSELTE METO

In conjunction with Pricer's acquisition of know-how and patents from Esselte Meto AB and Esselte Meto International GmbH in March 1996, Pricer and Esselte Meto signed a five-year distribution agreement whereby Esselte Meto will market electronic price information systems based on Pricer's infrared (IR) technology. Esselte Meto´s marketing is focused on niche products and supplementary display systems used in Fruit and Vegetable departments.

AGREEMENT BETWEEN PRICER AB AND PRICER INC.

Pricer AB has reached a cost sharing agreement with Pricer Inc., whereby Pricer's development costs will be shared on a two-thirds/one-third basis by Pricer AB and Pricer Inc., respectively, until the year 2000.

Improved Merchandising process

PRODUCT AREAS

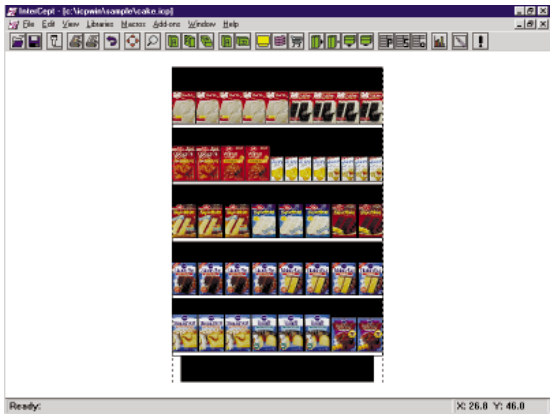
Intactix provides software, consulting services and supporting hardware that improves critical merchandising processes for retailers and their suppliers. Historically, the main product areas have been retail shelf Space Management, store floor planning and sales force automation. New areas include Category Management, pricing and promotion. Intactix software products are used on a daily basis by the largest retailers and suppliers worldwide, both at headquarters and at store level.

With the backing of Pricer and the tight integration of Pricer's ESL technology, it is now Intactix's goal to be the dominant supplier of enterprise-class merchandising software solutions, a greatly expanded market.

INTACTIX SOFTWARE SOLUTIONS

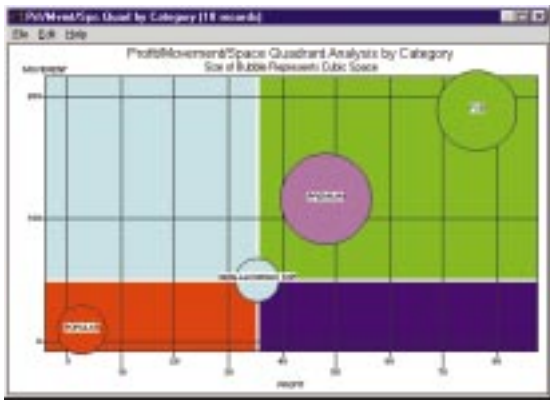
Intactix's current range of software products are all based on an open-architecture Microsoft Windows™ platform and can be used to build integrated systems that connect to internal legacy systems. Intactix growth has been fueled by its ability to design and build systems that can be used by both field-level and headquarter users with a minimum of training time.

Screen capture from InterCept™



RETAIL SPACE MANAGEMENT

Over the last few years, Intactix has moved from being a supplier of Space Management utility software to a leading worldwide supplier of retail Space Management solutions. These systems are used to accomplish a process called planogramming, whereby retailers and suppliers decide which products to carry in each store and then "put it on the shelf" using computer graphics. Users first buy or build product libraries which include product dimensions, descriptive information and even video images. Then, using a wide variety of analytic tools, decision makers optimize the planogram for functions like sales or profit to space ratios. This highly collaborative process between retailers and their suppliers is enabled by Intactix software, allowing Intactix to market the software to virtually all parts of the retail industry.



Powerful analysis tools available in InterCept™

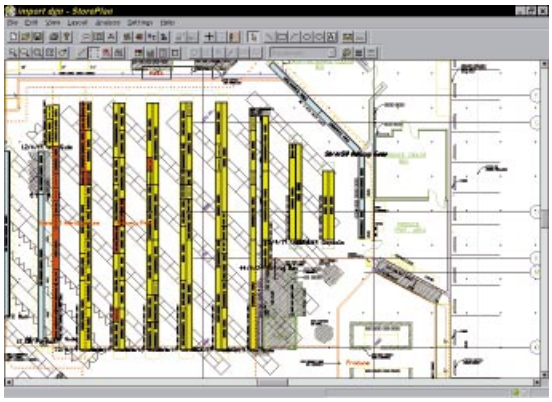
InterCept™

Intactix's main Space Management product is called InterCept™, a data collection, planogramming, analysis and reporting system. It was designed to be easily used by both in-store and headquarters personnel for planogram construction, product video image capture and management and complex category analysis. It includes functions for business graphics, exception highlighting, spreadsheet analysis and database integration. It is available in several languages, the most recent of which is Kanji for Japanese companies. Typically, two major releases are produced each year.

Several versions exist for InterCept™, including a limited Viewer version that is used for in-store execution, an EZ version that is used for field personnel who have limited training and require limited functionality and the full version for headquarters and skilled field users.
In addition, several supporting products are available for InterCept™. InterVision™ is a module that adds photographic quality product images on-screen and in output. Instead of manipulating product blocks or shapes, users can manipulate and view actual product video images as they would appear on the store shelves. InterShape™ is an add-on program that allows users to create outline shapes of products and use libraries that users may have created when using competitive systems. WebShelf™ is an add-on that quickly creates planograms as Virtual Reality Markup Language (VRML), the language necessary for transferring 3D images across the Internet. This is the first of a number of planned Electronic Commerce products from Intactix. WristPad™ is a UPC scanner that sits on the back of a user's hand and allows for direct scanning of bar codes into a laptop computer during the data collection process.

Pegman™

Pegman™ is a system that was acquired by Intactix during a merger with Marketware. It is substantially similar to InterCept™ in functionality but has historically been dominant in industry segments such as automotive, hardware, gift stores, consumer electronics, sporting goods, stationery, housewares and general merchandise.



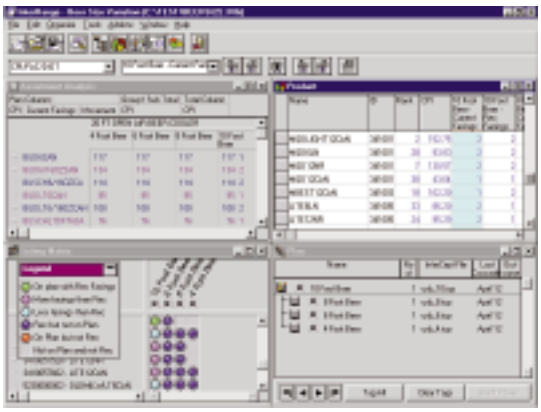
A floor plan generated by StorePlan™

InterSpace™

InterSpace™ was Intactix's first software product. It is the universal file translator for retail shelf Space Management systems. This allows retailers and suppliers to leverage their investment in multiple Space Management systems by reading and writing file formats from all major systems. InterSpace™ is continually enhanced to deal effectively with new features of Intactix and competitive systems. While it is maturing in terms of its sales potential, partly due to Intactix's increasing market dominance, it is still a very profitable product and a critical tool for conversions from competitive systems.

InterSection™

This was Intactix's first store planning solution which is still being marketed and supported. It is used by a retailer's merchandising and store planning personnel to create and analyze the performance of the retail floor space. Floor plans are usually produced through a CAD-system, imported into InterSection™ and then merged with planogram data from InterCept™ and performance data from internal systems. Then, the entire store, aisles or categories of merchandise can be analyzed, manipulated and printed for in-store execution.



Multiple screen shots from InterRange™

StorePlan Merchant™

StorePlan Merchant™ is the first in a family of 32-bit next generation floor planning products from Intactix. Incorporating a state-of-the-art CAD engine it will, over time, replace InterSection™ and form the basis for a comprehensive ability for retailers to build libraries of fixture components, assemble them to build a store, populate those fixtures with product assortments and planograms and analyze and optimize the overall store allocation.

InterRange™

InterRange™ is an assortment management solution developed to assist buyers and merchandisers in selecting the proper product assortment that, given certain constraints set by the user, optimizes corporate objectives. Working with InterCept™ planograms as a data source, it enables a review of categories based on product performance for each planogram, planogram group or the category as a whole. It can then recommend the required products and appropriate number of facings for each version of planograms and can automatically make changes to these planograms in InterCept™.

SALES FORCE AUTOMATION

Several years ago, Intactix acquired a company that had a product which allowed food brokers and food service companies to survey field conditions and report it through a headquarter's database. This was further developed by Intactix to use client/server architecture and expanded to become an enterprise system for suppliers and brokers. It is widely felt that the ability to control execution in the store is one of the critical factors holding back the success of industry efforts like Category Management. It is Intactix's plan to use Pro/Active™ and the Pricer ESL system as a two-pronged approach to meeting this need.

Pro/Active™

Pro/Active™ is a merchandising field execution solution for retail industry companies. Using advanced client/server technology, Pro/Active™ allows suppliers to link a headquarter's server with field-based key account managers and merchandisers using their e-mail system. This creates a dynamic process for providing updates of promotions, sales objectives, call schedules and passing virtually any type of information to and from field personnel. Types of activities and information that are used include product position, competitive pricing, compliance to authorized planograms and recommendations to retailers for eliminating out-of-stock conditions. A version of Pro/Active™ called Pro/Pocket, which runs on small and inexpensive Windows/CE devices, is being tested. Another version called Pro/Call uses interactive voice response (IVR) technology to allow for input of data from standard telephone keypads.

The sales force automation business is substantially different from Intactix's other software products in that it requires advanced client/server expertise, stronger account management and the necessity for most customers to out-source some aspect of project implementation for enterprise roll-outs. Projects usually include a pilot program during which the project will be approved or canceled. Most systems have traditionally required significant customization. The size of these projects is also significantly larger than the typical Intactix sale.

PRODUCT DEVELOPMENT

Intactix was the first company in the retail industry to release a product using Microsoft Windows. It is now focusing its efforts on a new object-oriented architecture called Merchandising Objects. Using standard Microsoft Windows 32-bit architecture, it will provide the basis for all future Intactix products. Consisting of state-of-the-art decision support, visualization, reporting and database access tools, Merchandising Objects will provide Intactix with a significant technological advantage over its competitors and will enable its customers to build enterprise-class, scalable applications that meet each companies' unique business needs.

All future versions of Intactix applications, such as the InterCept™ and Pegman™ replacement, product code named TEXAS, will be highly configurable without writing additional programs, thereby allowing Intactix to quickly implement large projects on a worldwide basis. To meet the emerging needs in Intactix's main markets, several new application groups have been established to leverage the large investment in Merchandising Objects. These are reviewed below.

Category Management

Intactix Category Manager™ (ICM) is a new Category Management software solution that is aimed at enabling the business processes involved in optimizing the economic outcome for a given grouping or category of products. In Category Management, each category of products is treated as a business unit and the consumer is included as a critical factor in determining high level category strategies and then executing those strategies via tactical tools such as Space Management. A large number of analytic tools are included, and considerable flexibility is provided for both retailers and suppliers. This will be one of the first products to use Intactix's new Merchandising Objects development environment.

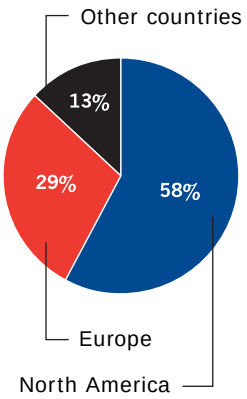
Electronic Commerce

Intactix works with the largest retailers and suppliers in the world and has, for many years, assisted these companies in managing libraries of product information and manipulating it to produce automated merchandising assortments and planograms. It is Intactix's intention to extend its current products and develop new products to take advantage of the connectivity provided by the Internet. Ongoing projects include making sure that all of the future 32-bit systems built from our Merchandising Objects technology will work seamlessly on the Internet. Others include a home shopping browser that includes unique metaphors that require connection to Intactix other products to build attractive and functional Internet shopping environments and provide consumers with a compelling reason to shop on-line.

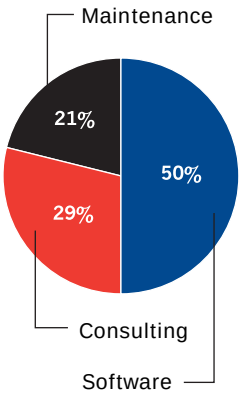
Pricing and Promotion

Intactix has recently set up a product group to attack the tough problems of pricing and promotion for retail products. The recent acquisition of Connect3 provided a client/server software system that allows retailers to track historical promotion performance of products and select products for

Intactix sales 1997 by geographical market



Intactix sales 1997 by product group



printed advertising. By linking product content and images with advertising pages – allowing for several versions – retailers can respond faster and more accurately to their promotional needs. A new product, being developed with the direct cooperation and funding from major retailers, will produce a pricing system that provides increased capabilities and flexibility for all types of retailers. It will also provide added value to the use of Pricer's ESL systems.

INTACTIX SERVICES

Intactix provides a range of software maintenance, customer service, consulting, training and merchandising services. While it was first started as a necessity to meet customers' basic requirements for deployment, it is now being viewed as a strategic business which can provide enhanced profitability and significant growth potential. However, as Intactix's customer base grows rapidly on a worldwide basis and the size of the projects increases, Intactix is also third party providers to meet customer needs in an efficient and timely manner.

Software Maintenance Services

Intactix maintenance services consist of regular software updates which are sent to customers on diskettes and/or CD-ROM. Along with these updates, the customers are given telephone support from offices worldwide.

Consulting Services

Intactix believes that the need for expertise in installing, customizing/configuration of its software will grow quickly as its solutions are used on an enterprise basis and become the critical enabling tools of critical merchandising processes. Intactix is developing the capability into a focused business unit that will provide Training, Business Consulting, Systems Consulting and Merchandising Services.

Training

Intactix's customer training program includes a series of both general and product specific classes. Courses are held at Intactix's offices and/or at customer sites.

Business Consulting

Many of Intactix products require its customers to revise its business processes to maximize the benefit of an automated solution. This will become even more important with the new series of enterprise-class products currently being developed. Intactix plans to expand this capability as required. Intactix also plans to enable selected industry consulting firms to augment its own capabilities.

Systems Consulting

Since most companies do not have in-house expertise in the merchandising systems Intactix provides, they can contract with Intactix for a range of services, including system analysis, specification development, installation planning and coordination, installation implementation, database configuration, report customization, data conversion and many other services. This business is also being expanded and it is likely that, with the release of Merchandising Objects, other industry consultants will be enabled to provide this type of service.

Merchandising Services

It is common that companies, whether Intactix software customers or not, have the need from time to time to handle large merchandising projects. To that end, Intactix provides a flexible range of services to meet time-critical needs of both retailers and suppliers. This includes Space Management database creation, product image capture, planogram data collection, project implementation of Space Management analyses, presentation material creation and on-site in large projects. This group has also been instrumental in helping potential customers justify the licensing cost of software by implementing projects in a short time.

INTACTIX SALES AND MARKETING

Intactix sells its products and services through a direct sales force in major markets worldwide. While distribution through agents has been attempted over the years, it is not planned to be a significant source of revenue in the future. Intactix headquarters are located in Dallas, Texas. In the US, it has regional sales offices in Atlanta, Georgia; Long Beach, California; Chicago, Illinois;

and East Brunswick, New Jersey. In Canada, offices are located in Toronto, Ontario; Calgary, Alberta; Vancouver, British Columbia; and Montreal, Quebec. Intactix also sells through the offices in England, France, Germany, Holland, Spain, Italy, South Africa, Malaysia and Australia. Offices are in the process of being established in South America and Japan.

Intactix has approximately 2,300 customers spanning all types of retail industry channels. Intactix's customers are primarily large multi-store food, drug and mass merchandiser retailers, consumer packaged goods manufacturers, and wholesales and brokers in the retailing industry.

COMPETITION

The Space Management industry has historically been highly competitive. Intactix's competitors range from small companies with limited resources to large companies with substantially greater financial, technical, marketing and research resources than those of Intactix. Intactix considers its principal large competitors in the Space Management software market to be IRI, A.C. Nielsen and MarketMax. In addition, Intactix believes that potential new competitors, including large software and consulting companies such as IBM, EDS and Andersen Consulting are increasing their focus on the Space and Category Management systems market. Because Intactix's consulting services are closely tied to the marketing of Intactix's software and hardware products, the same competitive factors in the software and hardware market affect Intactix's consulting business.

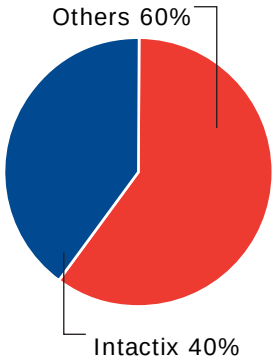
FUTURE PROSPECTS

Intactix intends to continue the expansion of its market share in its core Space Management business. Recent success has been achieved in all major markets. This includes contracts with the AHOLD retail group in the US, several large UK retailers and the largest retailer in Japan, Daiei. It appears that the international market for Space Management software is growing at a faster pace on a percentage basis than the US market. However, the US market is larger and more advanced and therefore represents a greater short-term potential for absolute revenue growth.

The emergence of Intactix Merchandising Objects and the resulting integrated software solutions will open up the opportunity for much larger system sales than Intactix has traditionally been handling. By working with industry leading Enterprise Resource Planning (ERP) vendors such as SAP, Intactix will be perceived as a unique supplier of Demand Chain enabling software solutions which, even if it is a small percentage of ERP installations, will be significantly larger than Intactix traditional business.
Intactix believes that the grocery retailers, suppliers and brokers will still represent the largest source of business short term. These markets will be the first for Intactix Category Manager™ as about 50 industry-leading companies have already shown a desire to become "Beta" customers for ICM.

However, other industry segments such as stationary and hardware have also expressed a strong interest in ICM.

Market share Space Management



Important risk factors

Pricer's operations are affected by a number of external factors whose impact on the Group can be controlled to varying degrees. When evaluating the Group's potential for future growth, it is important to consider risk factors as well as the potential for growth in earnings. The risk factors that are considered to be of greatest importance for the future success of the Group are described below.

MARKET GROWTH

The market for electronic pricing and information systems is still at a relatively early stage of development. The degree to which retailers will accept these systems and the timetable for a potential change-over to electronic price marking are factors that are presently not easily evaluated. These factors are of great importance to the growth of Pricer's sales in the next few years. Furthermore, Intactix is currently active in a market which is expected to display substantial growth during the next few year. A slower market growth than expected could thus adversely affect Intactix's earnings trend.

MANAGEMENT OF GROWTH

Pricer and Intactix have experienced expansion of their respective operations which has placed significant demands on management, administration and operation resources. Continued growth will require that the Group hires more technical, marketing and sales, support and administration personnel, expands customer service capabilities, and updates or expands management information systems. There is no guarantee that the Group will be able to attract and retain the necessary personnel to accomplish the growth strategies, or that constraints will not be experienced that will adversely affect the ability to satisfactorily support customers and operations.

TECHNICAL DEVELOPMENT, DEPENDENCE ON PROPRIETARY RIGHTS AND LICENSES

To a large extent, Pricer's competitiveness depends on the technical quality of its products compared to those of its competitors. Pricer's objective is to safeguard its technical solutions by means of patents and patent applications. However, this does not constitute any guarantee that the technology in Pricer's products is sufficiently protected. Nor can it be excluded that a third party may in the future sue Pricer for patent infringement.

Intactix is dependent on a combination of trade secrets, copyright and trademark laws, license agreements, non-disclosure agreements and other contractual provisions with customers, distributors and independent contractors to protect its proprietary rights to its products. Intactix, as well as Pricer, also maintains confidentiality agreements with all of its employees as a condition for their employment. Intactix's products allow customers to customize their applications without altering the source code. Therefore, the source code for Intactix's products is neither licensed nor otherwise provided to customers. Because Intactix's products and product updates are designed to operate in demonstration mode only, unless the user enters an access code or operates a hardware key, Intactix is not considering distribution of its product updates via Internet, which could present unacceptable risks of unauthorized duplication. Notwithstanding the precautions stated above, it may be possible for unauthorized persons to copy aspects of Intactix's products or to obtain information that Intactix regards as proprietary.

DEPENDENCE OF KEY PERSONNEL

The success of the Group will, to a significant degree, depend on, among other factors, the continued service of its key senior executives and research and development, technical, support and other personnel, and on its ability to continue to attract, retain and motivate qualified personnel. The competition for such employees is intense, and the loss of the services of any of these key employees, without adequate replacement – or the inability to attract new qualified personnel – could have an adverse effect on the Group.

INCREASED DELIVERIES

During the next few years, it is expected that deliveries of Pricer's products will increase rapidly. These increased deliveries will put pressure on Pricer's organization, including administration and logistics. All production is made through the use of sub-contractors. Dependence on individual suppliers is limited as Pricer, whenever possible, contracts at least two suppliers for each component used in its system.

NEW PRODUCTS, MARKET ACCEPTANCE AND RAPID TECHNOLOGICAL CHANGE

Technical development of electronic price marking systems is currently proceeding rapidly, which involves a potential risk that new competing products could be introduced on the market in the future. This will require continuous development of The Pricer System to deal with competition from existing and new products.

The market for electronic price information systems and the Space Management industry are characterized by frequent new product introductions and product enhancements. Therefore, the Group's success is dependent on its ability to enhance its existing products and to introduce new products in a cost-effective and timely manner to meet evolving customer requirements. Historically, Pricer has allocated substantial resources to the development of new products, and the Group intends to continue such allocations. New product development commitments must be made well in advance of sales. However, new product decisions must anticipate both future demand and the technology that will be responsive to such demand. Delays in developing new products with anticipated technological advances or in commencing releases of new products may have an adverse effect on Pricer's financial conditions and results of operations, as may the issue of releases of new products in which material defects or shortcomings emerge. There is no guarantee that new products, if introduced, will gain market acceptance or will not be adversely affected by technological changes or new product announcements by competitors.

SHARE CAPITAL

As of December 31, 1997, the share capital of Pricer AB amounted to 40.3 MSEK, represented by 1,071,287 Series A shares and 19,066,695 Series B shares. Series A shares carry rights to five votes per share and Series B shares carry rights to one vote per share. There is a conversion clause in the Articles of Association whereby Series A shares can be converted to Series B shares. Each shareholder eligible to vote at a General Meeting of shareholders may vote the entire number of shares owned or represented by the shareholder, without restriction on the number of votes. All shares carry equal rights, direct and indirect, to participate in the profits and assets of Pricer.

GROWTH IN SHARE CAPITAL

Since Pricer was formed in 1991, the share capital has changed as shown in the following table.

Year		Change in number of shares	Total number of shares	Increase in share capital, MSEK	Total share capital, MSEK
1992	Cash issues	25,500	26,000	2.5	2.6
1992	10-for1 split	234,000	260,000	–	2.6
1993	Cash issues	75,803	335,803	0.8	3.4
1993	Noncash issue	727,875	1,063,678	7.2	10.7
1994	Cash issues	86,890	1,150,568	0.8	11.5
1994	5-for-1 split	4,602,272	5,752,840	–	11.5
1994	Cash issue	1,670,000	7,422,840	3.3	14.8
1995	Cash issue	1,855,710	9,278,550	3.7	18.5
1995	Noncash issue	4,884,197	14,162,747	9.8	28.3
1996	Noncash issues	244,000	14,406,747	0.5	28.8
1996	Cash issue	2,058,106	16,464,853	4.1	32.9
1997	Noncash issues	200,000	16,664,853	0.4	33.3
1997	Cash issue	1,380,404	18,045,257	2.8	36.1
1997	Cash and noncash issues	2,092,725	20,137,982	4.2	40.3

With full dilution in accordance to decided option programs the number of Serie B-shares will increase the total number of shares to 21.7 million.

OWNERSHIP STRUCTURE

No of share	No of shareholders	Percent of shareholders	No of shares	Percent of capital
1 - 500	10,626	86.2	1,133,667	5.6
501 - 1,000	863	7.0	673,576	3.3
1,001 - 10,000	721	5.8	1,682,942	8.4
10,001 - 100,000	100	0.8	2,918,505	14.5
101,000 -	27	0.2	13,729,292	68.2
Total	12,337	100.0	20,137,982	100.0

Source: VPC AB, December 30, 1997

LARGEST SHAREHOLDERS

	No of votes	No of shares	Percent of votes	Percent of capital
Erik Danielsson [1]	6,129,725	3,673,221	25.1	18.2
Jan-Olov Sandin [2]	2,471,769	1,467,129	10.1	7.3
Janus Capital	743,477	743,477	3.1	3.7
Capital Research & Mgmt	525,000	525,000	2.2	2.6
Dale Byrne	521,600	521,600	2.1	2.6
Wanger Asset Management	370,500	370,500	1.5	1.8
Smith Barnley Intl Money Mgmt	300,000	300,000	1.2	1.5
Euroclear, Brussels	291,495	291,495	1.2	1.5
Anders Jonsson	246,850	133,450	1.0	0.7
TIAA-CREF	217,166	217,166	0.9	1.1
Others	12,605,548	11,894,944	51.6	59.0
Totalt	24,423,130	20,137,982	100.0	100.0

Source: VPC AB, Dec 30, 1997, completed with other known holdings.

[1] Includes holdings via companies and family. Issued call options on 4,167 Series A shares and 34,167 Series B-shares.
[2] Includes holdings via companies and family. Issued call options on 2,083 Series A shares and 16,833 Series B-shares.

DEBENTURE LOANS 1995 AND 1997

In April 1995, Pricer AB issued a debenture loan with a nominal value of 7 MSEK, carrying detachable warrants to subscribe for 100,000 new Series B shares during the period June 1, 1997 through February 1, 1999 at a subscription price of 162 SEK per share. In accordance with the terms, the subscription price is adjusted to 147.30 SEK following the new issues in 1996 and 1997. The wholly owned subsidiary Pricer Communication AB subscribed for all the shares, following which the warrants were offered to the Pricer Group's full-time employees. Each employee was offered an opportunity to subscribe for 1,000 warrants. As per December 31, 1997, 96 employees have acquired 96,000 warrants.

A new debenture loan was issued in June 1997, with a nominal value of 100,000 SEK carrying detachable warrants to subscribe for 300,000 new Series B shares during the period September 30, 1997 through June 30, 2002. The subscription price is 550 SEK. As per December 31, 1997, 24 employees have acquired 103,600 warrants.

The total exercise price on issued warrants amounts to 14.5 MSEK and 57.0 MSEK, respectively.

DEBENTURE LOAN – INTACTIX

Before the merger with Pricer, there were two Intactix stock option plans. These stock option plans have been replaced by Pricer at the time of the merger. In order to secure future delivery of Pricer shares, in accordance with the stock option plan, Pricer has issued subordinated debenture loans with detachable warrants as follows:

a) a subordinated debenture loan with detachable warrants of 271,369 Series B Pricer shares, with an exercise price of 5.68 USD and a maturity no later than December 31, 2004; and

b) a subordinated debenture loan with detachable warrants of 944,178 Series B Pricer shares, with an exercise price of 40.59 USD and a maturity no later than December 31, 1999.

To date 220,545 options, with the exercise price of 5.68 USD, have been issued and transferred to Pricer options.

The total exercise price on the issued warrants amounts to 9.9 MSEK.

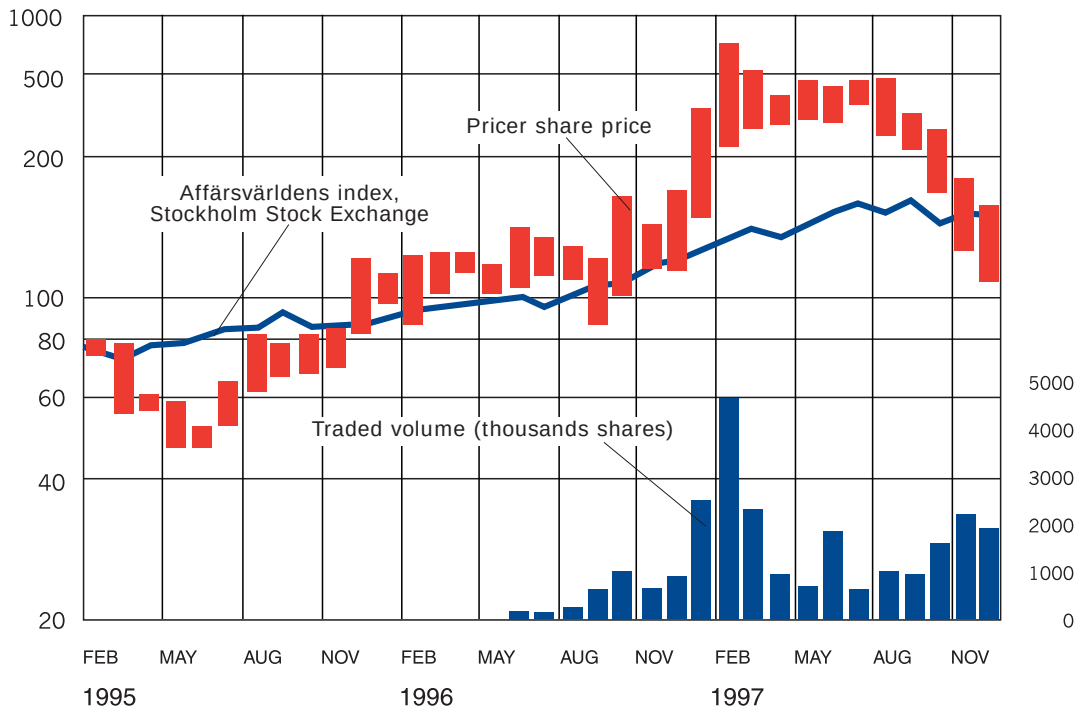
AUTHORIZATION

The Annual General Meeting on March 3, 1997, and the Extra General Meeting on June 5, 1997, decided to authorize the Board of Directors, until the next Annual General Meeting, to decide on one or several occasions, without preferential rights for the shareholders, on the issue of a total of 600,000 Serie B shares. The Board has utilized the authorization by issuing 100,000 shares as consideration for the acquisition of 375,000 new issued shares in Intactix representing 7.5 per cent of Intactix and by issuing 150,000 shares for the expansion of Intactix International Inc.

The Extra General Meeting on June 5, 1997, also decided to authorize the Board of Directors regarding shares issues and a new stock option plan for the acquisition of Intactix International Inc. The Board has utilized this authorization by issuing 1,942,725 new Series B shares and by issuing two subordinated loans with detachable warrants.

The Board has proposed that the Annual General Meeting approve a new authorization, to decide on one or several occasions, without preferential rights for the shareholders, on the issue of a maximum of 600,000 Series B shares intended for the purchase of companies or intangible rights, directly or indirectly

TREND OF SHARE PRICE



Source: Delphi Economics

Pricer series B shares have been quoted since October 8, 1996, on the Stockholm Stock Exchange. A trading lot is 50 shares. The share was previously quoted in the Reuters System.

INCOME STATEMENTS

Amounts in MSEK	1992/93	1994	1995	1996	1997
Operating revenues	7.7	14.4	28.3	17.2	151.3
Other revenues	–	12.0	–	–	–
Operating costs [1]	–14.2	–51.5	–114.4	–237.9	–402.0
Operating incomes	–6.5	–25.1	–86.1	–220.7	–250.7
Incomes from sales of shares	–	–	–	–	32.7
Financial net	–3.0	–1.3	1.1	–0.6	1.9
Income after financial items	–9.5	–26.4	–85.0	–221.3	–216.1
Taxes	–	–	–	–	–0.1
Minority share	–	–	0.5	–	2.7
Net incomes	–9.5	–26.4	–84.5	–221.3	–213.5

[1] Incl depreciations

BALANCE SHEETS

Amounts in MSEK	31 Dec, 1993	31 Dec, 1994	31 Dec, 1995	31 Dec, 1996	31 Dec, 1997
ASSETS					
Intangible assets	41.7	35.4	221.0	221.8	833.1
Tangible assets	1.3	3.5	4.8	12.4	39.3
Financial assets	–	12.0	0.2	0.0	0.0
Inventories	6.2	8.9	14.1	20.3	23.8
Short-term receivables	4.1	6.3	17.4	24.4	94.7
Cash and bank balances	3.4	14.8	79.5	57.2	50.8
Total assets	56.7	80.9	337.0	336.1	1,041.7
SHAREHOLDERS´ EQUITY AND LIABILITIES					
Shareholders´ equity	16.3	40.8	285.0	241.8	897.5
Minority interest	–	–	3.0	–	0.0
Liabilities to credit institutions, short-term	4.4	3.6	1.9	26.9	1.0
Liabilities to credit institutions, long-term	18.2	20.0	18.4	16.8	20.2
Other long-term liabilities	8.8	7.3	8.7	8.3	3.2
Other short-term liabilities	9.0	9.2	20.0	42.3	119.8
Total liabilities	56.7	80.9	337.0	336.1	1,041.7

FINANCING

Amounts in MSEK	1992/93	1994	1995	1996	1997	Acc.
Change in loans	23.9	–0.5	–1.9	23.0	–27.5	17.0
New Issues	24.7	51.0	69.8	146.5	458.7	750.7
Non-cash issues	–	–	263.6	31.0	402.3	696.9
Change in minority interest	–	–	3.0	–3.0	0.0	0.0
Other	–3.9	–	–4.0	0.9	–1.3	–8.3
TOTAL	44.7	50.5	330.5	198.4	832.2	1,456.3

KEY DATA

Amounts in MSEK	1992/93	1994	1995	1996	1997
Cash flow generated from operations before investments	–8.5	–23.8	–77.4	–182.5	–201.3
Profit margin	neg	neg	neg	neg	neg
Interest coverage	neg	neg	neg	neg	neg
Working capital	1.2	6.0	11.5	2.4	–1.4
Capital employed	38,9	64,4	308,3	285,5	918.7
Investments	33.0	15.3	188.4	38.2	637.4
Equity/assets ratio, %	29	51	85	72	86
Net debt/equity ratio, multiple	1.2	0.2	–0.2	–0.1	0.0
Return on capital employed, %	neg	neg	neg	neg	neg
Return on shareholders´ equity, %	neg	neg	neg	neg	neg
Orders received, PLs (excl framework orders)	82,100	115,600	2,189,300	963,700	581,000
Invoiced, PLs (excl framework orders)	–30,000	–73,000	–180,000	–140,700	405,000
Order backlog, PLs (excl framework orders)	52,100	94,700	2,104,000	2,927,000	3,103,000
Number of employees at year–end	24	57	71	98	365
Number of shares					
– at year–end	5,318,390	7,422,840	14,162,747	16,464,853	20,137,982
– weighted average	3,309,195	6,370,615	11,283,148	15,362,176	18,659,788
Result per share, SEK	–2.87	–4.15	–7.90	–14.411	–11.44
Shareholders´ equity per share, SEK	3.06	5.50	20.12	14.69	44.57
Share price/shareholders´equity, multiple	–	7.6	5.6	11.4	3.3

FINANCING POLICY

Pricer's operations are at a stage of rapid growth and are therefore associated with a high degree of business risk. Future growth will depend in part on the ability to expand operations without incurring liquidity problems and on the ability to deliver new versions of the product to customers according to plan. Accordingly, the Board of Directors' objective is to minimize the level of financial risk in Pricer. To date, Pricer's operations have generally been financed by new share issues and to a lesser degree by borrowing. As of December 31, 1997, external borrowing by the Pricer Group amounted to 21.2 (43.7) MSEK. In addition, the Group has an overdraft facility of 3.0 (3.0)MSEK, and part of a further credit limit of 25 MSEK, which can be used as an export factoring credit. The credit limit is approximately 75%. Both these credits were unutilized at year-end.

LIQUIDITY

As of December 31, 1997, the Group's liquid funds amounted to approximately 50.8 (57.2) MSEK, of which 0.1 (4.2) MSEK was in blocked bank accounts.

In accordance with the Board of Directors' financing policy, surplus funds may only be invested in financial institutions with at least the same rating as the Kingdom of Sweden and - via bank certificates or deposits - in banks with which the Group has established connections.

WORKING CAPITAL

The Group's non-interest-bearing current assets as of December 31, 1997, amounted to 118.4 (44.7) MSEK, while its non-interest-bearing short-term liabilities were 119.8 (42.3) MSEK. Working capital thus amounted to -1.4 MSEK (2.4).

INVESTMENTS

Pricer's fixed assets mainly consist of intangible assets in the form of patents, market rights and industrial rights. Intangible assets do not require replacement investments in the manner of such other long-term assets as machinery and buildings. Since Pricer does not plan to conduct any substantial production of its own, an increase in the volume of its business will not require corresponding investments in fixed assets. As a result, Group investments are expected to represent a small part of the operating revenue in coming years. The Group's other fixed assets consist mainly of machinery and equipment depreciated over periods of three to five years.

CURRENCY EXPOSURE

Pricer's purchases of components and other production costs are usually denominated in USD. Pricer attempts to reduce its currency exposure primarily by writing contracts with customers in USD thereby obtaining matching currency flows. Secondly, Pricer attempts to reduce its flow exposure through currency clauses in bids and contracts or by hedging customer contracts. Pricer is also exposed to fluctuations in foreign exchange rates through its share holdings in its subsidiaries.

GROUP TAX SITUATION

It is Pricer's principle not to account for future tax-deductible losses during the company's development stage. The sum of the tax-deductible losses amount to 632 MSEK for the Group, distributed on Pricer Communication AB 2 MSEK, Pricer AB 400 MSEK, Pricer SA 15 MSEK, Pricer Inc. 184 MSEK and Intactix 31 MSEK. The value of deferred tax claims amounts to 191 MSEK. Because of ownership changes, the possibilities to fully utilize the deficits in Pricer Inc. are limited in time, i.e. they are only likely to be of use within a five-year period.

DIVIDEND

No dividend has been paid to Pricer's shareholders since the formation of the company. Taking into account that Pricer is still at a stage of development, shareholders should not expect any dividend for another few years.

PRICER AB (PUBL)

The Board of Directors of Pricer AB (publ) and the President hereby submit the Annual Report and Consolidated accounts for the period from January 1 to December 31, 1997, the Company's sixth fiscal year. Figures in brackets refer to 1996.

OPERATIONS

During the year, Pricer's position as a supplier of electronic price information systems to the retail trade has been strengthened, in particular by the merger with Intactix, a supplier of software solutions in areas such as Space Management which was finalized at the end of June 1997, and the acquisition of Connect3 with software for marketing information, made in September. These acquisitions, and the cooperation with Telxon which began during the year, have been deciding moves towards Pricer becoming a supplier of integrated system solutions and consultancy services in the Demand Chain.

Pricer's price information and communication system with infrared light (IR), Intactix's software, including Space Management, Connect3's marketing data with pictures and price information and Telxon's hand-held computers and spread spectrum communication system can be used to increase the efficiency and productivity in the retail trade. Combining these products provides the retail chains with steering tools to increase customer benefits, sales and gross margins while reducing capital tied-up and operation costs.

Intactix has been consolidated into the Pricer Group as of June 30, 1997, and as of July 1, Intactix's sales and operating revenues are included in the Group's consolidated accounts.

SALES

The Group's operating revenues amounted to 151 (17) MSEK and 40 (22) MSEK for the Parent company. 40 MSEK of the Group revenues refer to Pricer excluding Intactix, whose operating revenues amounted to 111 MSEK for the July 1 to December 31 period. The revenues include Intactix's software in North America of 65 MSEK, Europe 32 MSEK and other areas 15 MSEK. Sales of Pricer's electronic price information system have largely been made in Europe and Turkey, where 19 MSEK relate to Metro in Germany and Migros in Turkey for all-in-all nine store installations.

RESULT

The result amounted to SEK -213 (-221) MSEK for the Group and -117 (-150) MSEK for the Parent Company.

The operating result[1)] for Pricer excluding Intactix for the year amounted to -211 (-196) MSEK. The loss is primarily explained by the fact that the operations are still at a stage of becoming established, with small sales volumes combined with large costs for product development, marketing, administration and for securing large-scale production suited for substantial volumes. The result was also affected by increased costs in the running production of transmitters and receivers for IR, as well as the manufacturing of electronic labels. Production costs have been gradually reduced and are expected to reach the level planned for the second half of 1997 only in the first quarter of 1998. The development costs excluding Intactix amounted to 75 (94) MSEK. The development work has primarily focused on completing the new Pricer System, a new Fruit & Vegetable system, Spread/RED™ Grid and software related to the systems.

The operating result[1)] for Intactix for the period of July 1 to December 31 was -7 MSEK. Intactix is at a stage of very rapid expansion. Substantial resources, which have affected their result, have been invested in development of Intactix software with the aim to further establish Pricer's position in Retail Automation. Development has primarily focused on new software for Category Management, including the acquisition of a development unit with 25 employees in Leicester, Great Britain. Intactix's development costs for 1997 amounted to 31 MSEK, for the July 1 to December 31 period. Market investments during the year have included the opening of new sales offices in Europe, Asia, Australia, South America and South Africa.

The sale of 7.5 per cent of the share capital in Pricer Inc. to Telxon Co. has yielded a capital gain of 33 MSEK to the Group and 24 MSEK to the

Footnote: 1) Operating result before depreciation of goodwill, capitalized development costs and market and industrial rights

Parent company, respectively. The result was also affected by amortization of goodwill, market and industrial rights of 33 (12) MSEK, of which 21 MSEK were related to Intactix.

MARKET DEVELOPMENT

The merger with Intactix has considerably enhanced and deepened the contacts with retail chains in the US and Europe, and Pricer now has around 500 retail chains as customers. Up until and including 1997, more than 150 installations of ESL systems have been made in Europe and the US and Pricer has now made 95% of all installations of wireless price information systems (with no antennas mounted on gondolas). Intactix Space Management products have had great success and the share of the U.S. market in 1997 has increased from around 40 to approximately 60 per cent.

Apart from the US, Canada, Europe and South America, the expansion has continued and offices have been established in Australia, Malaysia and South Africa.

Pricer's ESL system

As of December 31, the order backlog on electronic price information systems amounted to around 254 (222) MSEK, of which approximately 125 MSEK are planned for installation in 1998.

In our opinion, the Pricer program for Retail Automation now begin to dramatically influence the long-term planning in the retail trade. Major retailers with a great need for dynamic pricing are showing an apparent interest in the Pricer System. A number of strategic pilot orders or firm orders have been received.

MIGROS TÜRK, Turkey's largest and fastest growing retail chain, has increased its earlier order from 1996 by another 500,000 labels for a total of 1.2 million labels. The Metro Group has signed a Letter of Intent to carry out a complete roll-out in all their stores in another European country. Other strategic orders in 1997 include Edeka Baden-Württemberg in Germany, Champion in France, and Stew Leonard's in the US. Important customers in new segment have also been added. A Letter of Intent has been signed with the department store Macy's for a roll-out in all their stores on the American east coast. Statoil is testing The Pricer System in seven store installations in their new Mango concept wich includes 500 stores.

In September, deliveries were made to the seventh store in the roll-out order for Metro in Germany, comprising 53 Cash&Carry stores at an order value of around 165 MSEK. The Metro installations comprise 35,000 to 44,000 Pricer Labels per store and are the seven largest installations in the world of electronic pricing systems.

Intactix software and consultancy services

Intactix has made more than 5,000 installations with more than 2,000 customers throughout the world. Intactix's customer base includes a majority of the largest retail chains and suppliers in Europe and North America. Some of the world's largest supermarket groups are also Intactix's customers. Major orders during the year include Daiei in Japan, 15 MSEK and Ahold in the US, 4 MSEK.

FINANCING AND SOLVENCY

In January 1997, the board used an authorization by the Annual General Meeting of April 24, 1996, to issue 100,000 Series B shares to Unigrafic AG as payment for the purchase of patents on which the Pricer System for electronic price marking is based.

The sale of 7.5 per cent of the share capital in Pricer Inc. to Telxon Co. has yielded a capital of 47 MSEK to the Group, which was credited to Pricer Inc. in the form of an unconditional share holders' contribution. The sale was made on two occasions, 5% in March and 2.5% in September.

In March 1997, the Board utilized an authorization by the Annual General Meeting of March 3, 1997, to issue 100,000 Series B shares to Intactix International Inc., USA, as payment for the acquisition of around 7.5% of the shares in Intactix Inc.

The new issue of no more than 1,380,404 series B shares, decided by the AGM of March 3, 1997, with preferential rights for the share holders was fully subscribed, which gave the company 198 MSEK after deduction for issue costs.

In June 1997, the Board used an authorization by an extra shareholders' meeting on June 5, 1997, to

acquire all outstanding shares and subscription rights in Intactix International Inc. for a total of 606 MSEK, including transaction costs of around 30 MSEK. The purchase has been financed by a new issue of 1,942,725 series B shares in Pricer, 974,725 of which went to shareholders in Intactix, 943,000 to institutional investors to obtain liquid assets to pay Intactix shareholders and to cover transaction costs, and 25,000 shares as payment for certain services in connection with the acquisition. Furthermore, two debenture loans with detachable subscription options, valued at 110 MSEK were issued to be exchanged for Intactix options. Technically, the acquisition of Intactix was made by forming a subsidiary in the US, wholly owned by Pricer, after which this company acquired all outstanding shares and options in Intactix International Inc. and then merged with this company. To finance the acquisition, the new subsidiary was credited an unconditional shareholders' contribution of 251 MSEK and a long-term loan of 357 MSEK.

In July, 1997, the Board used an authorization by an extra shareholders' meeting on June 5, 1997, to issue 150,000 series B shares offered to investors. The issue gave the company 37 MSEK after deduction for issue costs. The money will be used to expand the Intactix operations.

Securing the R2 project and developing software products in Category Management have involved larger investments in 1997 than originally expected. Moreover, to secure agreed deliveries, heavy once-off investments have been made in the production and substantial capital has been tied up in components.

The Group's liquid assets at the end of the year amounted to 54 (56) MSEK. The equity/asset ratio as of December 31, 1997, was 86% (72%). The Board of Directors has established that the company will need further capital in order not to have a liquidity deficit.

The aim of the Board is that the Pricer operation be subject to low financial risk and large assets of liquid funds. Therefore, the Board decided January 30, 1997, to ask the extra General Meeting on February 19, 1998, to authorize the Board to issue convertible debentures to a total amount of 50 MUSD without preferential rights for the shareholders. The extra General Meeting has unanimously decided to accept the Board of Directors´ proposal. The Board of Directors assesses that the proposed issue will provide the necessary means.

RESEARCH AND DEVELOPMENT

In 1997, the Group's development costs for electronic price information systems amounted to 75 (94) MSEK. Under terms of a 1994 agreement, with supplements in February, 1995 and March, 1997, Pricer AB and Pricer Inc. have shared the costs for further development of the electronic price information system in such a way that Pricer Inc. has born one third and Pricer AB two thirds of the total costs. Until the end of 1996, these costs were shared equally.

The costs for the year for development of Intactix software was 31 MSEK, for the July 1 to December 31 period. Software development has primarily focused on the new product in the area of Category Management to be launched in 1998.

All development costs in the Group are expensed as they occur.

INVESTMENTS

During the year, Intactix Inc. and patents from Unigrafic AG have been acquired through the issue of new shares according to what is reported in the Financing and solvency section above.

The former license agreement with Unigrafic included an obligation that Pricer pay a maximum royalty of 70 MSEK up until the year 2008. At the acquisition of patent rights, around 65 MSEK thereof remained, and 21 MSEK were paid for the patent. It is estimated that the book-value does not exceed the market value.

The reported Group acquisition cost for Intactix was 626 MSEK and included transaction costs of 30 MSEK and appropriations for restructuring of 20 MSEK. The investment is accounted for according to the acquisition method and the resulting goodwill of 615 MSEK is depreciated over 20 years considering it refers to a strategic acquisition.

The actual result development for Intactix in 1997 has substantially deviated in a negative way from the forecast given. At the same time, the sales development was only slightly lower than projected. The development has caused the Board of Directors to make an new evaluation of whether the book value should be written down. A revised forecast based on the actual situation has been

made. On the basis of the above-mentioned new forecast and despite the considerable deviation in result, the Board sees no reason to revise the evaluation of Intactix made in connection with the acquisition.

In the light of the present development of the Group, the Board of Directors has also considered whether there would be reasons for revising the book values of the shares in the Group company Pricer Inc. in the parent company balance sheet and the value of the market rights in the Group accounts. The Board of Directors has thereby especially considered the following circumstances. A forecast produced by the company shows a market value exceeding the book values to a not inconsiderable degree. The product produced for the American market is intended to be put on the market by Pricer Inc. during the first six months of 1998. Opportunities have thereby been created for a positive earnings trend after several years of expensed investments in products and markets. In the Board of Directors´ opinion, the valuation assessment is further strengthened by the Telxon Inc. acquisition in 1997 of 7.5 per cent of Pricer Inc. for 7.5 MUSD. Likewise, in consideration of the present redemption guarantee and other circumstances, this transaction proves that the market value exceeds the book values. In case uncertainty should still prevail concerning the said values, the items are under all circumstances not of vital importance for the continued existence of the parent company and the Group.

In September, Connect3, a division in Trend Offset Printing Services, Inc., California, with 25 employees was acquired. The acquisition was made by Pricer's wholly owned subsidiary Intactix Inc., Dallas, and the acquisition price was 9 MSEK.

Other investments during the period amounted to 25 (10) MSEK, primarily attributable to production tools and computers.

SIGNIFICANT EVENTS FOLLOWING THE CLOSE OF THE FISCAL YEAR

In January, former President Erik Danielsson, founder of and main shareholder in Pricer, has become Executive Chairman of the Board Thomas Landberg has been appointed new President and CEO.

EXPECTATIONS ON FUTURE DEVELOPMENT

The market conditions for Pricer must be considered very favorable. The great market potential for electronic price information systems is well established. Intactix, the world leader in Space Management with a 60% market share in the U.S., continues to develop new software solutions and consultancy services in the Category Management area. The aim is to establish Pricer as a leading supplier of system solutions to improve the productivity in the part of the trade known as Demand Chain.

Cost reductions on Pricer's new electronic price information system, R2, are expected in March, 1998, when a new microchip is introduced. Further reductions are expected in the second half of 1998 as the production benefits of the new system are better utilized.

Pricer estimates that at least 1.5 million Pricer Labels (PLs) will be delivered in 1998, compared to 400,000 PLs in 1997. These deliveries mainly refer to existing orders.

DISPOSITION OF LOSS

The Group has no earnings available for distribution. No allocation to restricted reserves is required. The Parent Company result was -117 MSEK, which is the same as the Consolidated loss. The Board and the President propose that the accumulated loss, SEK 116,522,830.85, be covered through a transfer from the Share Premium Reserve. No dividend to shareholders is proposed.

CONSOLIDATED INCOME STATEMENTS

SEK 000s	Note	1997	1996
Net sales	2	151,290	17,216
Cost of goods sold		–81,388	–19,266
Gross result		69,902	–2,050
Sales expenses	3	–130,728	–66,471
Administration expenses	4	–51,437	–32,080
Research and development costs		–105,923	–94,967
Amortization, goodwill and market and industrial rights		–32,516	–12,117
Amortization and write-down, capitalized development costs		–	–13,063
Operating result	6	–250,702	–220,748
RESULT FROM FINANCIAL INVESTMENTS			
Result from shares in associated companies	7	–160	–
Result from other securities which are fixed assets	8	32,711	–
Other interest receivables and similar income	9	7,573	3,000
Interest payable and similar charges	10	–5,521	–3,592
Result after financial items		–216,099	–221,340
Other taxes		–105	–
Minority interest		2,718	–
Net result for the year		–213,486	–221,340

SEK 000s	Note	97–12–31	96–12–31
ASSETS			
Fixed assets			
INTANGIBLE ASSETS			
Patents and licenses rights	11	31,809	22,636
Industrial rights	12	5,735	8,600
Market rights	13	166,749	190,465
Goodwill	14	628,859	–
		833,152	221,701
TANGIBLE ASSETS			
Plant and machinery	15	13,177	7,615
Equipment, tools, fixtures and fittings	16	26,088	4,798
		39,265	12,413
FINANCIAL ASSETS			
Shares in associated companies	19	0	–
Other shares	20	–	10
Other long-term receivables		32	32
		32	42
Total fixed assets		872,449	234,156
Current assets			
INVENTORIES ETC.			
Raw materials and consumables		3,410	5,242
Finished goods and goods for resale		16,544	15,057
Advance payments to suppliers		3,828	–
		23,782	20,299
CURRENT RECEIVABLES			
Accounts receivable		64,023	10,800
Other receivables		19,735	4,704
Prepaid expenses and accrued income	22	10,932	8,890
		94,690	24,394
CASH AND BANK BALANCES	23	50,769	57,235
Total current assets		169,241	101,928
TOTAL ASSETS		1,041,690	336,084

SEK 000s	Note	97–12–31	96–12–31
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	24		
RESTRICTED EQUITY			
Share capital		40,276	32,930
Restricted reserves		1,179,034	446,152
		1,219,310	479,082
UNRESTRICTED EQUITY			
Unrestricted reserves		–108,348	–15,948
Net result for the year		–213,486	–221,340
		–321,834	–237,288
		897,476	241,794
Minority interest		22	–
Allocations			
Other allocations		2,484	463
		2,484	463
Liabilities			
LONG-TERM LIABILITIES			
Other liabilities to financial institutions	25	20,179	16,800
Other liabilities	26	3,245	8,274
		23,424	25,074
CURRENT LIABILITIES	26		
Other liabilities to financial institutions		1,029	26,900
Advance payments from customers		7,572	3,742
Accounts payable		42,119	24,128
Tax liabilities		418	–
Other current liabilities		24,679	1,509
Accrued expenses and deferred income	27	42,467	12,937
		118,284	69,216
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,041,690	336 084

ASSETS PLEDGED AND CONTINGENT LIABILITIES

SEK 000s		97–12–31	96–12–31
ASSETS PLEDGED FOR OWN LIABILITIES AND PROVISIONS			
Chattel mortgages		34,624	34,891
Accounts receivables		25,225	–
Patents	28	0	–
Bank balances		55	4,200
		59,904	39 ,091
Other assets pledged and similar securities		None	None
Total assets pledged		59,904	39,091
CONTINGENT LIABILITIES			
Warranties, VPC		615	406
Payment liability, import credit		–	4,019
Redemption guarantee, Telxon	28	62,457	–
Other contingent liabilities		1,000	1,000
Total contingent liabilities		64,072	5,425

SEK 000s	Note	1997–01–01 1997–12–31	1996–01–01 1996–12–31
Operating revenues		151,290	17,216
Operating costs excl depreciations		–358,309	–208,222
Result, excl depreciations		–207,019	–191,006
Financial net		2,052	–592
Funds used internally from the year's operation		–204,967	–191,598
CHANGE OF WORKING CAPITAL	29		
Change in inventory		–3,483	–6,194
Change in other current assets		–70,296	–7,001
Change in current liabilities		77,423	22,288
		3,644	9,093
Net change in liquid funds generated from operations		–201,323	–182,505
INVESTMENTS AND SALES	29		
Goodwill		–637,306	–
Market and industrial rights		47,021	–23,045
Shares in associated companies		–150	–
Other long–term receivables		–	–121
Patent and license rights		–12,231	–5,021
Machinery and inventories		–34,695	–10,021
		–637,361	–38,208
Net change in liquid funds generated from operations after investments and sales		–838,684	–220,713
LOAN FINANCING	29		
Change in short-term loans		–25,871	24,975
Change in long-term loans		3,379	–1,600
Change in long-term, non-interest-bearing loans		–5,029	–399
		–27,521	22,976
SHAREHOLDER FINANCING			
New issue		458,771	146,491
Non–cash issue		402,296	31,000
Dividend in subsidiary		–3,002	–
Payment for employee options		1,995	–
		860,060	177,491
OTHER FINANCING			
Change in minority interest		22	–2,961
Translation difference		–343	904
		–321	–2,057
Net change in financing		832,218	198,410
Change in liquid funds after loan and shareholder financing		–6,466	–22,303
Cash at the beginning of the year		57,235	79,538
Change in liquid funds	29	–6,466	–22,303
Cash at year end		50,769	57,235
Less blocked accounts		–55	–4,200
Unutilized overdraft facility	23	3,000	3,000
Total disposable liquid assets		53,714	56,035

PARENT COMPANY INCOME STATEMENTS

SEK 000s	Note	1997	1996
Net sales	2	39,721	22,380
Cost of goods sold		–53,594	–20,684
Gross result		–13,873	1,696
Selling expenses	3	–60,424	–42,842
Administrative expenses		–28,917	–32,080
Research and development costs		–48,610	–50,733
Items affecting comparability	5	–5,660	–12,109
Amortization and write–down capitilized development costs		–	–13,064
Operating result	6	–157,484	–149,132
RESULT FROM FINANCIAL ITEMS			
Result from shares in associated companies	8	23,932	–
Other interest receivable and similar result items	9	27,905	2,992
Interest payable and similar result items	10	–4,346	–4,385
Result after financial items		–109,993	–150 525
ALLOCATIONS			
Change in currency exchange reserve		–6,530	305
Net result for the year		–116,523	–150 220

SEK 000s	Note	97–12–31	96–12–31
ASSETS			
Fixed assets			
INTANGIBLE ASSETS			
Patents and license rights	11	27,901	18,913
		27,901	18,913
TANGIBLE ASSETS			
Plant and machinery	15	13,177	7,615
Equipment, tools, fixtures and fittings	16	3,602	2,932
		16,779	10,547
FINANCIAL ASSETS			
Shares in Group companies	17	588,041	302,586
Receivables from Group companies	18	368,858	–
Shares in associated companies	19	160	–
Other shares	20	–	10
		957,059	302,596
Total fixed assets		1,001,739	332,056
Current assets			
INVENTORIES, ETC.			
Raw materials and consumables		3,410	6,773
Finished goods and goods for resale		16,260	12,132
Advance payments to suppliers		3,828	–
		23,498	18 905
CURRENT RECEIVABLES			
Accounts receivables – trade		4,422	7,907
Receivables from Group companies	21	68,743	2,430
Other receivables		4,697	4,406
Prepaid expenses and accrued income	22	2,790	5,127
		80,652	19,870
CASH AND BANK BALANCES	23	32,188	54,959
Total current assets		136,338	93,734
TOTAL ASSETS		1,138,077	425,790

SEK 000s	Note	97–12–31	96–12–31
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	24		
RESTRICTED EQUITY			
Share capital		40,276	32,930
Legal reserve		1,148,200	444,699
		1,188,476	477,629
NON-RESTRICTED EQUITY			
Profit or loss brought forward		–	–
Loss for the year		–116,523	–150,220
		–116,523	–150,220
		1,071,953	327,409
Untaxed reserves			
Currency exchange reserve		7,454	1,224
		7,454	1,224
Allocations			
Other allocations		2,484	463
		2,484	463
Liabilities			
LONG-TERM LIABILITIES			
Other liabilities to financial institutions	25	–	16,800
Liabilities to Group companies		9,793	7,698
Other liabilities	26	–	5,792
		9,793	30,290
CURRENT LIABILITIES	26		
Liabilities to financial institutions		–	26,900
Advance payments from customers		7,083	3,632
Account payable, suppliers		25,806	23,070
Other current liabilities		5,372	980
Accrued expenses and deferred income	27	7,832	11,822
		46,093	66,404
TOTAL EQUITY AND LIABILITIES		1,138,077	425,790

ASSETS PLEDGED AND CONTINGENT LIABILITIES

SEK 000s	Note	97–12–31	96–12–31
ASSETS PLEDGED			
FOR OWN LIABILITIES AND ALLOCATIONS			
Chattel mortgage		34,624	34,891
Patents	28	0	–
Bank accounts		55	4,200
		34,679	39,091
Other assets pledged and similar securities		None	None
Total assets pledged		34,679	39,091
CONTINGENT LIABILITIES			
Warranties, VPC		615	406
Payment liability, import credit		–	4,019
Redemption guarantee, Telxon	28	62,457	–
Guarantee covering losses in subsidiaries	28	0	0
Other contingent liabilities		1,000	1,000
Total contingent liabilities		64,072	5,425

PARENT COMPANY CASH FLOW STATEMENTS

SEK 000	Note	1997–01–01 1997–12–31	1996–01–01 1996–12–31
Operating revenues		39,721	22,380
Operating costs, excl depreciations		–190,407	154,719
Result		–150,686	–132,339
Financial net		23,559	–1,393
Funds used internally from the year´s operation		–127,127	–133,732
CHANGE OF WORKING CAPITAL			
Change in inventory		–4,593	–6,518
Change in other current assets		–60,782	–3,447
Change in current liabilities		8,610	22,770
		–56,765	19,699
Net change in liquid funds generated from operations		–183,892	–114,033
INVESTMENTS AND SALES			
Investements in shares in Group companies		–308,545	–26,269
Sales of shares in Group companies		47,021	–
Other shares		–150	–
Patent and license rights		–12,231	–5,000
Machinery and equipment		–9,786	–9,391
Change in long-term receivables in Group companies		–368,858	–
		–652,549	–40,660
Net change in liquid funds generated from operation after investments and sales		–836,441	–154,693
LOAN FINANCING			
Change in short-term loans		–26,900	24,975
Change in long-term loans		–16,800	–1,600
Change in long-term, non-interest-bearing loans to Group companies		2,095	–
Change in long-term, non interest-bearing loans		–5,792	–132
		–47,397	23,243
SHAREHOLDER FINANCING			
New issue		458,771	146,492
Non–cash issue		402,296	31,000
		861,067	177,492
Net change in financing		813,670	200,735
Change in liquid funds after loan- and shareholder financing		–22,771	46,042
Cash at the beginning of the year		54,959	8,917
Change in liquid funds		–22,771	46,042
Liquid funds at year-end		32,188	54,959
Less blocked accounts		–55	–4,200
Unutilized overdraft facility	23	3,000	3,000
Total disposable liquid assets		35,133	53,759

NOTES ON ACCOUNTING PRINCIPLES AND COMMENTS TO THE FINANCIAL STATEMENTS

General accounting principles

As of 1997, the new annual report law adjusted to EU principles is being used. Primarily, this has led to changes in the specification of the income statements and balance sheets. The income statements and balance sheets for comparative years have been adjusted to the new regulations. The new regulations have only insignificantly affected the valuation principles.

The same accounting principles are used for all Group companies. The principles are not changed in relation to 1996. Pricer follows the recommendations of The Swedish Financial Accounting Standards Council.

Valuation principles, etc.

Unless otherwise stated, assets, allocations and liabilities have been valued at their acquisition values.

Income statement and profit recognition

Sales are accounted for at delivery and correspond to the sales amount excluding VAT, discounts and returned goods. Software sales are accounted for after deliveries have been completed and license agreements have been signed. Invoiced maintenance charges are accounted for evenly distributed over the agreement period.

Research and development costs

The Group expenses all research and development costs as they occur.

Guarantee costs

Estimated costs for product guarantees are expensed at the time of sale.

Results from shares in Group companies

The agreement made during the year with Texlon Inc. on the sale of 10% of Pricer Inc. is considered a strategic sale, including technical and marketing cooperation. However, the agreement contains a right to the effect that Texlon can demand a repurchase of the shares after three years. The Board estimates that the option will not be utilized, and hence the sale has been realized. The redemption guarantee is accounted for in Note 28, Assets pledged and contingent liabilities. The profit accounted for pertains to the capital gain after costs for completing the business deal.

Tax

It is Pricer's principle not to account for future tax-deductible losses during the company's development stage. The sum of the tax-deductible losses amount to 632 MSEK for the Group, distributed on Pricer Communication AB 2 MSEK, Pricer AB 400 MSEK, Pricer SA 15 MSEK, Pricer Inc. 184 MSEK and Intactix 31 MSEK. The value of deferred tax claims amounts to 191 MSEK. Because of ownership changes, the possibilities to fully utilize the deficits in Pricer Inc. are limited in time, i.e. they are only likely to be of use within a five-year period.

Items affecting comparability

Recommendation no. 4 of The Swedish Financial Accounting Standards Council is applied, which means that result effects from particular circumstances and transactions of major importance are specified under their respective result concepts.

Inventory

Inventory, valued according to recommendation no.2 of The Swedish Financial Accounting Standards Council, Statement of inventory, is accounted for at the lowest acquisition value according to the first-in/first-out principle. Obsole scence allowance has thereby been accounted for.

Receivables and liabilities in foreign currency

Receivables and liabilities in foreign currency are valued at the exchange rate on the balance day according to recommendation no. 7 of the Accounting Standards Board. Exchange differences on short-term receivables and liabilities are

included in the operating result, while differences in receivables and liabilities are accounted for under financial items. Unconverted exchange rate profits on long-term receivables and liabilities in the Swedish companies are allocated to the currency exchange reserve. In the consolidated financial statements the currency exchange reserve is allocated to restricted shareholders' equity.

The exchange difference on Parent Company long-term receivables on subsidiaries, which originated from the acquisition of Intactix, have according to IASC (IAS 21) been directly accounted for as current shareholders' equity as a recalculation difference and has not affected the result of the year.

Depreciation plan

Depreciation according to plan are based on original acquisition values and estimated life. Write-down is made for lasting value reductions. The following depreciation rates are used in the Group:

Goodwill	5 - 20%
Market rights	5%
Industrial rights	20%
Patent and license rights	8,3 - 20%
Capitalized development costs	20%
Investments in computers, telecom and electronics	33%
Other inventories	20%

Goodwill in connection with the acquisition of Intactix is amortized over 20 years as this is seen as a strategic acquisition of great long-term importance to the Group. When evaluating the economic life, the company has noted in particular the strong trade name of Intactix and the substantial coordination advantages in the product and market areas.

Marketing rights for the North and South American markets, which were brought into the Group through the acquisition of Pricer Inc., are considered to be of long-term strategic value and are annually amortized by 5%.

Acquired patents are amortized 8,3 - 20% annually, which is equivalent to the estimated economic life. For patents acquired in 1997, which also meant a reclassification of earlier license rights, the estimated life until December 31, 2008, remains.

Research and development costs capitalized during the company's start-up period, until and including June 30, 1993, and relating to the development and launch of Pricer's first commercial product, was amortized by 20% annually. In 1996, the remaining value was written off as the product referring to the development had been replaced.

Leasing - lessee

In the financial statements, leasing is classified either as financial or operational leasing. Financial leasing is when the financial risks and benefits associated with the ownership in all valid parts have been transferred to the lessee. If this is not the case, the leasing is an operational leasing. In brief, financial leasing means that the related asset is shown as an asset in the balance sheet and a corresponding liability is recorded on the passive side of the balance sheet. In the operating result, the leasing cost is divided into a depreciation part and an interest part. In brief, operational leasing means that no asset or corresponding liability items are accounted for in the balance sheet.

In the operating result, the leasing fee is distributed over the years, based on the use, which may differ from actual payments of leasing fees this year.
In accordance with recommendations RR:6 of The Swedish Financial Accounting Standards Council, the Parent Company's financial leasing agreements made prior to 1997 are not accounted for in the Group. Furthermore, all leasing agreements in the Parent Company are accounted for as operational.

Principles of consolidation

The statements has been prepared in accordance with The Swedish Financial Accounting Standards Council recommendation (RR1:96). The consolidated financial statements includes the companies in which the Parent Company holds more than 50% of the number of votes, directly or through subsidiaries.

Principles of Consolidation
The pooling method has been used in consolidation of Pricer Communication AB, which was originally formed - as a means of distributing risk - to keep the programs in the Nordic and non-Nordic European markets separate. Pricer Communication´s ownership structure was largely identical with that of Pricer AB. Over time, the companies´ owners considered it natural to seek to

merge operations that, in reality, were conducted by the same organization. In the pooling methods, assets and liabilities are retained at the consolidation and Pricer AB´s book values of shares in the subsidiary were deducted from the restricted equity. The remaining part of the restricted equity in the subsidiary increased the Group´s restricted equity, while the accumulated loss reduced it.

Consolidation of all other subsidiaries in the Group is based on the acquisition method.

Other associated companies
Shares in other associated companies, in which the Group holds at least 20% and not more than 50% of the votes, or in other ways has a major influence on the operational or financial steering, are accounted for according to the equity method. The equity method means that the Group's book value of shares in other associated companies are equivalent to the Group's share of the associated companies' own capital and possible residual values of Group's surplus and deficit values. The Group's shares in other associated companies' result after financial income and costs adjusted for possible write-downs of or dissolution of reserved surplus or deficit values are accounted for as "Shares in other associated companies' result" in the Group's operating result.

Recalculation of foreign subsidiaries
The annual reports of Intactix and Pricer Inc. have been recalculated according to the current rate method, as they are considered to be independent subsidiaries according to the Association of CPA proposal for recommendations concerning recalculation of foreign subsidiaries' accounting for inclusion in the consolidated financial statement. The current rate method means that all assets and liabilities have been recalculated to the exchange rate for the annual report date, while all items in the income statement have been recalculated to the average exchange rate of the year.

The recalculation difference incurred due to the net investment in the subsidiary being recalculated to a different exchange rate at year-end than at the beginning of the year, has been accounted for directly to shareholders' equity and is not included in the Group's annual result. Group surplus values for Pricer Inc. have not been included when estimating the net investment. Had they been included in the calculation, the accumulated recalculation difference on current shareholders' equity as of year-end would have been positively affected by approximately 31 MSEK and the value of the market and industrial rights would have been increased by the same amount. The goodwill arising from the acquisition of Intactix has been established in USD.

Pricer SA, which is considered a direct extension of the Parent Company export department, and the dormant Pricer GmbH, have been classified as so-called integrated companies according to the above-mentioned proposal for recommendation. When recalculating the annual reports for these companies, the so-called monetary-nonmonetary method has been used, resulting in a recalculation of the monetary items of the balance sheet to balance day exchange rate and of nonmonetary balance sheet items to historical exchange rate. The resulting recalculation difference in included in the Group's annual result.

Group information
Pricer AB is the Parent Company. Of the Parent Company's total purchases and sales measured in Swedish currency, 0 (0) % of the purchases and 6 (41) % of sales refer to other companies in the Group.

Information on acquisitions and mergers for the period
During the year, Intactix International Inc. has been acquired and is now a wholly-owned subsidiary. The acquisition price amounted to 606 MSEK, which was paid partly in cash and partly through new issues of 1,942,725 shares and 1,215,547 options. In connection with the acquisition, a reserve ammounted to 20 MSEK was recorded for restructuring activities. In the second half of the year, restructuring activities amounting to 21 MSEK have been completed, after which no allocations remain.

Amounts in thousand of SEK unless otherwise stated

NOTE 1 Employees and staff costs

Average number of employees	1997	of whom are men	1996	of whom are men
PARENT COMPANY				
Sweden	98	76%	77	77%
England	1	100%	1	100%
Germany	–	–	1	100%
Total, Parent Company	99	76%	79	77%
SUBSIDIARIES				
USA	131	62%	8	50%
Canada	7	60%	–	–
England	61	26%	–	–
France	22	73%	6	83%
Germany	9	77%	–	–
Australia	3	67%	–	–
Holland	3	67%	–	–
Spain	2	50%	–	–
South Africa	1	100%	–	–
Malaysia	2	0%	–	–
Total, Subsidiaries	241	53%	14	64%
Total, Group	340	60%	93	75%

Wages, salaries, other remuneration, and social security costs

	1997		1996	
	Wages, salaries and remuneration	Social security Costs	Wages, salaries and remuneration	Social Security Costs
PARENT COMPANY	33,750	13,463	24,148	10,260
(of which, pension provision)		2,478[2)]		2,040[2)]
SUBSIDIARIES	88,459	6,699	7,284	1,046
(of which, pension provision)		974		333
Total, Group	122,209	20.162	31,432	11,306
(of which, pension provision)		3,452[3)]		2,373[3)]

1) The 1997 figures for Intactix Inc., incl. subsidiaries, relate to the full year. Intactix is consolidated into the Group as of July 1, 1997.

2) Of the Parent Company's pension expenses, 295 (262) is allocated to the Board of Directors and the President. The Company's outstanding pension commitment to these amounts to 0 (0).

3) Of the Group's pension expenses 846 (300) is allocated to the Board of Directors and the President. The Company's outstanding pension commitment to these amounts to 0 (0).

Wages, salaries and other remuneration allocated by country and by board members, etc and other employees[4)]

	1997		1996	
	Board of Directors and President	Other employees	Board of Directors and President	Other employees
PARENT COMPANY				
Sweden	2,749	30,656	2,429	21,280
England	–	345	–	263
Germany	–	–	–	176
Total, Parent Company	2,749	31,001	2,429	21,719
SUBSIDIARIES IN SWEDEN	–	–	–	–
SUBSIDIARIES OUTSIDE SWEDEN				
USA	–	68,458	1,364	3,682
England	–	16,919	–	–
France	–	5,340	195	2,043
Germany	–	1,555	–	–
Australia	–	726	–	–
Holland	–	450	–	–
Spain	–	395	–	–
South Africa	–	205	–	–
Malaysia	–	418	–	–
Total, Subsidiaries	–	94,467	1,559	5,725
Total, Group	2,749	125,468	3,988	27,444

Remuneration paid to senior executives

The President[5)] received a monthly salary of SEK 85,000 in 1997. The value of the use of a company car was SEK 4,233 per month up until and including June, 1997. As approved by the Annual General Meeting, the Chairman is receiving a fee of SEK 60,000 for the period from the 1997 Annual General Meeting to the 1998 Annual General Meeting. The other members of the Board of Directors who are not employed in the Pricer Group are receiving fees of SEK 40,000 each for the same period. They are Gert Schyborger, Anders G Jonsson, Jan-Olov Sandin, Mats Wallin and Ulf Hjalmarsson.

Pension agreements

All senior executives in the Parent Company except the President[5)], one of the Executive Vice Presidents and one other senior executive are covered by a pension insurance equivalent to the ITP plan. The Company pays the premiums for occupational pension insurance for those three individuals to the maximum amount deductible for tax purposes. The Company has also made a direct pension commitment to the President that is cost-neutral since the amount of the commitment is linked to the outcome of a cost-free insurance policy taken over from a former employer of the President.

Severance payments

If the President's[5)] employment is terminated by the Company, he is to be given 24 months notice. Full salary will be paid during the notice-of-termination period and if the President is removed from his position, he will not be required to perform work for the Company. The notice-of-termination period for one of the Executive Vice Presidents is 24 months if employment is terminated by the Company. Full salary will be paid during the notice-of-termination period and, if said Executive Vice President is removed from his position, he will not be required to perform work for the Company. The notice-of-termination period for the Company's other Executive Vice President is six months if employment is terminated by the Company. In addition, a severance fee amounting to six months' salary will be paid. If the employment is terminated by the Company for other senior executives, the notice-of-termination period in the Parent Company varies from six to twentyfour months, during which period they receive full salary. If the employment is terminated by the Company for other senior executives in the Group, a severance payment equivalent to two years' salary is paid.

Loans to senior executives

No loans have been granted any senior executives in the Group.

4) No bonus has been paid in any year.

5) President refers to the 1997 President. A new President has been appointed as of 1998.

NOTE 2 Net sales by line of business and geographic market

	1997	1996
Group		
NET SALES BY LINE OF BUSINESS		
Pricer excl. Intactix	39,645	17,216
Intactix	111,645	–
Total	151,290	17,216
NET SALES BY GEOGRAPHIC MARKET		
EUROPE (INCLUDING TURKEY)		
Pricer excl. Intactix	39,645	17,216
Intactix	31,545	–
	71,190	17,216
NORTH AMERICA		
Pricer excl. Intactix	–	–
Intactix	65,460	–
	65,460	–
REST OF THE WORLD		
Pricer excl. Intactix	–	–
Intactix	14,640	–
	14,640	–
Total	151,290	17,216
Parent Company		
NET SALES BY LINE OF BUSINESS		
Price information system	39,721	22,380
Total	39,721	22,380
NET SALES BY GEOGRAPHICAL MARKET		
Europe (including Turkey)	39,721	18,505
North America	–	3,875
Rest of the world	–	–
Total	39,721	22,380

An integration of the Pricer and Intactix operations has started in 1997. Hence, a separation of the operations as above will not be possible as of 1998.

Not 3 Sales costs

Group and Parent Company

Price adjustments and obsolescence provisions of inventories, amounting to 20,782 (12,838) are part of the sales costs for the Parent Company and the Group.

Not 4 Administration costs

Group

Costs for restructuring in connection with the integration of Intactix amounts to 20,797 for 1997, 20,000 of which has redeemed the provision made at the acquisition. The remaining 797 have been charged as administration costs.

Note 5 Items affecting comparability

	1997	1996
Parent Company		
Write-down of receivable, Pricer SA	–4,848	–12,109
Write-down of dormant Group company, CRTV AB	–812	–
Total	–5,660	–12,109

NOTE 6 Operating result by line of business and market

	1997	1996
Group		
OPERATING RESULT BY LINE OF BUSINESS		
Pricer, excl. Intactix	–210,696	–195,568
Intactix	–7,490	–
Amortization and write-down of balanced development costs	–	–13,063
Amortization of goodwill and market and industrial rights	–32,516	–12,117
Total	–250,702	–220,748
OPERATING RESULT BY GEOGRAPHIC MARKET		
EUROPE		
Pricer, excl. Intactix	–158,140	–132,102
Intactix	2,128	–
	–156,012	–132,102
NORTH AMERICA		
Pricer, excl. Intactix	–50,880	–63,302
Intactix	–9,110	–
	–59,990	–63,302
REST OF THE WORLD		
Pricer, excl. Intactix	–1,676	–164
Intactix	–508	–
	–2,184	–164
Amortization and write-down of balanced development costs	–	–13,063
Amortization of goodwill and market and industrial rights	–32,516	–12,117
Total	–250,702	–220,748
Parent Company		
OPERATING RESULT PER LINE OF BUSINESS		
Price information systems	–157,484	–149,132
Total	–157,484	–149,132
OPERATING RESULT PER GEOGRAPHIC MARKET		
Europe	–155,808	–148,968
North America	–	–
Other markets	–1,676	–164
Total	–157,484	–149,132

An integration of the Pricer and Intactix operations has started in 1997. Hence, a separation of the operations as above will not be possible as of 1998.

Note 7 Result from shares in associated companies

	1997	1996
Group		
Automark AB	–160	–
	–160	–

As shown in Note 19, Shares in associated companies, Pricer AB has increased its share in Automark AB in 1997. In 1996, the holding was accounted for under other shares.

Note 8 Result from other shares in Group companies

	1997	1996
Group		
Sale, 7.5% of Pricer Inc.	–32,711	–
	–32,711	–
Parent Company		
Sale, 7.5% of Pricer Inc.	23,932	–
	23,932	–

NOTE 9 Other interest receivables and similar result items

	1997	1996
Group		
Interest receivables, others	4,601	3,000
Unrealized exchange gains	2,972	–
	7,573	3,000
Parent Company		
Interest receivables, Group companies	11,948	362
Interest receivables, others	3,732	2,630
Unrealized exchange gains	12,225	–
	27,905	2 992

NOTE 10 Interest payable and similar result items

	1997	1996
Group		
Interest payable	–1,943	–2,959
Exchange rate differences	–1,782	–305
Other financial expenses	–1,796	–328
	–5,521	–3,592
Parent Company		
Interest payable, Group companies	–	–1,050
Interest payable	–1,241	–3,253
Exchange rate differences	–1,784	–
Other financial expenses	–1,321	–82
	–4,346	–4,385

NOTE 11 Consessions, patents, licenses, trade marks

	Group	Parent Company
ACCUMULATED ACQUISITION VALUE		
At beginning of year	28,683	24,318
New acquisitions	26,891	26,891
Re-classifications	–19,317	–19,317
Translation differences	254	–
	36,511	31,892
ACCUMULATED AMORTIZATION ACCORDING TO PLAN		
At beginning of year	–6,047	–5,405
Amortization for the year	–3,353	–3,241
Re-classifications	4,655	4,655
Translation differences	43	–
	–4,702	–3,991
Net residual value at year-end	31,809	27,901

NOTE 12 Industrial rights

	Group
ACCUMULATED ACQUISITION VALUES	
At beginning of year	12,000
Sales	–900
	11,100
ACCUMULATED AMORTIZATION ACCORDING TO PLAN	
At beginning of year	–3,400
Amortization for the year	–2,295
Sales	330
	–5,365
Net residual value at year-end according to plan	5,735

NOTE 13 Market rights

	Group
ACCUMULATED ACQUISITION VALUES	
At beginning of year	203,951
Sales	–15,296
	188,655
ACCUMULATED AMORTIZATION ACCORDING TO PLAN	
At beginning of year	–13,486
Amortization for the year	–9,751
Sales	1,331
	–21,906
Net residual value at year-end according to plan	166,749

Note 14 Goodwill

	Group
ACCUMULATED ACQUISITION VALUES	
At beginning of year	–
New acquisitions	624,686
Acquisitions, Group companies	21,781
Translation differences for the year	12,601
	659,068
ACCUMULATED AMORTIZATION ACCORDING TO PLAN	
At beginning of year	–
New acquisitions	–9,161
Amortization of the acquisition value for the year according to plan	–20,470
Translation differences for the year	–578
	–30,209
Net residual value at year-end according to plan	628,859

Note 15 Plant and machinery

	Group	Parent Company
ACCUMULATED ACQUISITION VALUE		
At beginning of year	8,048	8,048
New acquisitions	8,158	8,158
	16,206	16,206
ACCUMULATED DEPRECIATION ACCORDING TO PLAN		
At beginning of year	–932	–932
Depreciation for the year according to plan	–2,097	–2,097
	–3,029	–3,029
Net residual value at year-end according to plan	13,177	13,177
Assets, possessed through financial leasing agreements.	None	None
Assets, possessed through operational leasing agreements	None	None

Note 16 Equipment, tools, fixtures and fittings

	Group	Parent Company
ACCUMULATED ACQUISITION VALUES		
At beginning of year	10,430	7,670
Accumulated values from acquired subsidiaries	15,343	–
Sales and disposals	–1,790	–
New acquisitions	16,565	1,628
Translation difference	823	–
	41,371	9,298
ACCUMULATED DEPRECIATION ACCORDING TO PLAN		
At beginning of year	–5,133	–4,239
Accumulated depreciations from acquired subsidiaries	–5,371	–
Sales and disposals	1,173	–
Depreciation of the acquisition value for the year according to plan	–5,822	–1,457
Translation differences for the year	–130	–
	–15,283	–5,696
Net residual value at year-end	26,088	3,602
EQUIPMENT, POSSESSED THROUGH FINANCIAL LEASING AGREEMENTS		
Acquisition values	1,350	
Accumulated depreciations	–235	
	1,115	
ASSETS, POSSESSED THROUGH OPERATIONAL LEASING AGREEMENTS		
Paid leasing fees during fiscal year	4,959	2,950
Agreed future leasing fees	14,974	3,423

Note 17 Shares in Group companies

	Parent Company
ACCUMULATED ACQUISITION VALUE	
At beginning of year	302,586
Acquisitions	1,021
New Issue in existing holdings	50
Shareholders' contribution	308,285
Sale	–23,089
	588,853
WRITE DOWNS	
At beginning of year	–
Write-downs this year	–812
	–812
Booked value at year-end	588,041

Specification of Parent Company and Group shares in Group companies

Subsidiary / Corporate identity number / Domicile	Number of shares	Share in % 1)	Book value
Pricer Inc., Dallas, USA	206,275	92,5%	328,220
Pricer SA, Paris, France	2,500	100,0%	338
Intactix International Inc., Dallas, USA	1,000	100,0%	251,469
INTACTIX SUBSIDIARIES:			
Intactix International GmbH, Düsseldorf, Germany		100,0%	
Intactix International Ltd, Guildford, UK		100,0%	
Intactix (Worldwide) Ltd, Guildford, UK		100,0%	
Intactix SA, Paris, France		100,0%	
Bilateral SA, Paris, France		100,0%	
Sersig SA, Paris, France		100,0%	
Pricer Intactix, Milano, Italy	2	100,0%	96
Pricer Communication AB (556450-7563), Uppsala	100,000	100,0%	7,303
Dormant companies			615
			588,041

Note 18 Receivable in subsidiary

	Parent Company
ACCUMULATED ACQUISITION VALUES	
At beginning of year	–
Additional receivables	361,104
Exhange rate difference	7,754
	368,858

Note 19 Shares in associated companies

	Group	Parent Company
ACCUMULATED ACQUISITION VALUES		
At beginning of year	0	0
Re-classifications	10	10
New Issue in existing holding	150	150
	160	160
ACCUMULATED DEPRECIATION		
At beginning of year	–	–
Write-down 1997	–160	–
Booked value at year-end	0	160

Specification of Parent Company and Group shares in associated companies

Associated company /Corporate identity number/Domicile	Adjusted equity /Net profit/loss	Shares in %	Group Value of proportion of equity	Book value, Parent Company
Direct ownership				
Automark AB (566505-7535), Uppsala	negative/–182	160,000/32%	0	160
			0	160

Note 20 Other shares

	Group	Parent Company
ACCUMULATED ACQUISITION VALUES		
At beginning of year	10	10
Re- classifications	–10	–10
	–	–

Note 21 Short-term receivables from Group companies

	Parent Company
ACCUMULATED ACQUISITION VALUES	
At beginning of year	14,539
Additional receivables	70,493
Recalculation difference	668
	85,700
ACCUMULATED WRITE-OFFS	
At beginning of year	–12,109
Write-offs during the year	–4,848
	–16,957
Book value at year-end	68,743

Note 22 Pre-paid expenses and accrued income

	Group	Parent Company
Accrued income	2,043	495
Pre-paid expenses	8,889	2,295
	10,932	2,790

Note 23 Cash and bank balances

In addition to bank balances accounted for, the following credits exist.

	Group	Parent Company
Credit limit granted	3,000	3,000
Credit used	0	0
Credit unutilized	3,000	3,000

In addition to the check account credit, the Parent Company can also utilize a credit of 25,000 through export factoring. This credit was unutilized as of December 31, 1997. The credit limit is approximately 75% of invoice amount.

Note 24 Shareholders' equity

SHARES

The number of shares as of December 31, 1997, amounted to 20,137,982, each at a nominal value of 2 SEK. The distribution between series A and series B shares is as follows:

Type of share	No. of shares	Votes per share	No. of votes
Series A	1,071,287	5	5,356,435
Series B	19,066,695	1	19,066,695
	20,137,982		24,423,130

SUBSCRIPTION OPTIONS

The following subscription options, bearing a right to subscribe for a corresponding number of series B shares, have been issued by Pricer AB and subscribed for as of December 31, 1997.

Time	Subscription period	Number	Strike price	No. issued
April ´95	June 1, 1997 - February 1, 1999	100,000	145,30	96 000 [1]
June ´97	September 30, 1997 - December 31, 2004	271,369	44,84 [2]	220 545 [4]
June ´97	September 30, 1997 - December 31, 1999	944,178	320,46 [3]	0 [4]
July ´97	September 30, 1997 - June 30, 2002	300,000	550,00	103 600 [1]

With full dilution as described above the number of Serie B shares will increase with 1,615,547.

1) Subscribed for by Pricer Communication AB, after which the option rights were offered to employees in the Pricer Group.
2) Strike price is USD 5.68. Exchange rate 7.895 SEK/USD has been used.
3) Strike price is USD 40.59. Exchange rate 7.895 SEK/USD has been used.
4) Subscribed for by Intactix Acquisition Corp (later Intactix International Inc.) with the aim to secure option programs taken over from Intactix in connection with the acquisition of Intactix by Intactix Acquisition Corp.

Group	Share capital	Restricted reserves	Non-restricted equity
At beginning of year	32,930	446,152	–237,288
Non-cash share issue, exchange rate 205.05	200	20,305	
Non-cash share issue, exchange rate 229.58	200	22,757	
New share issue, exchange rate 150.00	2,761	194,767	
New share issue, exchange rate 260.00	1,936	222,296	
Non-cash share issue, exchange rate 255.45	1,949	356,885	
New share issue, exchange rate 260.00	300	36,711	
Option program for employees	–	1,995	
Anticipated dividend in subsidiary			–3,002
Shareholders' contribution in subsidiary			–2,983
Transfer from restricted to unrestricted reserves		–144,005	144,005
Net result for the year			–213,486
Translation difference for the year		21,171	–9,080
At year-end	40,276	1,179,034	–321,834

Parent Company	Share capital	Premium reserve	Non-restricted equity
At beginning of year	32,930	444,699	–150,220
Non-cash share issue, exchange rate 205.05	200	20,305	
Non-cash share issue, exchange rate 229.58	200	22,757	
New share issue, exchange rate 150.00	2,761	194,767	
New share issue, exchange rate 260.00	1,936	222,296	
Non-cash share issue, exchange rate 255.50	1,949	356,885	
New share issue, exchange rate 260.00	300	36,711	
ALLOCATION ACCORDING TO AGM DECISION			
Cover of loss by reserves		–150,220	150,220
Net result for the year			–116,523
At year-end	40,276	1,148,200	–116,523

Issue costs for the issues made during the year totalled 38,970 which has reduced the restricted reserves and the premium reserve respectively at the respective times of issue as above.

Note 25 Other liabilities to financial institutions, long-term

	Group	Parent Company
Maturity, 1-5 years from closing day	20,179	–
Maturity, later than five years from closing day	–	–
	20,179	–

Assets pledged for financial institutions

	Group	Parent Company
Accounts receivable	25,225	–
	25,225	–

Note 26 Other liabilities, long-term and current

	Group	Parent Company
Long-term non-interest-bearing liabilities	3,245	–
Payment from customers	7,572	7,083
Account payable	42,119	25,806
Financial leasing agreements	1,029	–
Others	25,097	5,372
	79,062	38,261
Of which, mature later than five years from closing day	–	–

Financial leasing agreements on long term part of future leasing fees, relates to financial leasing agreements. Payments that mature in 1998 have been considered as short-term liabilities. Future payments matures per year with:

1998	265
1999	342
2000	422
Total	1,029

ASSETS PLEDGED FOR OTHER LIABILITIES	Group	Parent Company
Assets with ownership reservation	1,029	–
	1,029	–

Note 27 Accrued expenses and deferred income

	Group	Parent Company
Accrued expenses	17,487	7,832
Deferred income	24,980	–
	42,467	7,832

Note 28 Assets pledged and contingent liabilities

As security for Pricer AB's redemption guarantee to Telxon Inc, patens and patent applications for the US and Canada, which existed at the time of the agreement with Telxon for the sale of shares in Pricer Inc., have been pledged.
These patents have no sepatarely accounted value but are included in the new patents, accounted for in Note 11, obtained this year. The entire capital amount and accrued interest pertaining to the redemption guarantee are accounted for under contingent liabilities. Pricer AB has given a loss coverage guarantee to the subsidiary Pricer SA. However, the contingent liability amounts to nil as the parent company´s write-down receivables from Pricer SA are larger than the accumulated loss.

Note 29 The effect on the statement of changes in financial position by the acquisition of Intactix Inc.

Change of working capital	–4,815
Investments in intangible assets	12,620
Investments in tangible assets	9,972
Leverages	–12,711
Investment in Goodwill	615,370
Change of liquid funds	5,772
Acquisition price	626,158

Uppsala February 25, 1998

Erik Danielsson, Chairman | Gert Schyborger | Anders G Jonsson

Gunnar Grönkvist | Jan-Olov Sandin | Thomas Landberg, President

Our auditors' report has been submitted on February 25, 1998

Karl-G Giertz
Authorized Public Accountant

Lars Sjölin
Authorized Public Accountant

To the general meeting of the shareholders of PRICER AB (publ)
Registered Number 556427–7993

We have audited the parent company and the consolidated financial statements, the accounts and the administration of the board of directors and the managing director of Pricer AB for the fiscal year 1997. These accounts and the administration of the Company are the responsibility of the board of directors and the managing director. Our responsibility is to express an opinion on the financial statements and the administration based on our audit.

We conducted our audit in accordance with Generally Accepted Auditing Standards in Sweden. Those Standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director, as well as evaluating the overall presentation of information in the financial statements. We examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the possible liability to the Company of any board member or the managing director or whether they have in some other way acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

In our opinion, the parent company and the consolidated financial statements have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the results of the operations and of the financial position of the Parent Company and the Group. *In the Directors Report the Board of Directors describe the value of the fixed assets. We have no cause to make an assessment different from the one made by the Board of Directors on this issue. Regarding the Group's sufficiency of funds we refer to the description in the Directors' Report*. We recommend

that the income statements and the balance sheets of the Parent Company and the Group be adopted, and

that the loss of the Parent Company be dealt with in accordance with the proposal in the Administration Report.

In our opinion, the board members and the managing director have not committed any act or been guilty of any omission, which could give rise to any liability to the Company.
We therefore recommend

that the members of the board of directors and the managing director be discharged from liability for the financial year.

Uppsala, February 25, 1998

Karl-G Giertz
Authorised Public Accountant
KPMG Bohlins AB

Lars Sjölin
Authorised Public Accountant
KPMG Bohlins AB

BOARD MEMBERS

Erik Danielsson, Chairman.

Uppsala (1944).
Board Chairman: Medeca AB and Megasonic AB.
Board member: MiniDoc AB (publ) and SITO.
Member of the Pricer Board since formation in 1991.
Pricer shares held: Series A, 614,126, Series B, 3,059,095. Issued call options on 4,167 Series A shares and 34,167 Series B shares.

Gunnar Grönkvist, M.Pol.Sc.

Stockholm (1943).
President: AB Ångpanneföreningen.
Board member: AB Ångpanneföreningen, AB IVL and Almega tjänsteförbunden.
Member of the Pricer Board since 1994.
Pricer shares held: –

Anders G Jonsson

Uppsala (1955).
President: Regal Components AB.
Board member: Regal Components AB and Svenska Handelsbanken, Uppsala.
Member of the Pricer Board since 1993.
Pricer shares held: Series A, 28,350, Series B, 105,100.

Jan-Olov Sandin

Åsa (1945).
Board member: Lightlab AB and Digi-Ray AB.
Member of the Pricer Board since formation of Company in 1991.
Pricer shares held: Series A, 251,160, Series B, 1,215,969, Issued call options on 2,083, Series A shares and 16,833, Series B shares.

Gert Schyborger

Stockholm (1940).
President: SAAB Aircraft AB.
Board Chairman: MSC AB.
Board member: Bohlin & Strömberg and Arrays Printers AB (publ).
Member of the Pricer Board since 1996.
Pricer shares held: –

SENIOR EXECUTIVES

Erik Danielsson

Uppsala (1944), Executive Chairman Pricer AB
Employed by Pricer since 1991.
Pricer shares held: As shown above.

Thomas Landberg

Stockholm (1950), President Pricer AB
Employed by Pricer since 1998.
Pricer shares held: Series B 2,050.

Marc Ahlse

Linköping (1959), Executive Vice President, R&D
Employed by Pricer since 1994.
Pricer shares held: –
Holds 1,000 options to acquire Series B 1,000 shares.

Benny Andersson

Stockholm (1956), Acting President, Pricer International
Pricer shares held: –

Johan Bohman

Uppsala (1947), Financial Manager
Employed by Pricer since 1996.
Pricer shares held: Series B 1,000
Holds 16,000 options to acquire 16,000 Series B shares.

Dale Byrne

Dallas, USA (1954), President, Intactix International
Employed by Pricer since 1997 and Intactix since 1990. Pricer shares held: Series B, 521,600

Torbjörn Gelfgren

Uppsala (1946), Executive Vice President, Business Development & Legal Affairs
Employed by Pricer since 1995.
Pricer shares held: 1,000 Series B shares
Holds call options to acquire 26,000 Series B shares. Holds 21,000 options to acquire for 21,000 Series B shares. Torbjörn Gelfgren has given notice of termination of his employment and will remain with Pricer until summer 1998.

Susan Harp

East Twickenham, UK (1957), President, Region Europe, India, Middle East, South Africa
Employed by Pricer since 1997 and Intactix since 1990.
Pricer shares held: Series B, 162,467

Robert Kessiakoff

Stockholm (1949), President, Region South America, Asia, Australia, Africa
Employed by Pricer since 1996
Pricer shares held: Series B, 1,500
Holds 20,000 options to acquire 20,000 Series B shares.

Kevin Stadler

Coppel, USA (1957), President Region North America, Mexico
Employed by Pricer since 1997 and Intactix since 1994.
Pricer shares held: –

Christer Wallberg

Uppsala (1959), Executive Vice President
Employed by Pricer since 1991.
Pricer shares held: Series A, 18,180, Series B, 16,720.
Holds 1,000 options to acquire 1,000 Series B shares.

AUDITORS 1997

Karl-Gustav Giertz

(1940) Authorized Public Accountant
KPMG Bohlins AB
Pricer auditor since 1995.

Lars Sjölin

(1935) Authorized Public Accountant
KPMG Bohlins AB
Pricer auditor since 1991.

DEPUTY AUDITORS

Carl Lindgren

(1958) Authorized Public Accountant
KPMG Bohlins AB
Pricer deputy auditor since 1995.

Lennart Jakobsson

(1947) Authorized Public Accountant
KPMG Bohlins AB
Pricer deputy auditor since 1995.

Salaries and other remuneration paid SEK 000s	1997	1996	1995	1994
Board of Directors' fee	260	260	114	100
- of which, Chairman's fee	60	60	25	35
Senior executives	13,133	5,874	3,526	2,216
- of which, paid to President	1,038	1,130	816	549
Fee to auditors in Sweden	260	200	135	100

BUSINESS TRANSACTIONS

There have not been nor are there any business transactions between the Company and persons on its Board of Directors, senior management or auditors other than what is disclosed in this document.

LOANS

Pricer has not issued loans, guarantees or sureties on behalf of members of the Company's Board of Directors, its senior executives or the Group's auditors.

In the Annual Report, the following definitions have been used for calculation of key data.

Profit margin
Result after net financial items as a percentage of total revenue.

Interest coverage
Result after net financial items increased by financial expense, divided by financial expense.

Working capital
Non-interest-bearing current assets less non-interest-bearing current liabilities.

Capital employed
Total assets reduced by non-interest-bearing liabilities.

Net interest-bearing liabilities
Interest-bearing liabilities (including interest-bearing pension liabilities) less interest-bearing assets. In accordance with this definition, a negative debt/equity ratio shows that the Company's interest-bearing assets exceed its interest-bearing liabilities.

Investments
Investments in long-term assets.

Equity/assets ratio
Shareholders' equity divided by total assets.

Net debt/equity ratio
Net interest-bearing liabilities divided by shareholders' equity.

Return on capital employed
Result after net financial items, increased by financial expense, divided by average capital employed. Average capital employed has been calculated as the sum of capital employed on January 1 and December 31, divided by two.

Return on shareholders' equity
Result after tax divided by average shareholders' equity. Average shareholders' equity has been calculated as the sum of shareholders' equity on January 1 and December 31, divided by two.

Result per share
Result after tax divided by the weighted average number of shares outstanding.

Shareholders' equity per share
Shareholders' equity divided by the number of shares outstanding at the close of the year/period.

Designed & Produced by ASON & Co, Uppsala, Sweden
Photography by Fotograferna Stewen Q AB, Uppsala, Sweden
Printed by Halls Offset, Växjö, Sweden

ESL – Electronic Shelf Label	Wireless electronic price labels, that are linked to a central computer system and replace conventional paper labels to enable instant and simultaneous price changes in the store and at the cashier.
Space Management	Software that allows users to collect, audit, maintain and analyze the necessary data used for producing product displays of store shelves (planograms).
Category Management	Category Management is the process that together with relevant software and hardware enables the manufacturer to get the Right Product at the Right Price with the Right Promotion at the Right Place and Space to the end consumer.
Retail Automation	All the different technologies, software and hardware applications used to improve customer satisfaction and the profitability of retailers, manufacturers, wholesalers and brokers, e.g. ESLs, in-store advertising, automatic queuing system, temperature monitoring and hand-held devices.
ECR – Efficient Consumer Response	A grocery industry strategy, developed by the US retail industry in 1992, in which distributors and suppliers work closely together to provide better value to the grocery consumer while at the same time minimizing cost.
LAN – Local Area Network	A computer network covering a relatively small geographic area such as a floor or a building.
Spread/RED™	Technology based on Pricer's infrared technology and Telxon's radio (Spread Spectrum) technology. Spread/RED™ will operate ESLs, displays, consumer self scanning devices and employee mobile computers. Other future products could include temperature control devices and queuing systems.

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