



## CEO Statement – 2008-09-05

Dear Pricer Shareholders,

It has been one year since I took office and therefore I would like to take a long moment and share with you some of my thoughts on our progress. While the significant growth in earnings and the continued strengthening of our revenue base confirmed some of the progress we have made, the true picture is realized when one looks at the steps that remain.

Firstly, in a difficult economic environment, sales rose in the first half by 14%, and gains were made in several existing key accounts as well as most markets. **We continued to solidify our market position by winning industry leaders.** Some examples were Casino, Franprix, Fuji, CBA, Castorama, Cora, Shell, Tesco, E. Leclerc, Eroski, Aldeasa, Praktiker, Staples. We expanded into new territories and established new markets, as well as further strengthened our position in France.

**Our new DotMatrix display offering continued to gain new and important converts, in food and non-food**, and is well positioned in the fast-growing markets of France and Japan. Most new stores have chosen DotMatrix to complement their solution. The unique offering will continue to gain market relevance as new installations grow. Today, we have over 100 stores worldwide with DotMatrix display devices.

Our Product Development team continued their innovation in several key areas which will generate additional revenue as well as ensure system superiority and value. We are proud of their recent product developments and releases which include the following:

- DotMatrix ESL 3370, launched at Euroshop in February of this year and now being installed in several food and non food application, the first fully scalable bi-stable pixel based ESL.
- Pricer Server R3.5 with high speed support and optimized image transmission.
- Pricer high speed platform supporting all display devices and quadrupling transmission speed for DotMatrix display support.
- 'Pricer Video Poster' for intelligent digital signage, driven by the Pricer server and automatically refreshed by new promotions, automatically creating a promotional image by combining database information, and randomly displaying at pre defined intervals. On trial in Italy and France.

- DM Trolley for dynamic in-store marketing, utilizing the same platform as the ESLs, integrated DotMatrix in trolley handle for cost effective solution. Several trials planned for 2H.
- Mettler Toledo Scale DotMatrix Solution, is a preconfigured solution for the mid market. With MT, the food scale solution allows clients to implement both the scale and the DotMatrix product displays in a turn key solution, benefiting from complete information integration and control from the scale application.

**Looking ahead to 2009 and beyond, we continue to witness an increasing demand for our solutions worldwide.** However strong growth will remain in two principal markets and this limits somewhat our momentum in the short term. Overall growth will remain consistent, sometimes largely affected by a major rollout, and then returning to its underlying trend.

For many years, we have been disappointed with the market and client growth. Leading retailers have made the step, leading markets as well. Today we have over 200 different retail food chains at various stages of ESL adoption, but the widespread adoption has been slow. The ESL industry has been handicapped by several different factors, from investment size, to the change we bring, to the integration effort required.

I recently answered a shareholder's question on why the ESL growth remained slow and I would like to share my answer with you.

ESL fit into the same category as any automation for retail, and so should be looked at as a component of this process. No one questions the eventual widespread implementation of automation, the question remains: when will the situation instill true 'urgency'. I stress this word since it is the key. When will the ESL investment be compelling enough for food retailers worldwide and retailers in general? This is not to say ESL is not compelling, but one must know that retail is never about one thing. It involves three very interdependent issues: store design, store merchandising and store operations. Retailers know that you weaken one, you weaken all. You strengthen one, you alleviate the pressure on others. And one must remember the retail maxim: a lost sale is never recovered. So significant change is difficult.

ESL is about operations and productivity, and principally is chosen to address a merchandising strategy that cannot be managed by normal store operations. The term 'Price Optimization' is sometimes used, but this is too restrictive. It is basically the strategy of being price competitive at any given moment in time: To Change Price Now. Retailers have understood the effects of commoditization and are all at different stages of implementing competitive pricing. But the increase in price changes on the floor is completely unmanageable. ESL becomes the only tool that can effectively address this. And it affects everything- from store design, to store merchandising, to store operations. It is no accident that we today are the choice of most of the top 20 food retailers. They have been the first to implement the change and their careful study usually ends with the choice being based on scalability, training/user/maintenance friendliness, total cost of ownership, and future proofing, the cornerstones to the Pricer wireless platform solution.

Now comes the urgency issue for retailers. Commoditization introduces fierce price and service competition. P&L pressures will continue to drive the need to increase productivity and efficiency. Low sales and productivity growth will impede shareholder value. Customer satisfaction will increasingly become important from lower queue time to effective signage. These different forces are increasingly converging and will drive automation and ESL growth.

However, retailers will continue to hesitate. Some will postpone for as long as they can, some will wait for an affordable 'true' ESL (with paper-like readability), some will be more focused on growth (new store builds). Some markets have strong productivity (USA) and less constraint on pricing, EDLP (Every Day Low Price).

Many markets however, like most European countries, are increasingly prioritizing automation and ESL. They are facing the difficult combination of factors mentioned above. Generally these drivers are uneven. France has many strong factors all coinciding to drive automation. Spain and Italy are strong behind. UK has the operational drive but with strong merchandising constraints we can only tackle now with the new technology mix of products (both operational and merchandising).

This technology change will be important, if not fundamental, for the ESL industry as these new displays come on stream, termed bi-stable by their limited need for energy only when the image on the display is changed. The Pricer system has been designed to accommodate these new displays. Although still in early industrial phase, their reliability and autonomy already make it perfect for integration in ESL solutions and the retail environment. Their pixel characteristics provide a flexible, paper-like solution to retailers without the operational and merchandising limitations of segment based solutions. Several display manufacturers have extended vertically into the ESL market (SHARP, SEIKO, ZBD) underestimating the system requirements and have opted for what they believe are 'off the shelf' radio backbones. They have failed in their launch and mostly disturbed the marketplace. With the high cost of their displays and the lack of a segment based offer (which would present to them other system difficulties), they are too early and ill-suited to offer any scalable solution.

**Pricer is the clear technology leader in ESL, and the only company to have a proven mutualized scalable platform for both Bi-stable (pixel based) and Segment based solutions.**

The combination of these two displays will help grow the market, and the coming on stream of bi-stable displays will greatly expand the market, pulling ESL companies into the retail merchandising world and allow ESL industry to expand horizontally across all segments.

Pricer has established the ESL brand and has a unique offer. We have consistently stayed one step ahead of the industry and have consistently sought to position the company for the strong growth which will occur. **The trust and confidence that companies such as Metro, Ito Yokado, Carrefour and Casino place in this relatively small company is rarely seen in any industry.**

Finally, the trickle down effect will occur and gain momentum year over year. Although we expected the decisions of Metro and Carrefour and others to impact the

industry sooner, impact they are. And our continued expansion in second tier supermarkets and market expansion as we follow the tier 1 into new markets will ensure our strong coverage and leadership.

**With our complete solution, we are well-positioned to benefit from the growth trends in the demand for automation to support the industrialization of retail.**

The last six months have been all about growing in key markets and establishing Pricer in the new graphic display technologies. The first year has been about delivering and protecting profitability.

The next year will be about helping food retailers avoid the effects of the downturn and growing our business through our strong product mix and innovation, while continually reducing our production costs. But the one of the most important ambitions for us will be to grow in the non food. We have already established a strong base of customer trials, and are confident about these opportunities in the immediate future.

On behalf of the Pricer, I would like to thank our customers, partners, employees and shareholders for your continued confidence and support.

Yours Very truly,

Charles Jackson