



## **Interim Report January - September 2004**

- **Significantly increased net sales of SEK 163.4M (42.8)**
  - **Improved result after tax SEK -38.6M (-41.5)**
  - **Loss per share of SEK -0.08 (-0.12)**
  - **Significant increase in orders received to SEK 147.4M (14.6)**
  - **Gross margin of 11 (20) per cent**
  - **Operating result of SEK -39.9M (-42.6)**
  - **Liquid funds of SEK 46.1M (24.1)**
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- **ESL roll out strengthens Pricer's position in Japan**
  - **Strategically important pilot installations in the US**

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### **Operations**

Orders received for the third quarter amounted to SEK 36.1M (5.0) and to SEK 147.4M (14.6) accumulated for the year. Orders in the third quarter consisted mainly of orders from Pricer's partner in Japan Ishida, the French market and from StoreNext, Pricer's partner in the United States.

The order book at 30 September amounted to approximately SEK 164M (198). The most significant orders are from Pricer's partner Ishida and from the retail chain Carrefour. The Carrefour order is based on an estimate of the number of stores and an average value for each store. The value of the order may vary upwards or downwards by ten per cent depending on the actual requirement per store. From the large order received from Ishida in 2001, SEK 137M (approximately USD 19M), remain to be delivered between now and 2007. The majority of Pricer's orders are in USD and EUR.

As of the end of the third quarter, Pricer systems were installed in more than 600 stores, the majority in Japan, the Nordic countries and the rest of Europe.

## **The market and market activities**

In Pricer's judgment, the ESL market trend is continuously positive. The signals from Pricer's prioritised geographical markets are distinct and a growing number of retail chains have either initiated projects towards or have already taken the decision to include ESL as an operational tool in their automation processes.

Pricer believes that interest in ESL systems is growing in the United States, as confirmed by a number of retail chain's enquiries, tests and pilot projects across the entire United States. One of the largest retail chains in the United States has decided for two Pricer ESL systems, planned to start around year-end 2004.

The market trend was reinforced in Europe when the world's second-largest retail chain Carrefour opted to install Pricer's ESL system. In the first phase, Carrefour has chosen to focus on parts of the business in France, Spain, Italy and Belgium. Pricer expects Carrefour's decision to have a significant impact on other players in the retail industry, which has been confirmed by the number of enquiries and pilots. This has resulted in strengthening of Pricer's marketing activities.

Acceptance for ESL systems has increased in Japan and installations have continued at a high and consistent rate. The Japanese market is characterised more by these consistent installations of ESL systems over a broad base of retail chains rather than roll-outs. Nevertheless, negotiations have been in progress for some time with several Japanese chains for roll-outs. One of the largest retailers in Japan will install Pricer's ESL system in more than 150 of its hypermarkets, constituting the largest ESL roll-out outside Europe. Installations are scheduled to be completed within one year starting in the autumn of 2004. The new installations have resulted and will result in new orders from Ishida during 2004/2005.

## **Net sales and result**

Net sales increased during the quarter to SEK 75.1M (15.0) and accumulated to SEK 163.4M (42.8). Deliveries during the quarter were primarily to Carrefour, Ishida and the US market.

Gross profit amounted to SEK 5.2M (3.4) and the gross margin was 7 (23) per cent for the quarter. Gross profit accumulated was SEK 17.9M (8.5) and the gross margin was 11 (20) per cent. Higher sales volume has been prioritised at the expense of a lower gross margin. It has been a strategy for Pricer to speed up the development of an ESL market through aggressive pricing in certain markets. As the demand in the market increases prices are expected to strengthen. Several development projects are being run aimed at improving the product and reducing cost of goods sold and hence improving the gross margin.

Operating expenses were SEK 22.8M (16.5) for the quarter and SEK 57.8M (51.1) accumulated. The increase during 2004 is explained mainly by increased efforts in product development.

The operating result was a loss of SEK -17.6M (-13.1) for the quarter and SEK -39.9M (-42.6) for the nine-month period.

The minority interest in the result amounted to SEK 0.2M (2.1) for the quarter and SEK 0.8M (2.1) for the nine-month period, referring to Appulse Ltd and PIER AB.

The net result was SEK -17.5M (-11.0) for the quarter and accumulated SEK -38.6M (-41.5).

## Net sales and operating result, SEK M

	Jul-Sep 2004	Jul-Sep 2003	Jan-Sep 2004	Jan-Sep 2003
Net sales	75.1	15.0	163.4	42.8
Cost of goods sold	-69.9	-11.6	-145.5	-34.3
Gross profit	5.2	3.4	17.9	8.5
Gross margin	7%	23%	11%	20%
Expenses	-22.8	-16.5	-57.8	-51.1
Operating loss	-17.6	-13.1	-39.9	-42.6

## Financial position

Cash flow from operating activities amounted to SEK -37.1M (-14.3) for the third quarter and SEK -68.2M (-42.1) for the nine-month period. Liquid funds as of 30 September 2004 were SEK 46.1M (24.1).

The increase in current receivables during the quarter was due mainly to an increase in receivables from Carrefour. As the project with Carrefour is being completed the cash position will strengthen.

## Capital expenditure

Total capital expenditure, net was SEK 2.0M (1.4) for the quarter and SEK 6.4M (3.9) for the nine-month period. Investments were primarily in machinery, computers and office equipment.

## Employees

The average number of employees for the nine-month period was 66 (40), including 23 (5) at Appulse Ltd and PIER AB. The number of employees as of 30 September 2004 was 85 (50), including 33 (12) at Appulse Ltd and PIER AB.

## Accounting principles

This interim report was prepared in accordance with the Swedish Financial Accounting Standards Council's standard RR20 Interim Reports. Compared with the 2003 annual report, RR29 Employee remuneration was applied. Application of that standard did not affect the period or comparative periods.

## Forecast

According to Pricer, the market trend remains positive, with an increase in the total installed base and more solid interest from several major retail chains. The development of a market for ESL system has come so far that the board of directors believes that the market is now established. Evaluations and negotiations with a number of retail chains are continuously ongoing. The board's earlier assessment that the business will achieve positive cash flow in 2005 remains. This assessment is based on continued orders from customers and that ongoing product development results in lower cost of goods during the period.

Essentially, this means that Pricer's sales will increase substantially in 2004 compared with 2003 and the result will improve.

## Next reporting date

The year end report for January - December 2004 will be published 17 February 2005.

Sollentuna, 12 November 2004  
Pricer AB (publ)

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*Pricer AB (publ), founded in 1991 in Uppsala, Sweden, has the world's leading position as a supplier of electronic display and information systems to the retail industry. Pricer offers electronic information systems that improves significantly customer profitability and productivity.*

*With the largest product range on the market, Pricer ESL System is installed in more than 600 stores in three continents. Among others, the largest and second largest retailer in Europe and some of the largest retailers in Japan are customers to Pricer. Pricer, in cooperation with highly competent partners, offers a totally integrated solution together with the supplementary products, applications and services.*

*Pricer AB is listed on the Stockholmsbörsen's "O" list. For further information visit Pricer's website. Registration to receive news releases automatically by email can be made on the website.*

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## CONSOLIDATED INCOME STATEMENT - SUMMARY

	Q 3	Q 3	9 month	9 month	Full year
Amounts in SEK M	2004	2003	2004	2003	2003
Net sales	75.1	15.0	163.4	42.8	62.0
Cost of goods sold	-69.9	-11.6	-145.5	-34.3	-48.2
<b>Gross profit</b>	<b>5.2</b>	<b>3.4</b>	<b>17.9</b>	<b>8.5</b>	<b>13.8</b>
Selling and administrative expenses	-13.8	-10.0	-39.3	-33.6	-44.1
Research and development costs	-9.0	-6.5	-18.5	-17.5	-24.6
<b>Operating result</b>	<b>-17.6</b>	<b>-13.1</b>	<b>-39.9</b>	<b>-42.6</b>	<b>-54.9</b>
Financial net	-0.1	0.0	0.5	-1.0	-1.7
<b>Result after financial items</b>	<b>-17.7</b>	<b>-13.1</b>	<b>-39.4</b>	<b>-43.6</b>	<b>-56.6</b>
Tax on the result for the period	0.0	0.0	0.0	0.0	-0.1
Minority share in result	0.2	2.1	0.8	2.1	4.3
<b>Net result for the period</b>	<b>-17.5</b>	<b>-11.0</b>	<b>-38.6</b>	<b>-41.5</b>	<b>-52.4</b>

Earnings per share, number of shares	Q 3	Q 3	9 month	9 month	Full year
	2004	2003	2004	2003	2003
Earnings per share, SEK	-0.03	-0.03	-0.08	-0.12	-0.15
Earnings per share, SEK, after dilution	-0.03	-0.03	-0.08	-0.12	-0.15
Number of shares, million	560.4	332.3	496.5	332.3	335.5
Number of shares, million, after dilution	563.7	357.9	563.7	357.9	568.4

NET SALES BY GEOGRAPHICAL MARKET	Q 3	Q 3	9 month	9 month	Full year
Amounts in SEK M	2004	2003	2004	2003	2003
Nordic Countries	2.1	1.3	9.1	5.0	6.7
Rest of Europe	43.8	10.0	88.9	16.7	19.8
Asia	26.3	3.7	59.6	21.0	33.4
Other	2.9	0.0	5.8	0.1	2.1
<b>Total net sales</b>	<b>75.1</b>	<b>15.0</b>	<b>163.4</b>	<b>42.8</b>	<b>62.0</b>

## CONSOLIDATED BALANCE SHEET - SUMMARY

Amounts in SEK M	2004-09-30	2003-09-30	2003-12-31
Patents and licenses rights	11.0	13.7	13.0
<b>Total Intangible fixed assets</b>	<b>11.0</b>	<b>13.7</b>	<b>13.0</b>
Tangible fixed assets	8.1	3.9	4.3
<b>Total fixed assets</b>	<b>19.1</b>	<b>17.6</b>	<b>17.3</b>
Inventories	11.5	13.1	10.4
Current receivables	98.9	21.6	32.7
Cash and bank and short-term receivables	46.1	24.1	66.4
<b>Total current assets</b>	<b>156.5</b>	<b>58.8</b>	<b>109.5</b>
<b>TOTAL ASSETS</b>	<b>175.6</b>	<b>76.4</b>	<b>126.8</b>
<b>Shareholders' equity</b>	<b>103.0</b>	<b>46.3</b>	<b>87.4</b>
<b>Minority interest</b>	<b>1.1</b>	<b>-2.1</b>	<b>1.9</b>
<b>Provisions</b>	<b>5.8</b>	<b>4.6</b>	<b>3.8</b>
Current liabilities	65.7	27.6	33.7
<b>Total liabilities</b>	<b>65.7</b>	<b>27.6</b>	<b>33.7</b>
<b>TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES</b>	<b>175.6</b>	<b>76.4</b>	<b>126.8</b>
Pledged assets	10.7	10.7	10.7
Contingent liabilities	3.8	-	0.5
Shareholders' equity per share, SEK	0.18	0.14	0.18
Shareholders' equity after dilution, SEK	0.21	0.14	0.24

## CHANGE IN SHAREHOLDERS' EQUITY

### Amounts in SEK M

	2004-09-30	2003-09-30	2003-12-31
<b>Shareholders' Equity at start of period</b>	<b>87.4</b>	<b>88.0</b>	<b>88.0</b>
New share issue	-	-	51.3
Employee warrant programme	-	-	0.1
Warrant programme TO8B	54.3	-	-
Translation difference	-0.1	-0.2	0.4
Result for the period	-38.6	-41.5	-52.4
<b>Shareholders' Equity at end of period</b>	<b>103.0</b>	<b>46.3</b>	<b>87.4</b>

## CONSOLIDATED CASH FLOW STATEMENT - SUMMARY

	Q 3	Q 3	9 month	9 month	Full year
Amounts in SEK M	2004	2003	2004	2003	2003
Result after financial items	-17.7	-13.1	-39.4	-43.6	-56.6
Adjustment for non-cash items etc	3.2	-0.2	6.3	1.2	2.9
Changes in working capital	-22.6	-1.0	-35.1	0.3	3.7
<b>Cash flow from operating activities</b>	<b>-37.1</b>	<b>-14.3</b>	<b>-68.2</b>	<b>-42.1</b>	<b>-50.0</b>
<b>Cash flow from investing activities</b>	<b>-2.0</b>	<b>-1.4</b>	<b>-6.4</b>	<b>-3.9</b>	<b>-4.2</b>
<b>Cash flow from financing activities</b>	<b>0.0</b>	<b>0.0</b>	<b>54.3</b>	<b>0.0</b>	<b>50.8</b>
<b>Cash flow in the period</b>	<b>-39.1</b>	<b>-15.7</b>	<b>-20.3</b>	<b>-46.0</b>	<b>-3.4</b>
Liquid assets at start of period	<b>85.4</b>	<b>39.3</b>	<b>66.4</b>	<b>70.5</b>	<b>70.5</b>
Exchange rate difference in liquid assets	-0.2	0.5	0.0	-0.4	-0.7
<b>Liquid assets at end of period</b>	<b>46.1</b>	<b>24.1</b>	<b>46.1</b>	<b>24.1</b>	<b>66.4</b>
Less blocked funds	-4.0	-0.2	-4.0	-0.2	-0.2
Unutilised overdraft facilities	2.8	2.9	2.8	2.9	2.8
<b>Disposable funds at end of period</b>	<b>44.9</b>	<b>26.8</b>	<b>44.9</b>	<b>26.8</b>	<b>69.0</b>

KEY RATIOS, GROUP	Q 3	Q 2	Q 1	Q 4	Q 3
Amount in SEK M	2004	2004	2004	2003	2003
Order Entry	36.1	9.0	102.3	8.6	5.0
Order Entry-moving 4 quarters	156.0	124.9	123.3	23.2	23.9
Net sales	75.1	59.1	29.2	19.2	15.0
Net sales-moving 4 quarters	182.6	122.5	77.8	62.0	64.8
Operating result	-17.6	-13.5	-8.8	-12.3	-13.1
Operating result-moving 4 quarters	-52.2	-47.7	-47.2	-54.9	-54.3
Result for the period	-17.5	-13.9	-7.2	-10.9	-11.0
Cash flow from operating activities	-37.1	-22.6	-8.5	-13.0	-14.3
Cash flow from op. activities-moving 4 quarters	-81.2	-58.4	-55.5	-55.1	-53.6
Number of employees, end of period	85	67	60	51	50
Equity/assets ratio	59%	60%	69%	70%	61%

