

ANNUAL REPORT AND
SUSTAINABILITY REPORT

2019



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Catalyst behind the digitalization of retail

Pricer manufactures the world's most reliable electronic shelf-edge labels (ESL), which help retailers all over the world resolve important challenges introduced by modernization. Pricer's digital solutions optimize employee-intensive processes, ensure price information, and improve the buying experience for the customer.

With over 200 million labels installed in over 17,000 installations in more than 50 countries, Pricer is the world-leader in digital retail solutions.

For many years, Pricer's ideas, technology and employees have changed how the grocery retail trade functions and transformed an entire industry. Pricer is today the only supplier with optical wireless communication, which creates a scalable and reliable system that is not disrupted by other Wi-Fi systems. In addition, the battery performance of Pricer's labels is the market leader, featuring significantly less energy consumption than other communication systems without sacrificing speed and flexibility.

Pricer's customers today primarily operate in the grocery retail, DIY, electronics, and pharmacy industries. Customer needs and consumer preferences are the drivers for Pricer's innovative and sustainable solutions.

Pricer was founded in 1991 in Sweden, and the company's Class B share is listed on Nasdaq Stockholm Small Cap. On December 31, 2019, the Pricer Group had 135 employees.

The Board of Directors and CEO of Pricer AB (publ.), based in Stockholm with CIN 556427-7993, hereby submit the annual report for the 2019 financial year for the Parent Company and the Group. The Annual Report and the Auditor's Report are on pages 18–64. The Corporate Governance Report is on pages 24–28. The results of the year's operations and the financial position of the Parent Company and the Group are presented in the administration report and in the income statements, balance sheets, statements of comprehensive income, cash flow statements, statements of changes in equity and additional disclosures and notes, which make up the formal annual report.

The annual report is published in Swedish and English. The Swedish version is the original version and has been audited by Pricer's auditor. In the event of discrepancies, the Swedish original will supersede the English translation. All values are expressed in Swedish kronor. Kronor are expressed as SEK, thousand kronor as TSEK and million kronor as MSEK. Unless otherwise specified, the figures in brackets refer to 2018. This report contains a certain amount of forward-looking information based on the current expectations of Pricer's management. Even if the management deems the expectations found in the forward-looking information to be reasonable, no guarantees can be given that the expectations will become reality. Consequently, future outcomes may differ considerably compared with the forward-looking information, depending, for example, on changed circumstances in relation to finances, the market and the competition, regulatory requirements and other political actions, exchange rate variations and other factors.

This annual report was produced in cooperation with RHR/CC in Malmö. Photo: Emma Shevtzoff, Shirley Marie, Isabelle Alsén & Maria Cruseman.

Highlights of 2019

Follow-up order in the USA

At the end of the year, a leading US grocery chain placed an order for the installation of Pricer's digital price label system in an additional 450 stores. The value of the new order value is estimated to be around SEK 625 M and is included in Pricer's order intake for Q4 2019. Deliveries are planned to begin in Q2 2020 and be completed by the end of 2020.

Order worth SEK 60 M from Tosano in Italy

In July, an order was placed for around SEK 60 M from the Italian grocery store Tosano, with 15 large-format stores, for the full roll-out of digital shelf-edge labels in all stores. Tosano is integrating Pricer's advanced digital solutions, such as dynamic product positioning and InstantFlash functionality, for a new application that aims to optimize the logistics flow from the external warehouse to the store shelf. In addition, Pricer and Tosano are entering into a strategic collaboration to integrate Pricer's shelf-edge camera into the application with the objective of further improving the efficiency of several store processes based on data analysis.

Galeries Lafayette chooses Pricer for new store at Champs Elysées

In June, a collaboration was announced between the Galeries Lafayette Group and Pricer. The French department store group is choosing to equip its new store on the prestigious avenue Champs Elysées with the electronic SmartTAG shelf-edge labels from Pricer, which suits the store's modern and luxurious interior design.

RIMI in the Baltics chooses Pricer

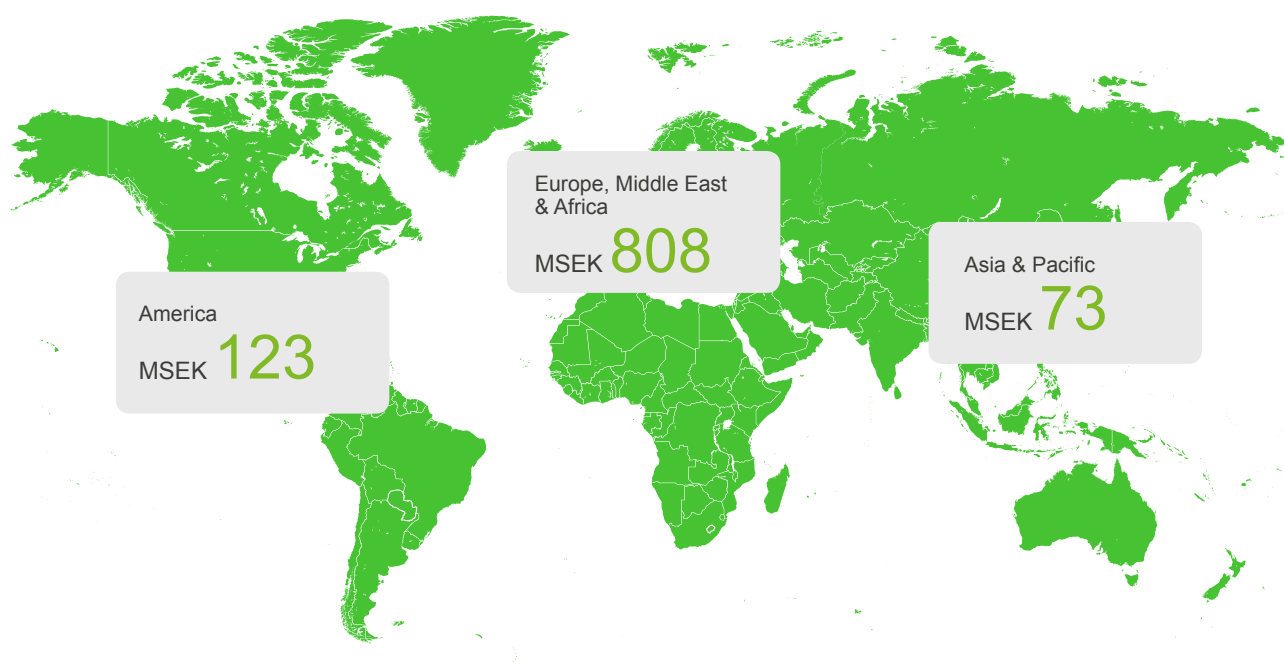
In April, RIMI, one of the largest grocery chains in the Baltics and part of the ICA Group, signed an agreement with Pricer's partner StrongPoint to equip its stores with electronic shelf-edge labels from Pricer. The total investment in the pilot project in all three Baltic states is estimated to amount to 200 KEUR for 2019.

MSEK **1,003**
Net sales

MSEK **100**
Operating profit

10 %
Operating margin

Net sales per market, MSEK



CEO's comments

2019 – Yet another historically successful year

2019 ended in the best conceivable way. A few days before the end of the year, our existing US customer submitted an order to install Pricer's system in an additional 450 of its stores. The order is our largest yet, and it is valued at approximately SEK 625 M. In February 2020, a follow-up order was also submitted valued at around SEK 300 M. The orders show that Pricer's system meets the digitalization challenges that the retail trade is facing. Our unwavering focus on product innovation aimed at broadening our offering and thus improving the system's added value for both customers and store visitors permeates our operations as a whole and is one of several success factors. To further strengthen and broaden our offer, we are continuously expanding and deepening our collaboration with external partners.

Net sales in 2019 amounted to SEK 1 billion (1.2), and the underlying business demonstrated a strong trend. Operating profit amounted to SEK 100 M (89), corresponding to an operating margin of 10 percent. The year was gilded by an order of around SEK 60 M from the Italian grocery chain Tosano, which was delivered and installed during the second half of the year. The project included all of the chain's 15 stores, which makes it possible to standardize a number of time-intensive store processes through Pricer's system solutions for the best possible efficiency.

Our business mission

We are a catalyst behind the digitalization of the retail trade. By creating solutions and services that are easy to use, implement and scale up, we make it possible for our customers to be successful in a connected world. Pricer's digital solutions optimize employee-intensive processes, ensure price information, and improve the buying experience for the consumer.

Digitalization increases the rate of technological investments in the retail trade

The ongoing digital transformation, which has changed consumption patterns, is affecting the retail trade and speeding up the need for technological investments. Due to the entry of e-commerce as a competitor of and a complement to tradi-

tional retail in physical stores, several fundamental circumstances have changed for how a store should be operated. The ease that many consumers experience when shopping online, for example finding the right product or comparing different functionalities, is increasingly being sought after in physical stores as well. In the grocery store chains, there is also more of a focus on sustainability and reduced food waste. Changing the price with paper labels in a store is a time-intensive and often drawn-out process, and there is no central database for checking the best-by date. In order to be able to change the price more often, faster, and cost-efficiently in a physical store, digital price labels are a requisite and a platform for more advanced functions.

Demand for digitalization solutions for the physical store environment is accelerating in a large number of countries, primarily in Europe, North America, and Asia.

About Pricer's system

Pricer's technical platform has constituted the company's DNA since the company's inception, and a unique digital platform for communication has emerged on that basis. With flash functionality in the label combined with solutions for dynamic product positioning, the digital price label system can be used for several store processes and is thereby able to address many of the challenges retailers face. In addition to automated price updates, Pricer's system can help streamline in-store picking and shelf replenishment processes.

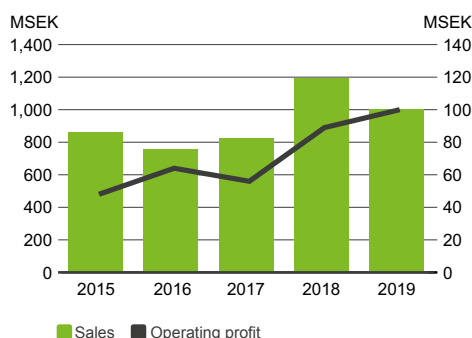
In pace with wider utilization of digital price label systems, Pricer's position in the market is also becoming more favorable. In addition to the classic strengths of Pricer's technical platform – energy-efficient, rapid and reliable communication – demand is increasing for the ability to add more functionality to the system. During the year, we introduced a shelf-edge-mounted camera to enable advanced applications such as automatic identification and handling of sold-out products, realograms/planograms, proper placement of products, advertising material, and sophisticated shelf optimization.

In conjunction with the trade show Euroshop in February 2020, we also introduced a new product concept, Pricer Plaza, which is based on Pricer's cloud solutions and related advanced functions. Ongoing development of the system's functionality and performance to further strengthen the advantages offered by our technical platform will be important success factors for Pricer.

Market in rapid change

The digitalization trend within the retail trade continues to be very strong. A number of independent analysts predict that the market for ESL systems will show annual growth of 20 percent on average in the next few years. Over the past few years, we have noticed a progressive increase in market interest. An increasing number of retail chains are recognizing the advantages of digital price labels and launching pilot projects to evaluate both the need for and selection of suppliers. The high level of activity we have noticed for quite some time is to an increasing extent being converted into investment decisions and store installations. The trend is expected to continue.

DEVELOPMENT THE PAST 5 YEARS





“Record-high order intake – rapidly changing consumption patterns driving demand for Pricer’s attractive customer offers.”

Competition on the market continues to be tough. We are convinced that the benefits of our unique system’s functionality, for example speed, reliability, scalability and battery life, respond better to the challenges facing the retail trade than any of our competitors’ systems.

The effects of the Corona virus (COVID-19) are currently difficult to embrace and summarize, but we expect that this will have some impact on our business. Among other things, in the form of delayed test and pilot projects and difficulties performing shop installations according to schedule in some countries.

Summary

2019 was yet another fantastic year from a financial perspective. We noted the highest order value, the highest earnings and the highest cash flow thus far in Pricer’s history. We

strengthened the organization during the year, primarily in the form of market presence but also within product development. Our watchwords – innovative, dependable, and passionate about the retail trade – influence everything we do. This creates engagement, both internally and externally with our suppliers and our customers. It is through innovation with a focus on the needs of our existing and potential customers that we can establish ourselves as a long-term partner. This is how the company has built a strong presence in the market, and we see this as our continued recipe for success.

I would like to thank all employees, suppliers, and customers for a great collaboration in 2019, and I look forward to an exciting future together!

Helena Holmgren
President and CEO

Strong market growth drive by change in consumer behavior

Consumers' preference to be able to shop via more channels, greater dynamic price-setting, greater consumption in emerging economies, and higher minimum wages are several of the factors expected to drive the growing market for digital price labels.

Digital price labels, also called electronic shelf-edge labels (ESL), replace traditional paper price labels. In addition to being used for real-time price setting, these digital price labels serve as a foundation for a number of processes in the retail trade, such as faster picking of online orders, product replenishment, and effective store management.

Digitalization of stores and e-commerce

Store digitalization is here to stay, and the retail sector is increasingly investing in technology to address changed consumer expectations on the shopping experience. Offering customers greater flexibility throughout the entire buying process and enabling a smooth transition between digital and physical shopping platforms will grow in importance. For traditional retail chains with a network of physical stores, this means a supplementary e-commerce offering. For pure e-commerce chains, this means taking a step into the physical store environment with stores or showrooms to supplement the digital offering.

E-commerce continues to make great strides in many markets, but it still only represents a small share of the total amount of retail sales. The majority of sales are still made in stores, even if the buying process increasingly includes both digital commerce sites and physical stores. According to Deloitte Digital's report¹⁾, US consumers' product research prior to a purchase impacts as much as SEK 0.49 of every krona spent in physical stores. Many retail chains are making major investments to develop new store formats and concepts to address the new reality where the boundaries between online and offline are disappearing.

As more and more people begin to understand the advantages of e-commerce in terms of simplicity and availability, their expectation on the experience in the physical store will change as well. Personal service will become an increasingly important aspect of a store visit, and many retail chains are

actively working to free up time for store employees so they can provide better service to shoppers. At the same time, customers are looking for solutions that increase availability and simplicity in cases where they do not need to receive personal service, for example at unmanned stores, self-checkout stations or advanced information search kiosks next to products.

Price-sensitive consumers

One of the large global trends identified by KPMG²⁾ is that consumers are becoming more informed about price, which increases the need for stores to make fast, and in many cases daily, price adjustments. The number of consumers who research a product and its price prior to purchase is increasing. Of customers who search for information online, 81 percent do so before they make a purchase. Of these customers, 89 percent start their buying process through a search engine. A smartphone enables them to quickly, with only a few clicks, see if the price is too high and search for alternatives.

Strong global market

The ESL market is a fundamental part of the smart retail market. Estimates of the market's growth rate vary. For example, the annual growth rate has been estimated at 16.9 percent during the period 2019–2026 (Allied Market Research, Global Electronic Shelf Label Market, November 2019), and Arizton Research has predicted the global ESL market will grow by 27 percent on an annual basis during the period 2018–2025.

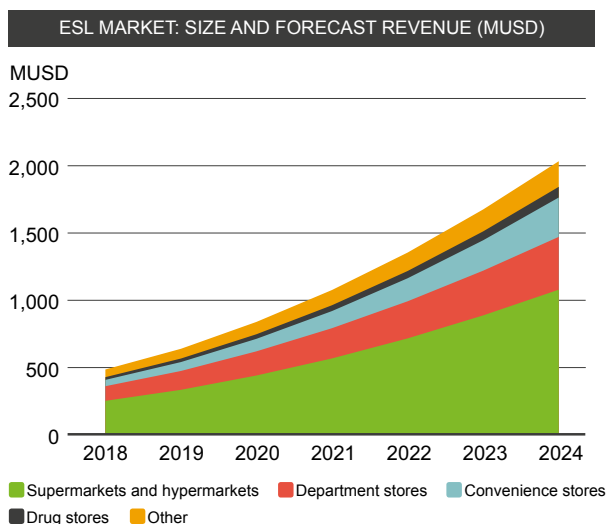
Pricer's own market analyses based on its main markets (North America, Latin America and Europe) and insights from Pricer's existing and potential customers indicate an estimated annual total market growth of around 20 percent over the next five years.

Digital price labels were previously viewed as a replacement for the paper label, but in recent years they have increasingly become the foundation for store digitalization.

The rate of penetration for ESL is still very low given the volume of paper labels.

The market for smart retail is growing all over the world due to the digital transformation of stores. Retailers want to be able to offer consumers the same buying experience online and offline, optimize store processes and streamline price management, shelf utilization, and other services such as Click & Collect.

Retailers in developed countries such as Germany, France and Singapore have been early adopters of automated solutions in the retail trade. Markets that are growing and offer good growth potential for ESL suppliers include the USA, Canada, the Netherlands and Italy.



Source: Arizton Research, Electronic Shelf Label Market (ESL Market) – Global Outlook and Forecast, 2019.

Competition

In addition to the world-dominant paper label, there are two digital technologies in the market: systems based on optical communication technology close to the infrared frequency, which Pricer is the only supplier to offer today, and systems based on radio communication, primarily frequencies of and around 2.4 GHz (commonly known as Wi-Fi), which is offered by our competitors. A lot of communication is sent within these frequencies, which can disrupt the updating of digital shelf-edge labels, for example in stores located in shopping malls. There are a few large competitors in this segment. An increasing number of actors with radio communication solutions are also trying to enter into the market with the goal of rapidly gaining market share through lower prices.

Global market trends

- A higher minimum wage increases the labor costs in stores, primarily for time-intensive manual tasks such as labeling, thus increasing the need for streamlined store operations: correct inventory levels, correct placement of products, and efficient restocking, to name a few.
- Consumers are becoming better informed about prices, which increases the need for dynamic price setting and price transparency between the digital world and the physical store²⁾.
- Greater e-commerce where customers buy items online and then pick them up at the store (Click & Collect).
- Price optimization to reduce food waste through solutions that automatically lower prices of goods as the expiration date approaches.

1. Deloitte Digital from 2016, Navigating the new digital divide – A global summary of findings from nine countries on digital influence in retail.

2. KPMG, Retail Trends 2019 – Global Consumer & Retail, February 2019.

Innovation and attentiveness to the needs of customers and consumers

Pricer's operations rest on a strong tradition of R&D to create value for customers and consumers through high-quality, reliable, and forward-looking solutions for store digitalization and streamlining of store processes.

Pricer is currently the only supplier of an ESL system working with the reliable and scalable optical-wireless communication technology with dependable performance. Pricer's labels are more environmentally friendly than other ESL solutions on the market since they consume significantly less energy than other communication systems, making them market-leaders in battery life.

By having an R&D-intensive organization, Pricer constantly strives to be the digital partner who can guide retail customers through the challenges of store digitalization and offer solutions and services that are reliable and easy to use and implement and to scale up.

Product development

Pricer develops both software and hardware with the aim of developing new products and services and continuously improving the system's performance in order to address the market in the best possible way. Product development is a significant part of Pricer's operations within the Parent Company in Sweden. Factors such as technology trends, market trends and customer demand form the basis for the work in this department, which is agile and offers excellent capacity for providing new products and services within Pricer's scalable and modular solution.

In 2019, the R&D department prioritized the development of solutions with enhanced performance to meet customers' growing needs. One of Pricer's strengths is that it offers a system with a very short response time. The response time is critical for being able to support task-management services, which is rising in importance among customers. We therefore trimmed both the hardware and the software in the system during the year to further shorten the time it takes for a label to react to a command, for example by blinking its LED light.

Pricer also developed during the year a system for a wireless shelf-edge-mounted camera that with the help of artificial

intelligence can send notifications to store staff when goods are in the wrong place or about to sell out.

Manufacturing and logistics

Delivering large volumes of ESL labels with superior quality and the highest performance has long been, and still is, one of Pricer's defining features. Pricer has the capacity to deliver the volumes that our existing and potential customers demand as they grow. We meet our large customers regularly to develop forecasts of future delivery needs.

Our good capacity in the production line is the result of close partnerships with several carefully selected manufacturers in China, Thailand, Cambodia and Hungary. They were chosen based on provided quality, geographic location, delivery capacity and price, which enables Pricer to optimize its production. The production facilities and the process have been developed and automated together in order to guarantee efficient production that has quality at its core. All of our suppliers must follow Pricer's strict Code of Conduct and business ethics, which we continuously monitor.

Sales channels

Pricer's sales are primarily based on two models: direct sales and sales through resellers. On markets where Pricer does not have its own local presence, we have a well-established network of certified and trained partners for sales and support, which is an important part of Pricer's business model. The sales structure on some markets is a hybrid of both models.

Our selected partners work closely with Pricer's assigned representative for their market to ensure that customers receive the support they need in terms of sales, support, competence development and certification. To ensure a harmonized process and shared high-quality tools, a central customer support unit was established in 2019.

Platform for real-time digital communication

Pricer offers a digitalization platform for the physical retail trade – a solution that streamlines the in-store work for employees and provides a positive experience for the modern consumer.



Digitalization and streamlining of store processes

Pricer's business model is based on creating value through store digitalization and streamlining of store processes. By offering a fast, energy-efficient, robust and scalable system for automated price updates, it is possible to add additional services/functions and integrate with other parallel technologies.

Extensive experience in complex system solutions

Pricer is dedicated to providing long-term support and ongoing development of its platform and maintains good production and delivery capabilities to ensure that the system is open for future integration. The system currently comprises an important component in the retailers' work to increase consumer involvement, customer satisfaction and the buying experience. Our customers primarily operate in the grocery retail, DIY, electronics, and pharmacy industries.

Reliable and energy-efficient systems with fastest response time

Many physical stores are facing the challenge of transitioning from a transaction-oriented to a service-oriented environment. By freeing up time for store employees, Pricer's customers can experience a higher level of service and thereby higher levels of satisfaction. As the boundary between e-commerce and physical stores is increasingly blurred, there is a greater need for stores to be able to update their information in real

time. System requirements on stability, speed and scalability are especially important in this respect. Pricer's system is advantageous in that it can satisfy these demands, and it is an important building block in the digital transformation process.

Scalable system

The strength of Pricer's system is that it can offer customers a modular and scalable solution and can handle the addition of new functionality without having to make adjustments to accommodate other needs. The battery performance of Pricer's labels is the market leader, featuring significantly less energy consumption than radio-based communication systems and without sacrificing speed and flexibility. The optical communication technology on which the system is based is therefore well-suited for an expanded rate of utilization. This offers reassurance to customers who do not want to limit their opportunities to future development with new areas of application.

Strong innovation

The system has long been able to transmit information such as price, contents, country of origin, etc., to the label. The system also has the capability to communicate with store employees or passing consumers via a flashing LED diode, thereby helping employees or consumers find the right product more quickly. This interactivity is a critical component in helping stores streamline many of their more onerous work processes than was previously possible. Development of new applications for the system is continuously ongoing as market needs and expectations change. An example of this is the system's unique ability to automatically position products in stores, an innovation that has had a major impact since it fully automates what was previously a purely manual process.

The need for a high rate of innovation in order to meet customer demand for increased system functionality is more important than ever before. Pricer has also initiated a number of partnerships with supplemental software solutions with the aim of reducing food waste in the grocery retail trade. Pricer is also involved in a large number of local initiatives and customer integrations, where the company's platform enables connection to the product in different ways by giving it digital representation on the shelf edge.

Pricer's ESL system—developed to meet the demand and requirements of retailers and consumers

Reliable – not disrupted from other Wi-Fi systems

Energy-efficient and scalable

Fastest update and response time

Lowest life cycle cost

Pricer solves real problems

Anyone who has ever been in contact with store operations knows that they are very employee-intensive. The more successful the store, the more work is required to keep shelves replenished, put up and take down campaign materials, pick online orders, etc. Digitalization and changed buying behaviors mean it is more important than ever before to streamline operations and improve quality. Consumers are less likely to be understanding if a price is incorrect, a product is missing from the shelf, or no one is around to offer assistance.

Click & Collect

When a consumer places an online order, a common solution is to use a nearby store as the warehouse to pick the order. The consumer can then collect the product at the store or have it delivered. Picking orders is in and of itself a time-consuming and costly process, which can keep many people busy on a full-time basis.

Pricer's customers use Instant Flash, a blinking function on the digital price label, to save precious seconds every time an item is picked. Based on the online order, the store employee is shown a route through the store. As the employee nears the shelf, the labels of the items that need to be picked will start to blink. Without needing to look for the item itself, the employee can quickly pick the right item by following the blinking labels.

It is not unusual today for stores to complete around one or two million picks a year, which offers great potential for savings. The end result is a decrease in the employee effort required to pick products and an increase in the quality of service.

Dynamic price setting

An automated price-setting process frees time for more value-generating processes that help customers and place key products on the shelf. In a store with paper labels, the price on the shelf can differ from the price at check-out. In a store equipped with Pricer's system, the prices are updated digitally and automatically to guarantee that the price on the shelf is always the price at check-out.

Inventory management in stores

Most modern retailers today use automatic order placement to order products. These systems are based on registered deliveries, cashier transactions and registered waste. In practice, there are many sources of errors which result in the theoretical inventory balance being just that: theoretical. Consequently, one important task at the store is to continually coordinate potentially incorrect inventory balances – a time-consuming task that calls for good familiarity with the store. Pricer's system can be used in several different ways to improve inventory management, for example by showing

the inventory levels on the label before the store opens. Staff can also be guided to potential problem-products through the blink function.

Campaigns

Many retailers use campaigns to drive sales. Marketing materials known as shelf talkers are commonly placed on shelf edges to call attention to the campaigns. A campaign generally lasts for a set period of time, for example a weekend or a week. Many shelf talkers need to be put up and taken down in between two campaign periods.

Pricer's system utilizes a hand-held unit that has a map of the store showing where the campaign goods are. As the employee approaches the proper shelf, Instant Flash shows which items are in the campaign at the same time as the hand-held unit shows what needs to be done. Valuable time is saved once again, and campaigns are ensured to be executed correctly.

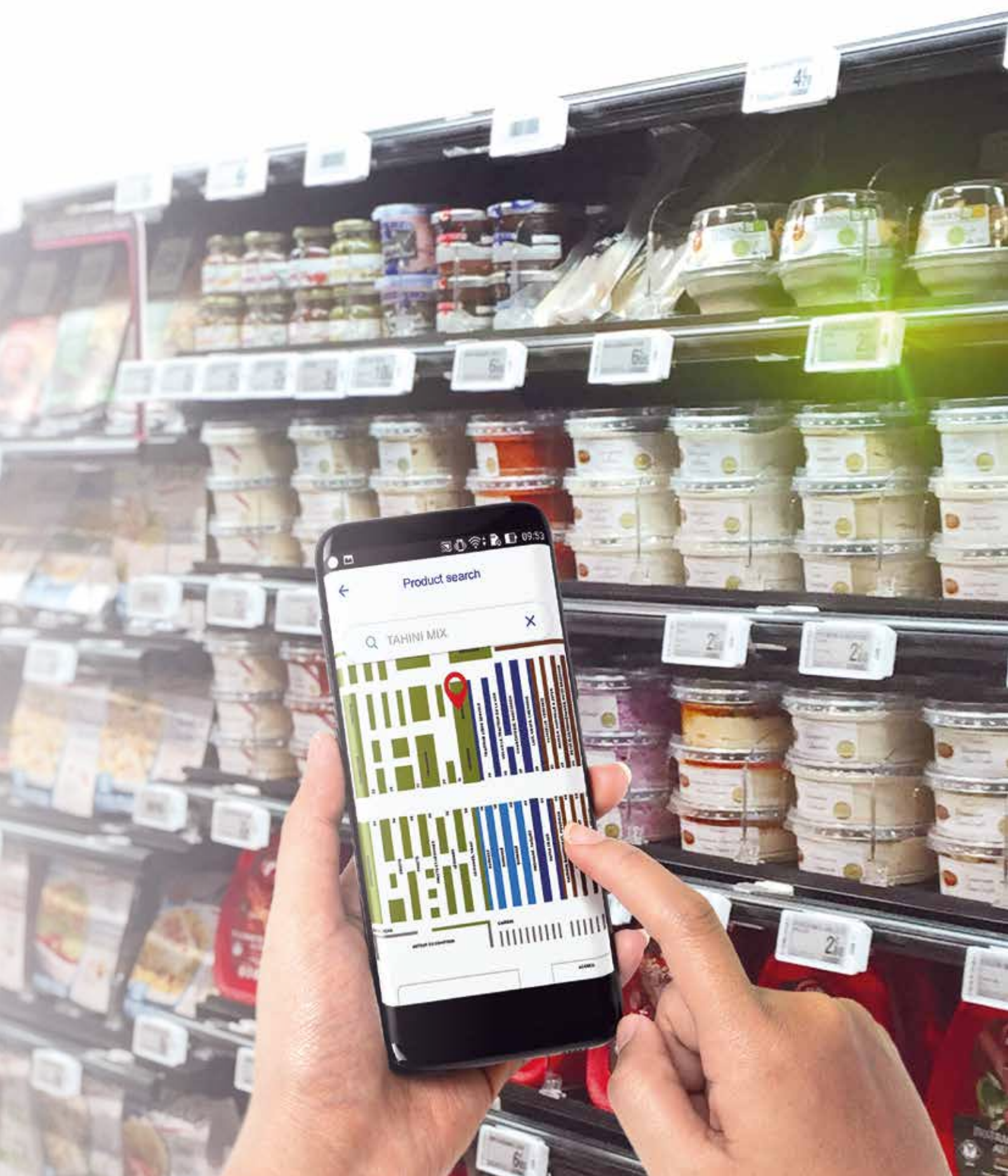
Shelf replenishment

Shelf replenishment is one of the most time-consuming tasks in a store. For every product that is sold, a new one needs to take its place on the shelf. With a map that shows the location of the product in the store and Pricer's Instant Flash, even an inexperienced employee is transformed into an efficient stocker. The volume of products also means that even very small savings have a large financial impact.

Guidance in the store

In large stores like supermarkets or DIY stores, it is not always easy for customers to find the item they want. The store layouts differ between stores, chains, and countries, and finding a staff member to help can be difficult. There is naturally a risk that the customer will give up and leave if they cannot find the product.

Pricer offers an automated solution to the problem. By dynamically and automatically positioning every label, the system knows where all of the products in the store are located. Customers can then search for a product and find it on a map using Pricer Quick Search, which is available at an in-store terminal or as a mobile app or website.



Sustainability for Pricer

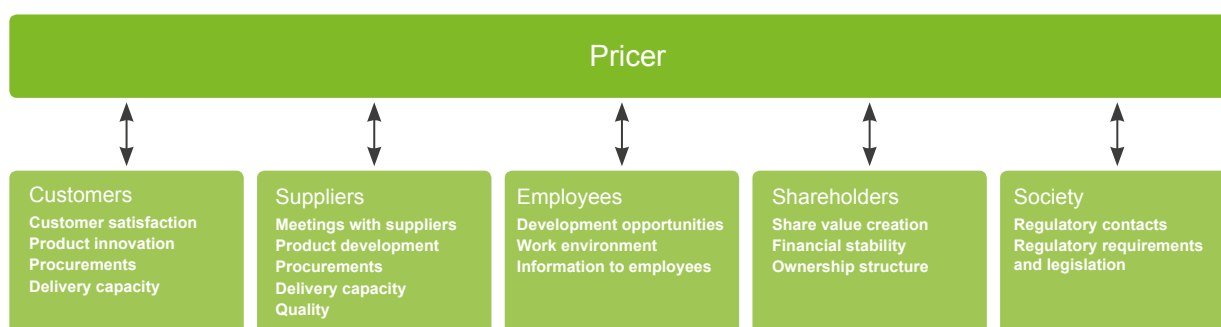
Sustainability management

Sustainability for Pricer means financial, social and environmental value creation throughout the entire value chain. Pricer's sustainability management is based on ongoing stakeholder dialogue, business intelligence and the company's strategies and priorities. Pricer considers these aspects to determine the most essential areas given the company's operations and their impact on the environment and society. Pricer then decides on goals and activities and follows up on them within the framework of the overall strategic objectives, for which the Board and CEO are ultimately responsible. Pricer develops its work to set the company's goals and activities on an ongoing basis in order to accommodate the current needs of its various stakeholders.

Continual stakeholder dialogue

A number of stakeholders affect Pricer's sustainability management through their demands and expectations on the company. Satisfying existing requirements and being prepared for anticipated requirements are fundamental components in the company's strategy for sustainable business development. Pricer's stakeholders are groups associated with the company that directly or indirectly affect or are affected by our operations. Pricer strives for an open dialogue with our stakeholders in order to address the issues most important to them. The company has identified five key stakeholder groups: customers, suppliers, employees, shareholders and public authorities, including the various focus areas illustrated below.

Pricer's stakeholders and their core issues



Pricer's focus areas



Value creation for the company's stakeholders

Finances

The inputs for financial value creation consist of share capital, operating profits and the performance data for value creation as presented in the table below.

PRICER'S FINANCIAL VALUE, GENERATED AND DISTRIBUTED			
MSEK	Stakeholders	2019	2018
Net sales	Customers	1,003	1,195
Total value generated		1,003	1,195
Distributed as			
Salaries and remuneration	Employees	-104	-89
Service, goods and investments	Suppliers	-767	-1,010
Social security contributions and income tax	Federal	-43	-40
Dividend paid	Shareholders	-66	-55
Remaining in the company		23	1

Social

The inputs for social value creation are found in the expertise provided by employees, management and the Board, and continuous development is vital for long-term value creation. The company's close relationships with select suppliers are also critical.

The results of good social value creation are visible in the way Pricer's services and solutions help customers operate their businesses efficiently. The improvements are visible among Pricer's customers across various retail trade verticals, such as those in the grocery retail, DIY, home electronics and pharmacy sectors. The enhancements offered to these retail companies in turn have positive effects on the public and society.

Environmental aspects

Pricer has no in-house manufacturing. On an environmental front, Pricer actively works to reduce its environmental impact in relation to the logistics structure and in relation to the company's business travel policy.

Pricer's value chain has the following main components:



For a description of Pricer's business model, see pages 8–9.

For a description of sustainability risks, see page 22.

For a description of the Pricer Group, see Note 24.

Environmental impact

At Pricer we are convinced that sustainable business is critical for continued profitability. It is important for the company to keep its environmental footprint as small as possible — an ambition that should permeate all of our activities on a day-to-day basis. Pricer strives to minimize waste generation. One of the cornerstones of Pricer's environmental policy is to proactively avoid greenhouse emissions and make continuous improvements in the environmental area. Pricer's products should be developed with the objective of minimizing their environmental impact throughout their entire service life as well as when they are recovered and destroyed. Pricer should choose materials, technology and distribution systems that meet our goals for low environmental impact. One of the criteria for selecting our resellers is that they need to have similar ambitions in terms of the environment and that they, together with us, promote compliance with the environmental policy. Pricer offers advice and shares know-how with our customers and partners so that they can use, transport, store and scrap our products in an environmentally positive manner. Pricer's products comply with the EU's RoHS (Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment) Directive, which is aimed at reducing risks to human health and the environment by replacing and limiting hazardous chemical substances in electronic equipment. The directive also seeks to achieve profitable and sustainable material recovery of the equipment. Pricer's ESL systems are market leading in energy efficiency with the longest battery time, which means it is the most environmentally friendly turnkey solution available on the market.



Goal **80%** — Outcome **65%**

The goal is for 80% of the company's intercontinental shipping to go by sea by 2020.

Of the company's total number of produced labels, 65% (41%) were shipped by sea from Pricer's suppliers in Asia.

The improved outcome is the result of the possibility to better plan for production due to fewer large customer projects with fast delivery requirements.

Employees

Pricer employees work in an international and multicultural environment. High expertise, professionalism and responsibility, with focus on customers and our surroundings, permeate our culture, the organization and the way we do business.

We value openness, initiative and a positive mindset in our employees, who share our passion for new technology and retail. Clear communication, rich initiative, honesty and mutual respect between individuals and professions are all important values at Pricer.

Diversity and equality

Pricer appreciates and encourages diversity among its employees, and treats them with dignity and respect. Discrimination and harassment are strictly prohibited.

Pricer's goal is to gradually increase the share of women at the company and for all departments to have female employees.

The different backgrounds, knowledge, expertise and perspectives of employees create new opportunities and generate better results.

Fitness benefit

Pricer supports employee health and well-being on the job, among other things by encouraging employees to choose a healthy lifestyle and offering a fitness benefit.

Our values:



Skills development

Pricer aims to continuously track our needs in terms of resources and skills to ensure innovative leadership. Training opportunities are offered based on need and priority and in different formats, for example on-the-job training, job rotation, e-learning, courses, seminars and other specialized training.

Goal —————→
Increase the share of women at the company and have female employees in all departments.

Outcome
The graph below shows the share of women in the total number of employees and by department at the end of the year.

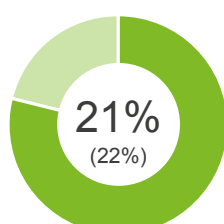
Goal 0 —————→
Zero vision for occupational injuries, illnesses and incidents.

Outcome 0
No occupational accidents, illnesses or incidents were reported during the year.

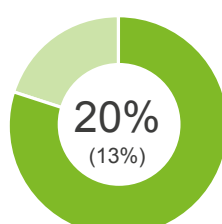


The company is working to increase diversity and equality. The technology industry has been, and remains, male-dominated. The goal is for the share of women and men to follow the general gender distribution in the industry and for every department to have female representation.

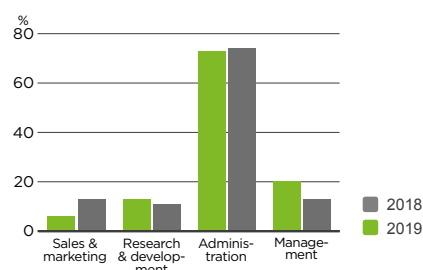
SHARE OF WOMEN IN THE TOTAL NUMBER OF EMPLOYEES



SHARE OF WOMEN IN THE MANAGEMENT GROUP



SHARE OF WOMEN PER DEPARTMENT AT END OF YEAR



Supply chain

Pricer strives to be an attractive business partner and seeks reliable, fair and reciprocal conditions for both the company and its suppliers. The underlying ambition is for the company to strive towards an ethical and professional standard and to aim for its suppliers, service providers and other business partners to do the same.

Pricer has required its major suppliers to comply with the company's Code of Conduct for Suppliers since 2016. The code requires suppliers to act ethically, adhere to local laws

and regulations, comply with international agreements, and respect human rights in accordance with international conventions.

In 2019 these requirements were extended to include our direct component suppliers as well. Under no circumstances will Pricer accept child labor and/or forced labor. No agreements will be entered into with suppliers who fail to respect this.

Goal **100%** —————> Outcome **100%**
100% of the company's production partners shall sign and follow the company's Code of Conduct. 100% (100%) of the company's production partners have signed and are complying with the company's Code of Conduct.

Goal **100%** —————> Outcome **100%**
100% percent of the company's direct component suppliers shall sign and follow the company's Code of Conduct. 100% (100%) of the company's production partners have signed and are complying with the company's Code of Conduct.

Goal **0** —————> Outcome **0**
Zero tolerance for human rights violations. No violations of human rights were reported in 2019.



Short-term purchases are to be made from suppliers that have signed the Code of Conduct. The long-term objective is to raise the standard and to be in full compliance with the principles set forth in the UN Global Compact.

PRICER PROMOTES LOCAL DEVELOPMENT

Pricer contributes to local development in the community where one of our suppliers operates. The company and the local supplier have together promoted an initiative for a number of years that aims to support education and health care for underprivileged children in Thailand. As a result of the program, Pricer and the supplier have been able to donate funds to build a school, provide eyeglasses for students in need and donate medical equipment to a hospital.



Regulatory compliance/ sustainable business

Corporate responsibility

Activities related to corporate responsibility (CR) are important for Pricer's long-term value creation and comprise the concept of sustainability as a whole — from the environment, health and safety to challenges related to regulatory compliance, business ethics and relationships with employees, customers, suppliers and society.

No matter where Pricer has operations, we adhere to laws, rules and regulations. The company respects human rights and should be known for its exemplary business ethics.

Corporate governance

Good corporate governance is an important aspect of both Pricer's corporate culture and the Group's values. The aim is to support the Board and management in their efforts to increase customer benefit as well as shareholder value and transparency.

Application of the Code

Pricer is a publicly traded Swedish company listed on Nasdaq Stockholm. The company applies the Swedish Corporate Governance Code. More information about the Swedish Corporate Governance Code is available at the Swedish Corporate Governance Board's website, www.bolagsstyrning.se. The company complies with Nasdaq's rules and the EU's Market Abuse Act (MAR).

Policy documents for governance

- Sustainability Policy
- Environmental Policy
- Code of Conduct for Suppliers
- Dividend Policy
- Finance Policy & Authorization Policy
- Information & Communication Policy
- Insider Policy
- IT Policy

Employee accountability

The company expects all of its employees never to commit, support or assist in fraud, abuse, theft, embezzlement, bribery or similar activities. Employees who suspect or have information about such irregularities involving Pricer, its employees, a consultant, any agent to Pricer or customer (including employees of customers) or anyone doing business with Pricer must immediately notify their immediate manager or Pricer's corporate management. The company has set up a whistle-blowing function that can be used anonymously.



Goal 0 → Outcome 0

Zero tolerance of all forms of bribery, inappropriate gifts/ business entertainment or corrupt activities.

No indications of the occurrence of corrupt business practices in the Group's operations.

The goal is to comply with both international practice and a standard higher than that required by local legislation.

The auditor's opinion regarding the statutory sustainability report

To the general meeting of Pricer AB, CIN 556427-7993

Assignment and separation of duties

The Board of Directors is responsible for the Sustainability Report for 2019 on pages 12–17 and its preparation in accordance with the Annual Accounts Act.

Focus and scope of the examination

Our examination has been conducted in accordance with FAR's recommendation RevR 12 *The auditor's opinion regarding the statutory sustainability report*. This means that our examination of the statutory sustainability report is differ-

ent and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Stockholm, March 25, 2020

Ernst & Young AB

Rickard Andersson

Authorized Public Accountant

Administration Report

Operations

Pricer is one of the world's leading manufacturers of Electronic Shelf Label (ESL) systems for customers in primarily grocery retail, DIY, electronics chains and the pharmacy industry. The company's ESL platform offers retailers solutions that support and optimize a number of different store processes.

Pricer's sales channels consist of direct sales to end customers and sales to resellers who are Pricer's business partners.

The Group consists of the Parent Company Pricer AB (Sweden) and the wholly owned subsidiaries Pricer S.A.S. (France), Pricer Inc. (USA), Pricer E.S.L. Israel Ltd. (Israel), Pricer GmbH (Germany), and a number of smaller, primarily dormant, companies. Pricer AB also has a branch office registered in Hong Kong. The Parent Company is responsible for product development, purchasing and sales to subsidiaries. The company also has direct sales to some specific markets and handles customer service. The subsidiaries in France, the USA, Israel and Germany account for sales and customer service in their respective markets and in some cases also nearby markets.

Market development

We strengthened our presence in a number of geographic markets, including North America and Southern Europe, with the aim of managing both the increased demand and the growing installed customer base. Pricer's investments in sales- and marketing-related activities generated greater interest in our products and systems on several markets. There continues to be considerable market potential since the penetration of ESL systems is very low, and paper labels continue to be our primary competitor.

Data-driven retail

Few actors on the market currently doubt that the physical retail trade will be more digital in the future. E-commerce, thanks to its digital access to data and increasingly advanced algorithms, has taken forecasting and statistical predictability to new levels. In addition, data analysis increases the possibility of tailoring the shopping experience to the individual regardless of the platform the consumer chooses for the transaction. Pricer is continuing to develop its offer within this exciting area, and our launch of the shelf-edge-mounted camera, which enables data analysis based on the actual status in the store, constitutes an important step. Pricer's goal is to continuously improve the speed and efficiency of communication in the store, both in terms of consumer information and price and product information, as well as support for staffing to carry out time-intensive processes more effectively.

Pricer's unique optical system

The strength in Pricer's unique system, which is based on optical communication technology close to the infrared frequency, lies in being able to offer customers a modular and scalable solution, where new functionality can be added with-

out having to sacrifice other needs. Competitor systems that are based on radio communication have a built-in limitation due to not only the large amount of energy that is consumed for a label to listen to the radio communication but also disruptions from other radio-based products such as telephones and computer systems.

Functionality that places demands on the system's response time is added at the cost of other functionality or with a reduced lifespan since the amount of energy that is available in a label is limited and constant. Pricer's system is therefore well-suited for a greater utilization rate, which is a security for customers who do not want to limit their options for future development.

The year in review

Order intake

2019 was a record-setting year in terms of profitability and order intake, which creates a positive outlook for the future. Order intake for the year amounted to SEK 1,504 M (1,268), an increase of 19 percent compared to last year. Adjusted for exchange rate fluctuations, order intake rose 12 percent. Order intake is divided across several geographic markets, with the USA, France, Italy and Norway representing the largest countries.

Net sales

Net sales amounted to SEK 1,002.9 M (1,194.5) for the full year, a decrease of 16 percent compared to last year. Adjusted for exchange rate fluctuations, net sales decreased by 19 percent.

Net sales in the region Europe, Middle East & Africa amounted to SEK 807.7 M (741.7), with countries such as Italy, Belgium and Norway showing good growth compared to last year. Pricer's largest market in the region, France, continued to contribute stably to net sales, even if a few exchange and upgrade projects were postponed due to strategic reassessments regarding digitalization.

Net sales in the region Americas amounted to SEK 122.7 M (396.1). The decrease is primarily due to the large US customer project that was under way in Q3 and Q4 2018. We are also pleased to see strong growth in smaller markets in Latin America, albeit from low levels.

Net sales in the region Asia & Pacific amounted to SEK 72.5 M (56.7), where the region showed favorable growth for the full year.

Gross profit

Gross profit amounted to SEK 331.0 M (272.2), and gross margin amounted to 33.0 percent (22.8) for the year. The positive change in the gross margin continued to be primarily the result of the product and contract mix as well as positive currency effects, lowered prices on a number of standard components and a higher degree of automation in production. A greater share of sea freight instead of air freight also had a positive impact.

Operating profit

Operating expenses increased to SEK -227.2 M (-188.3) for the year, primarily as a result of increased costs for staff and consultants for investments in product development and an increased market presence on a number of geographic markets, including North America and Southern Europe. These steps were taken to meet the increased demand emerging from both customer dialogues and pilot installations and for broader use of the system in supporting more processes with new customer applications.

Other income and expenses amounted to SEK -3.3 M (5.2) and consisted of the net effect of realized and unrealized currency revaluations of trade receivables and trade payables.

Operating profit amounted to SEK 100.4 M (89.1), which corresponded to an operating margin of 10.0 percent (7.5). Higher gross profit led to an increase in both the operating profit and the operating margin.

Financial items

Financial items, which consist primarily of currency revaluation of balance sheet items such as cash and cash equivalents, impacted the period positively and amounted to SEK 0.8 M (-0.3).

Income tax

Tax for the period amounted to SEK -3.5 M (-1.5), of which SEK 0.3 M (3.2) refers to deferred tax and SEK -3.8 M (-4.7) to current tax. The current tax rate amounted to -4 percent (-5), and the reported total tax rate amounted to -4 percent (-2). The low tax rate is due to that some of the previous non-recognized tax losses carried forward were utilized during the year, which had an impact on tax of SEK 20.6 M (21.0).

Net profit for the year

Profit for the year was SEK 97.7 M (87.3). The increase compared to the same period last year is due to the increase in operating profit.

New accounting principles

The new accounting principle IFRS 16 Leases is applied as of January 1, 2019. Operating expenses for previous operating leases of SEK 11.2 M were replaced by depreciation on right-of-use assets of SEK -11.0 M and interest rate expenses for lease liabilities of SEK -1.1 M. Comparative figures have not been restated. More information is available in Note 21 Leases.

Assets and working capital

Total assets at year-end amounted to SEK 1,121.0 M (1,121.6) and consisted among other things of intangible assets of SEK 325.8 M (301.5), most of which are attributable to the acquisition of Eldat in 2006 and the related goodwill totaling SEK 263.3 M (259.3). The increase in goodwill is explained mainly by exchange rate fluctuations for EUR,

SEK M	Group	
	2019	2018
Net sales	1,002.9	1,194.5
Cost of goods sold	-672.0	-922.3
Gross profit	331.0	272.2
Gross margin, percent	33.0%	22.8%
Operating expenses	-227.2	-188.3
Other income and expenses	-3.3	5.2
Operating profit	100.4	89.1
Operating margin, percent	10.0%	7.5%

which is the currency in which goodwill is denominated.

Working capital (including current provisions) at the end of the period amounted to SEK 194.8 M (212.9).

Product development

Pricer conducts two types of product development. The first is hardware-related and aims to continuously improve the system's performance and expand the product portfolio in order to optimally address the market. The second is software-related and addresses functionality in the system as a whole. Product development is directed by the Parent Company in Sweden. Due to the greater rate of innovation to respond to the new challenges in the retail trade and expand the utilization rate of ESL systems, we have expanded the R&D organization. Expenses amounted to SEK -35.8 M (-25.7), equal to 16 percent (14) of total operating expenses and 4 percent (2) of net sales. In addition, SEK 39.0 M (18.5) of the costs for development expenditure during the year were capitalized as non-current intangible assets for development projects.

Cash flow, investments and financial position

Cash flow from operating activities amounted to SEK 149.1 M (83.7) for the year. The change in working capital had a positive impact on the cash flow from operating activities of SEK 11.5 M (-30.1), primarily as a result of a reduction in outstanding trade receivables, which increased cash flow, as well as a decrease in accounts payable and an increase in capital tie-up in inventory, which reduced cash flow.

Cash flow from investing activities amounted to SEK -50.0 M (-27.6) during the full year and consisted primarily of capitalized development expenditure of SEK -39.0 M (-18.5) and investments in property, plant and equipment of SEK -11.0 M (-8.7). The investments refer in part to production equipment for the unit outside of China that has been established to increase scalability in the delivery chain, work that has been accelerated with the aim of minimizing the effect of import duties to the USA. The investments also refer to automated processes for increased efficiency in the supply chain.

Cash flow from financing activities amounted to SEK -76.3 M (-55.2) during the full year and referred to the dividend of SEK -66.2 M (-55.1) in accordance with a resolution by the

Annual General Meeting on April 25, 2019. Cash flow also referred to amortization of lease liabilities of SEK -10.1 M (0.0), reported in accordance with IFRS 16 Leases. Comparative figures for lease contracts have not been restated, so the cash flow for leases was reported instead as part of the operating activities.

Cash and cash equivalents at 31 December 2019 amounted to SEK 194.2 M (171.0). In addition to cash and cash equivalents, the company has an unutilized overdraft facility of SEK 50 M (50).

Parent Company

The Parent Company's net sales amounted to SEK 848.7 M (1,057.4), and the profit for the period amounted to SEK 143.3 M (67.1). The Parent Company's net financial items included dividends from subsidiaries of SEK 52.8 M (0.0). The Parent Company's cash and cash equivalents amounted to SEK 167.9 M (161.0) at the end of the period.

Employees

The number of employees at year-end was 135 (115); including hired staff and consultants the number was 155 (129). The average number of employees for the full year was 127 (109) and including hired staff and consultants was 148 (121). The organization was strengthened in several areas, such as product development and sales.

Equality

Pricer's overall objective is for its work with equality to be a natural and integral part of all operations. This applies to all types of workplaces, levels and even the company's management and decision-making bodies. The conditions, rights and development opportunities for women and men should be equal throughout the entire Group. Working conditions and opportunities for advancement should not be dependent on factors such as gender, nationality or ethnic origin.

Sustainability Report

Pricer AB presents its sustainability report for the 2019 financial year as a separate report on pages 12–17.

Environmental impact

The company's products meet the requirements established by the EU Directive RoHS (Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment). The Directive aims to reduce the risks for people's health and the environment by replacing and limiting harmful chemicals in electrical and electronic equipment. The Directive should also improve the possibility for profitable and sustainable material recovery from waste from electric and electronic equipment. The Group also complies with other legal environmental requirements regarding recovery of batteries and electronic waste. The Group conducts no operations requiring permits according to the applicable environmental legislation.

Seasonal variations

Pricer's operations show no clear seasonal variations. Customer demand and the willingness of customers to invest can vary between quarters. Income, profit and cash flow should therefore be assessed over a longer time horizon.

Acquisitions, transfers and treasury shares

At the end of the year, the company held 705,131 Class B treasury shares in order to meet the promise of matching and performance shares under the outstanding performance share plans from 2017, 2018 and 2019. No treasury shares were acquired during the year. The value of the promise is recognized in accordance with IFRS and is expensed over the vesting period. More information about the Pricer share can be found on pages 68–69.

Legal disputes

As part of Pricer's ongoing operations, the company is sometimes involved in legal disputes. At present, there are no disputes that are assessed to have the potential for a material impact on Pricer's results or financial position.

The Board of Directors' proposal of guidelines for remuneration to senior executives

These guidelines apply to the CEO and individuals who are members of Pricer's Executive Management team. The guidelines shall be applied to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the 2020 Annual General Meeting.

The guidelines do not apply to remuneration specifically decided by the general meeting. The company has established annual performance share plans. These have been decided by the general meeting and are therefore not subject to these guidelines.

The proposed guidelines submitted to the 2020 AGM for resolution do not contain any material changes in relation to the company's existing remuneration guidelines. Note 4 accounts for the expensed remuneration to the CEO and other senior executives.

The guidelines' promotion of the company's business strategy, long-term interests and sustainability

Pricer is a leading global actor within digital store communication and offers solutions that both increase stores' productivity and enhance the end customer's shopping experience. Pricer's platform is fast, robust, scalable, and continuously developed with new functionality. Pricer's goal is to use its digital communication platform, which consists of both hardware and advanced software functionality, to create an in-store platform that enables faster and better decision-making based on the KPIs that are most important for the business. In order to strengthen its position on the market, the company follows a strategy that consists of four focus areas: product and system development, purchasing & logistics, service offers, and sustainability.

A prerequisite for the successful implementation of Pricer's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company is able to recruit and keep qualified employees. The objective of Pricer's remuneration policy for senior executives is therefore to offer competitive remuneration on market terms in order to attract, motivate, and keep competent and skilled employees. These guidelines enable the company to offer senior executives a competitive total remuneration. For more information about the company's business strategy, please refer to the company's website, www.pricer.com.

Remuneration shall consist of a fixed salary, variable cash remuneration, pension benefits, and other benefits. In addition, the general meeting can – independent of these guidelines – resolve on, for example, share-based and share price-based payments. The total compensation shall be on market terms and promote the interests of shareholders by enabling the company to attract and keep senior executives.

The variable salary is based on the outcome in relation to established financial targets. Fulfillment of targets for payment of variable cash remuneration shall be measurable over a period of one year. The CEO and other senior executives can receive a maximum of 50 percent of one annual salary. Variable cash remuneration shall not qualify for pension benefits. Variable cash remuneration shall be linked to pre-determined, well-defined and measurable financial targets for the Group, such as growth of operating profit and working capital development. Individual measurable financial targets may also occur. Weighting is done relatively between the targets based on which focus shall be given to management, with the primary weight being placed on the operating profit. The targets shall be designed in such a manner as to promote Pricer's business strategy and long-term interests, including its sustainability, by, for example, being linked to the business strategy or promoting the senior executive's long-term development within Pricer.

Senior executives' pension benefits, which include health insurance benefits, are defined contribution. For the CEO and other senior executives, a provision is made for an amount corresponding to at the most 25 percent of the fixed annual salary.

Other benefits may include, for example, health insurance and a company car. Such benefits may amount to at the most 10 percent of the fixed annual salary.

Additional cash remuneration may be awarded as a one-time arrangement under extraordinary circumstances with the aim of recruiting or keeping senior executives. Such remuneration may not exceed an amount corresponding to one year's fixed salary. Decisions regarding such remuneration shall be made by the Board of Directors.

Senior executives outside of Sweden whose employment terms are governed by rules other than those in Sweden may be subject to different conditions due to legislation or market practice, and these guidelines may be adapted accordingly. In such cases, the overarching objective of these guidelines shall be observed to the greatest extent possible.

Determination of the outcome for variable cash remuneration, etc.

The Board of Directors, in the capacity as the company's Remuneration Committee, shall prepare, monitor and evaluate matters pertaining to variable cash remuneration. After the measurement period for the targets for awarding variable cash remuneration has ended, it shall be determined to which extent these targets have been satisfied. Evaluation regarding fulfillment of financial targets shall be based on established financial information for the relevant period. Remuneration to the CEO and other senior executives shall be decided by the Board of Directors in its capacity as the company's Remuneration Committee.

Variable cash remuneration can be paid after the measurement period ended or following a period of deferment. The Board of Directors shall have the possibility, under applicable law or contractual provisions, to in whole or in part reclaim variable remuneration paid on incorrect grounds.

Employment term and termination of employment

Senior executives shall be employed until further notice. Severance pay and fixed salary during the notice period may not exceed an amount corresponding to twelve months' fixed salary for the CEO and other senior executives.

At resignation by a senior executive, the notice period may amount to six months. A senior executive's own resignation does not trigger any right to severance pay.

Additionally, remuneration may be paid for non-compete undertakings. Such remuneration shall compensate for any loss of income and shall only be paid to the extent the previously employed executive is not entitled to severance pay for the same period. The remuneration may be paid during the time the non-compete undertaking applies, however not for longer than twenty-four months following termination of employment.

Salary and employment conditions for employees

In the preparation of the Board of Directors' proposal for these remuneration guidelines, salary and employment conditions for employees of the company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

The decision-making process to determine, review and implement the guidelines

The Board of Directors prepares matters regarding remuneration and other employment conditions for the company management, and the Board of Directors, in its entirety, acts as the Remuneration Committee. The members of the Board are all independent in relation to the company and its management. This work also includes preparing proposals for new guidelines for remuneration to senior executives. The guidelines shall be in force until new guidelines are adopted by the general meeting. The CEO and other members of the company management do not participate in the Board of Directors' processing of and decisions regarding remuneration-related matters in so far as they are affected by such matters. The Board of Directors shall prepare a proposal for new guidelines at least every fourth year and submit it for resolution at the AGM. If the Board of Directors decides to establish a Remuneration Committee, what is stated in these guidelines regarding the Board of Directors, in its capacity as the Remuneration Committee, shall apply to the Remuneration Committee.

Derogation from the guidelines

The Board of Directors may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is

Risks and risk management

In its operations, Pricer is exposed to various types of operating, market and financial risks. The company's risk management aims to identify, control and prevent these risks in the operations. Most the company's risks are continuously being managed by the Parent Company through its responsibility for product and project development, sourcing of goods, sales and customer support. The Group's financial risks are managed by the Parent Company. The subsidiaries within the Group are currently managing on an ongoing basis

market and business risks primarily related to their respective customers and markets.

Insurance

Pricer has Group-wide insurance policies that are revised annually by an independent external party. The insurance policies cover property, interruptions, product responsibility, cyber threats, transport, and liability insurance for Board members and senior executives.

RISK	DESCRIPTION	MANAGEMENT
SUSTAINABILITY RISKS		
Environmental impact	For Pricer, environmental impacts arise primarily from rules and requirements regarding carbon dioxide emissions and that these rules and requirements are continuously being tightened.	The company is working continuously to improve its deliveries and its supply chain. Effective warehousing makes it possible to better meet market requirements with a lower impact on the environment.
Work environment, health and safety	There is a risk that Pricer will not achieve its targets regarding diversity and zero-tolerance with regard to discrimination and harassment. There is also a risk that the company may be negatively impacted by accidents or incidents in connection with installations on a customer's premises that are carried out by the company or its partners.	Pricer educates and informs all employees about the company's policy on these questions. Work-related accidents that may primarily occur are fall from height accidents during installation of the company's equipment at a customer. In order to reduce the risk of such accidents occurring, the company has initiated a training program.
Supply chain	According to Amnesty International, there are a number of countries where there is a high risk of violation of human rights, such as child labor or forced labor. Pricer has suppliers in a number of these countries.	For Pricer, it is vital that human rights are respected. The company places the same requirements on its suppliers. Pricer carries out regular controls and follows up on any short-comings to ensure that they are addressed.
Regulatory compliance	Corruption and bribery exist in a number of markets where Pricer is active through sales and/or purchase of goods. There is a risk that employees carry out corrupt activities.	Pricer is working to actively distribute the company's Code of Conduct and the value the company sees in compliance with it. There are internal control routines to detect and prevent deviations. The company has established the possibility for employees to anonymously report any irregularities (whistleblowing).
BUSINESS RISKS		
Customers	A large share of Pricer's sales come from a small number of customers and markets.	The company is working actively to widen its customer base and geographic spread.
Suppliers	Pricer has a need for stable and competent suppliers to ensure the supply of products on time and with high quality.	The company divides its production between a number of suppliers to create a flexible production solution. The company also uses standard components as far as possible.
Skills and manpower	Strong growth and profitability require access to key skills in a number of areas.	Pricer is working actively to make the company an attractive workplace based on knowledge, experience sharing and diversity. Through knowledge transfer and work processes, Pricer is taking steps to ensure that expertise is retained within the company.
IT & information security	Pricer's operations are highly dependent on a well-functioning IT environment. Interruptions and disruptions in IT system can have an impact on these operations. Furthermore, intrusions into the IT environment or deficiencies in the processing of customer or employee information or business-critical data handled in the IT environment can lead to lower confidence in the company and have a negative impact on the Group's bottom line.	Pricer works continuously to streamline and digitalize its operations. During the year, large parts of its IT operations and IT systems were outsourced for higher redundancy. Work on information security also intensified during the year, in part in efforts to comply with ISO 27001. Pricer regularly reviews what it can do to further mitigate its risks by utilizing new technologies, for example artificial intelligence, to more effectively prevent virus attacks and intrusions and train employees.
MARKET RISKS		
Competitors	Today there are only a few companies and smaller regional businesses that have similar products and compete with Pricer. If the sector were to undergo a restructuring, for example if one or more competitors were to enter into an alliance with a strong partner, this could constitute a threat to other players in the market.	Pricer has a strong market presence through a large installed base and a recognized brand in a number of its key markets. Pricer's local presence is supplemented with a wide partner network, which enables close collaboration with both existing and new customers. This ensures that the company safeguards its position and thereby defends its market shares.
Competing technologies	Pricer uses near-infrared light technology in its ESL systems, which ensures more secure and faster transmission than the competing radio technology. New competing technologies could constitute a threat in the future.	The infrared technology used by Pricer ensures more secure and faster transmission than the competing radio technology. However, the company closely monitors activities among the competitors to stay abreast of any new technological advances.
Development projects	There is a risk that newly developed products will not fulfill the technical functionality requirements or meet expectations, which could lead to a risk of impairment of capitalized development projects and higher warranty costs.	Pricer continuously monitors demand for the company's various products to ensure that the need for impairment does not arise. The company offers customary warranties for customer installations.
FINANCIAL RISKS		
Foreign currencies	Changes in exchange rates can have a negative impact on profit, the balance sheet and cash flow. Pricer is exposed to currency risk primarily through sales in EUR and USD and purchasing in USD.	Pricer continuously follows its net exposure in each currency. In some cases, the company uses currency clauses in price quotations and agreements. The company strives to match income and expenses in the same currency to the greatest extent possible, particularly through increased sales in USD.
Interest rates	Changes in market rates can have a negative impact on the income statement, balance sheet and cash flows. Exposure to interest rate risk arises mainly from outstanding external loans.	Pricer had no external borrowing during the year. The company's financial policy requires the company to maintain a low risk profile and for financial investments to have a maximum maturity of one year.
Credit/Counterparty risk	The risk that a counterparty in a transaction will fail to meet its financial obligations, and that collateral, if any, will not be sufficient to cover the company's receivable.	Pricer's credit risk refers primarily to trade receivables. A credit limit is set for the counterparty, and this limit contains an assessment of how trade receivable losses can be minimized.
Refinancing risk and liquidity risk	The risk is associated with the limited access to financing possibilities when loans fall due and that it will not be possible to meet payment obligations as a result of insufficient liquidity.	Pricer had no non-current loans during the year, which reduces the need for refinancing. The company also has access to an unutilized bank overdraft facility corresponding to SEK 50 M.

For financial risks, please refer to the disclosures in Note 20.

necessary to serve the company's long-term interests, including its sustainability, or to ensure the company's financial viability.

Corporate Governance Report

The corporate governance report can be found on pages 24–28.

Events after the balance sheet date

A leading US retail chain placed another follow-up order to complete the roll-out of Pricer's digital price label system in the remaining 230 stores in the USA. The estimated value of the new order is around SEK 300 M. Delivery is planned to begin in Q2 2020 and be completed by the end of 2020.

As a result of the reorganization that was completed in January 2020 with the primary aim of clarifying roles and responsibilities, a decision was made to reduce the number of members of Group management from ten to seven. For a presentation of the Executive Management team, see page 30.

In March, the Nomination Committee made public its proposal for the period extending to the end of the 2021 AGM: re-election of Board members Knut Faremo, Hans Granberg, Jonas Guldstrand, Thomas Krishan and Jenni Virnes. Bernt Ingman declined re-election. Knut Faremo is proposed as the new Chair of the Board.

Update on possible effects of the coronavirus (COVID-19)

Based on Pricer's record-high order backlog in combination with an improved situation in supply chain, the company's view is currently that the effects of the coronavirus (COVID-19) will be limited. We anticipate certain timing effects regarding deliveries and completion of store installations that may have a moderate negative effect in the first quarter of 2020. The main impact that we see is that customer dialogues regarding test and pilot projects are being postponed.

As a result of the COVID-19 virus spreading around the world, several countries in March have taken decisions that may restrain retailers from carrying out their businesses effectively. It is likely that these measures will result in delayed investment decisions in several of Pricer's most important markets and hence impact the company's order intake going forward. So far, we have not experienced any interrupted negotiations, but we do experience postponed customer dialogues relating to test and pilot projects.

The company's view is that the flow of small and medium-sized orders will be temporarily slowed as our customers need to focus on internal priorities until their operations are back to normal. Apart from that, the supply chain situation is recovering well, and lead times are improving, although some logistics challenges remain.

For the time being, it is not possible to quantify the financial implications resulting from the COVID-19. The company monitors developments closely and remain in constant dialogue with both suppliers and customers to mitigate risks

that arise as a consequence of the spread of virus. Pricer has a strong financial position with a continued high net cash position and has no plans for reductions in its operations.

Outlook

Several factors indicate a bright future for Pricer. The company's long-term and continuous product development have given the company a technical platform that stands out as the market's most efficient and high-performing digital shelf-edge system. Pricer's market presence, direct or indirect through various partners, has created the conditions for in-depth knowledge about customers and markets far beyond what most of the company's competitors have succeeded in establishing. The digital transformation of the retail trade that is taking place among several of Pricer's customers is expected to continue and accelerate. As the ESL system addresses a growing number of store processes in addition to price updates, the cost-benefit analysis is changing fundamentally. This is predicted to open up both new geographical markets and new market segments, and thereby expand the addressable total market.

Forecast

No forecast is issued for the financial year 2020.

Dividend policy

The Board's intention is to pay the shareholders a dividend that reflects both a reasonable yield and dividend growth, and to implement a policy where the dividend payout is adapted to Pricer's earnings, financial position and other factors deemed relevant by the Board. The long-term annual dividend should be equal to 30–50 percent of profit for the year.

Proposed appropriation of profits

The funds at the disposal of the AGM amount to SEK 143,331,735 together with other non-restricted equity of SEK 247,045,214, for a total of SEK 390,376,949. The Board proposes that these funds be appropriated as follows:

Dividend of SEK 0.80 per share	88,213,320
Amount to be carried forward	302,163,629
Total	390,376,949

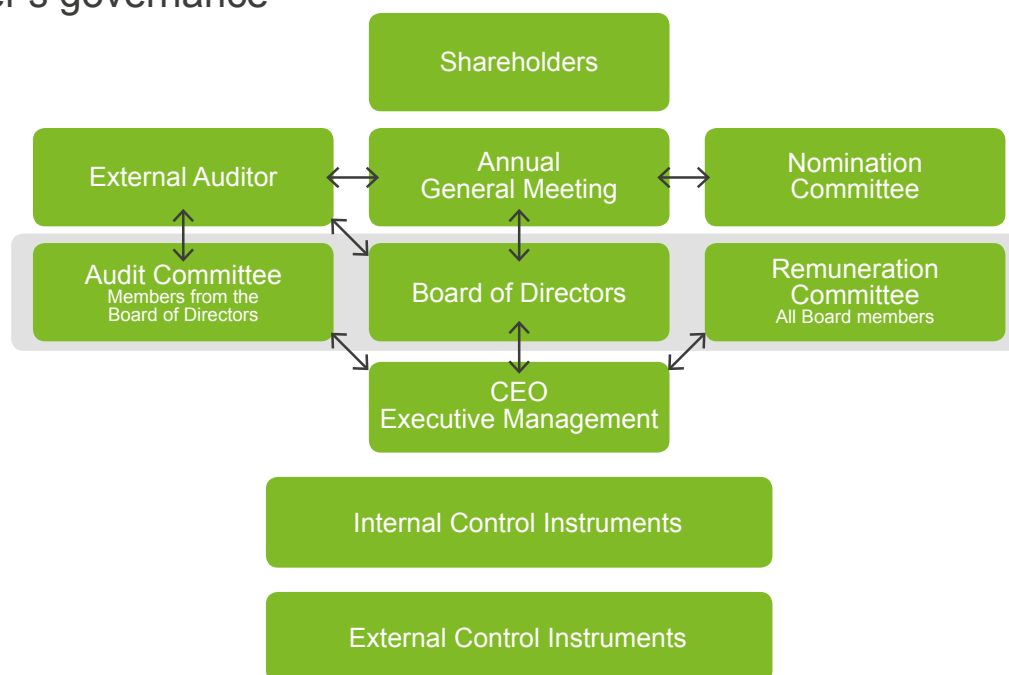
The Board's reasoned statement regarding the proposed appropriation of profits can be found on page 59.

Amounts and dates

All amounts are presented in Swedish kronor (SEK). Thousands of SEK is written as SEK thousands, and millions is abbreviated as SEK M. The period covered for items in the income statement is January 1–December 31 and for items in the balance sheet December 31. Rounding-off differences may arise.

Corporate Governance Report

Pricer's governance



Pricer AB (publ) is a Swedish public company domiciled in Stockholm. The company's Class B share is quoted on the Small Cap list of Nasdaq Stockholm.

This corporate governance report has been prepared in accordance with the Annual Accounts Act and the rules in the Swedish Corporate Governance Code, "the Code" (more information about the Code is available at www.bolagsstyrning.se).

This report has been submitted by the Board of Directors of Pricer AB but is not part of the formal financial statements. According to the Board of Directors, Pricer has followed the Code in all respects during 2019. The report has been read by the company's auditor, who has issued a separate opinion that the statutory information in the corporate governance report is consistent with that in the annual report and the consolidated financial statements.

Share structure and ownership

Pricer has two classes of shares: Class A and Class B. Class A shares carry five votes per share and Class B shares carry one vote per share. There were 225,523 A shares and 110,746,258 B shares, all with a quota value of one SEK (1) each.

There were 16,375 shareholders at December 31, 2019. The ten largest shareholders held 42 percent of the number of shares and 43 percent of the number of votes. For more information about the shareholders, see pages 68–69.

Annual General Meeting

Pricer's highest governing body is the AGM, where all shareholders have the right to attend, have matters addressed and

vote for all their shares. The AGM is held once per year (if applicable an Extraordinary General Meeting may also be held). The AGM appoints the Board members and the Chair of the Board, elects the auditors, and decides on amendments to the Articles of Association. In addition, the AGM adopts the income statements and balance sheets and approves the appropriation of the company's profit or loss. The AGM also decides on discharge from liability for the Board members and the CEO, decides on fees for the Board and auditors and establishes the principles for remuneration to the CEO and senior executives. The AGM of Pricer is normally held in April or May in Stockholm. The date and location of the AGM is announced as soon as the Board has made its decision, normally in connection with the Q3 report. Information about the date and location of the AGM can be found on the company's website www.pricer.com.

Notice of the AGM is published by announcement in the Swedish official journal Post- och Inrikes Tidningar, in the newspaper Svenska Dagbladet and on the company's website. Shareholders who are registered in their own name in the share register maintained by Euroclear Sweden AB on the record date and have notified the company by the specified date are entitled to attend the AGM and vote for their shares. Shareholders who are unable to attend may be represented by proxy.

All information about the company's general meetings is available on the company's website.

The company's Articles of Association contain no restrictions on the number of votes each shareholder may cast at a general meeting, nor is the issue of amending the Articles of Association regulated.

Nomination Committee

The Nomination Committee represent Pricer's shareholders. The tasks of the Nomination Committee are to evaluate the composition and performance of the Board and prepare proposals for approval by the AGM regarding the election of the Chair of the AGM, the Chair of the Board, Board members and auditors. The Nomination Committee should also prepare proposals for the AGM regarding fees to the Board and auditors. Finally, the Nomination Committee proposes principles for the appointment of a new Nomination Committee. Shareholders may submit proposals to the Nomination Committee in accordance with the instructions on the company's website.

According to the Code, the Nomination Committee should consist of at least three members, one of whom should be appointed the chair. The general meeting of shareholders should appoint the members of the Nomination Committee or specify how they should be appointed.

No remuneration is paid to the Nomination Committee.

Board of Directors

Size and composition

Board members are appointed by the shareholders at the AGM for the period until the end of the next AGM. In accordance with the Code, the Chair of the Board is also appointed by the AGM.

In accordance with the Articles of Association, the Board of Pricer should consist of a minimum of three and a maximum of seven members, and the AGM should decide on the exact number of Board members. The Articles of Association contain no specific provisions regarding the appointment or dismissal of Board members.

For a presentation of the Board members, see page 29.

Role

The Chair of the Board is responsible for organizing and overseeing the work of the Board and ensuring that it is performed in accordance with the applicable rules. The Chair of the Board continuously monitors operations through a dialogue with the CEO and ensures that the Board is provided with the information and documentation necessary for it to discharge its duties. The Chair of the Board is responsible for ensuring that the work of the Board is well-organized and carried out efficiently and that the Board discharges its obligations. He is responsible for ensuring that the other Board members receive the information and documentation necessary for a high quality in the discussion and decisions and checks that the Board's decisions are carried out.

The Board is responsible for the company's strategy and organization as well as the management of the company's affairs. The Board ensures that the company's organization is designed to ensure that accounting, cash management and other financial matters are controlled in a satisfactory manner. The Board continuously monitors the financial situation of the company and the Group, which is reported monthly, to ensure that the Board can meet its assessment obligation as required by law and the listing rules. The work of the Board is governed by specially formulated working procedures. Generally, the Board handles matters of material significance to the Group, such as strategic plans, budgets and forecasts, product planning, working capital, financing and the acquisition of operations, businesses or significant investments

Committees

The Board has appointed an Audit Committee. Within the framework of the Board's duties, the Audit Committee should monitor the company's financial reporting and prepare issues regarding the company's financial reporting and audit in accordance with Chapter 8, section 49b of the Swedish Companies Act and fulfill the duties imposed by EU Regulation No 537/2014. The Audit Committee has also regularly supported the CEO in major financing and structural issues and in preparation of these matters for the Board.

The Board of Directors decided not to establish a Remuneration Committee. The Board considers it to be more suitable for its members to discharge the tasks applied to the Remuneration Committee in accordance with the Code. The Board of Directors deals with issues related to remuneration and terms of employment for senior executives and the preparation of draft guidelines for remuneration to the CEO and senior executives, which the Board submits for resolution by the AGM.

Evaluation of the Board

The Chair of the Board is responsible for the evaluation of the Board of Directors' performance, including the contributions of individual members. This is done through a structured yearly self-assessment that is followed by discussions within the Board and the Nomination Committee, where the compiled results of the survey, including any comments made, are presented by reviewing the individual answers as well as the average and standard deviation for each question.

CEO and Executive Management

The CEO is appointed and dismissed by the Board and his/her performance is evaluated regularly by the Board, which occurs without the presence of company's management. The company's CEO supervises the ongoing operational activities. Written instructions define the division of responsibilities between the Board of Directors and the CEO. The CEO reports to the Board and presents a special CEO report at each Board meeting, which among other things contains information about how the business is performing based on the decisions taken by the Board.

The CEO prepares the agenda in consultation with the Chair ahead of each meeting and determines the required supporting data and documentation necessary to deal with the matters at hand. Other members may request that certain matters be added to the agenda. Prior to each scheduled meeting, the CEO provides the Board with a status report containing at least the following points: market, sales, production, research and development, finance, staff issues and, where appropriate, legal disputes.

Pricer's Executive Management consists of six members in addition to the CEO. Each of the members has operating responsibility for part of the organization. In January 2020, the organization was restructure and the Head of Quality & Sustainability was moved under VP Supply Chain & Procurement, VP R&D was moved under VP Product Management & Business Development, which changed title to CPO (Chief Product Officer), and the Head of France was moved under VP Sales. For a presentation of the members of Executive Management, see page 30.

External Auditor

The Auditor is appointed by the AGM following a proposal by the Nomination Committee. The auditing firm of Ernst & Young AB was elected auditor by the 2019 AGM until the 2020 AGM, with Authorized Public Accountant Rickard Andersson as auditor-in-charge.

Control instruments

Corporate governance within Pricer takes place through external rules such as the Swedish Companies Act, Nasdaq Stockholm's Rules for Issuers, the Swedish Corporate Governance Code ("the Code") and other relevant laws, ordinances and rules.

The internal regulatory framework that regulates the governance of Pricer consists mainly of the Articles of Association, the rules of procedure for the Board, instructions for the CEO and other policy documents adopted by the Board for various areas, e.g. attest and authorization rules, finance, communication, and diversity.

2019 Annual General Meeting

The AGM was held on 25 April 2019 and was attended by 39 shareholders representing 11 percent of the votes and 11 percent of the number of shares in the company. Pricer's Board of Directors, Executive Management and the company's auditors were present at the meeting. The AGM adopted the following resolutions:

- The income statement, balance sheet and consolidated income statement and consolidated balance sheet were adopted.
- The proposed dividend of SEK 0.60 per share was adopted.
- The Board of Directors and the CEO were discharged from liability for the 2018 financial year.
- Board fees for the next term of office were set at a total of SEK 1,720,000, fees for the Audit Committee were set at a total of SEK 100,000, and it was resolved that fees to the auditors would be paid in accordance with the company's approved account.
- Re-election of Board member Bernt Ingman, who was also elected Chair of the Board, and re-election of the following Board members:

- Hans Granberg
- Jenni Virmes
- Jonas Guldstrand
- Thomas Krishan
- and Knut Faremo was newly elected to the Board of Directors

- Re-election of Ernst & Young AB as the company's auditor for the period until the end of the next AGM in accordance with the proposal of the Nomination Committee and the recommendation of the Audit Committee.
- The Nomination Committee's proposal regarding principles for appointment of the Nomination Committee for the 2019 AGM were adopted.
- The principles for remuneration to senior executives were adopted.
- Long-term incentive program according to the Board of Director's proposal.
- Authorization for the Board of Directors to decide on the issue of new Class B shares as proposed by the Board.
- Authorization for the Board of Directors to decide on the repurchase and transfer of the company's treasury shares as proposed to the AGM.

The AGM's decision in its entirety is set out in the full minutes of the AGM (in Swedish), which together with other information about the AGM is available on the company's website, www.pricer.com.

Work performed by the Board of Directors

The Board held 11 meetings during the 2019 financial year. The attendance of the Board members at these meetings is shown in the below table.

The CEO and CFO attend all Board meetings, except in cases where issues involve obstacles due to conflicts of interest, such as when remuneration for the CEO is determined or when the performance of the CEO is evaluated. The company's auditors attended one Board meeting in 2019. The meetings have preferably been held at the company's headquarters in Stockholm or by telephone.

The Board's work in 2019 followed an annual action plan that is set for each new fiscal year. In addition to the regular

Board members' attendance 2019

BOARD AND COMMITTEES						Attendance at meetings ¹⁾	
Board members	Year of election	Remuneration, SEK thousands	Independent in relation to the company and its management	Independent in relation to the company's larger shareholders		Board of Directors (11)	Audit Committee (6)
Bernt Ingman, chair	2014	545	Yes	Yes		11/11	6/6
Hans Granberg	2014	295	Yes	Yes		11/11	6/6
Jenni Virmes	2016	245	Yes	Yes		11/11	
Jonas Guldstrand	2017	245	Yes	Yes		10/11	
Thomas Krishan	2018	245	Yes	Yes		10/11	
Knut Faremo ²⁾	2019	163	Yes	Yes		6/7	
Total remuneration:		1,738					

1) Refers to the period January 1–December 31, 2019.

2) Knut Faremo was elected at the AGM held on April 25, 2019.

action plan, the Board prepared a proposal prior to the 2019 AGM for a new long-term incentive program for Executive Management executives, which was then adopted at the AGM in 2019.

The Board serves as the Remuneration Committee and has prepared issues related to remuneration and terms of employment for Executive Management.

The Audit Committee consisted of Board members Bernt Ingman and Hans Granberg. The committee held six meetings, of which the company's auditor participated in two. The committee's work during the year focused primarily on ongoing improvement of the reporting and analysis of the company's economic performance and new IFRS regulations.

For 2019, the work of the Board of Directors has been evaluated by the Board through an online evaluation conducted by an external supplier, in which the members of the Board individually and anonymously consider statements regarding the Board as a whole, the Chair of the Board, the CEO's work in the Board and their own work. The evaluation focuses, for example, on improving the efficiency and focus areas of the Board as well as the need of specific skills and working methods. The evaluation was then presented to the Nomination Committee and has provided the basis for proposals for Board members and remuneration levels.

With regard to the company's business, stage of development and other circumstances, it is the Board's opinion that the Board has an appropriate composition characterized by diversity and breadth regarding the members' skills, experience and background.

Remuneration

Board of Directors

The 2019 AGM resolved, in accordance with the proposal from the Nomination Committee, that remuneration to the Board would total SEK 1,720,000, of which SEK 495,000 would be paid to the Chair of the Board and SEK 245,000 to each of the other five members.

The Chair of the Board and the Board members elected to the Audit Committee would receive remuneration of SEK 50,000 each.

Other than the remuneration mentioned above, no other remuneration or financial instruments were paid or made available other than pure reimbursement for outlays.

External auditors

The 2019 AGM resolved to approve the Nomination Committee's proposal that fees to the auditors be paid in accordance with the company's approved account.

CEO and senior executives

The 2019 AGM resolved to approve the Board's proposal for guidelines regarding remuneration to Executive Management. Remuneration to the CEO and senior executives is determined by the Board after proposals from the Remuneration Committee.

Compliance with the Swedish stock exchange rules in 2019
During the 2019 financial year, Pricer has not been subject to

any decision by Nasdaq Stockholm's disciplinary committee or the Swedish Securities Council regarding violations of Nasdaq Stockholm's regulatory framework or good practices in the stock market.

Nomination Committee 2020

The Nomination Committee for the AGM 2020 was announced on November 5, 2019, with an additional announcement on November 26, 2019, through a press release and on the company's website. The committee consists of Jari Ekblad, Richard Törnblom, Wilhelm Gruvberg and Gunnar Ek (Chair), as well as Bernt Ingman, Chair of the Board of Directors.

The members of the committee are independent in relation to the company and its management. The members of the committee are independent in relation to the shareholder in the company with the largest number of shares (Avanza Pension).

Pricer's Nomination Committee held 6 meetings prior to the AGM.

The Nomination Committee's proposals to the 2020 AGM will be presented in the notice of meeting and be made available on www.pricer.com.

No special remuneration was paid to the Nomination Committee members.

Diversity policy

The Nomination Committee of Pricer AB has applied Rule 4.1 of the Swedish Code of Corporate Governance as a diversity policy in the preparation of proposals for the Board. Accordingly, Pricer's Board of Directors should consist of a well-balanced mix of skills that are essential for managing Pricer's strategic work in a responsible and successful manner. In order to achieve this, knowledge is sought in areas such as retail, digital commerce, corporate governance, compliance with rules and regulations, finance and financial analysis and remuneration issues. Previous board experience is another important qualification. Furthermore, it is important that the Board members do not have too many executive or non-executive assignments to allow them to spend the time required for their board work for Pricer AB.

The Nomination Committee believes that breadth and diversity in areas such as age, nationality, educational background, gender, experience and expertise are represented among the proposed members of the Board.

The Nomination Committee further believes that the diversity issue is important and that it is important for future nomination committees to continue working actively to achieve a well-balanced gender distribution on the Board.

The 2019 AGM resolved in accordance with the Nomination Committee's proposal, which meant that six members were elected, one woman and five men, with a composition otherwise based on the criteria addressed by the diversity policy. In the Nomination Committee's work prior to the 2020 AGM, the diversity policy has been applied as described above. This resulted in the Nomination Committee's proposal to the AGM of a total of five members, one woman and four men according to the notice of the AGM.

Internal control over financial reporting

The Board is responsible for internal control, pursuant to the Swedish Companies Act and the Code.

The Swedish Annual Accounts Act requires the company to prepare an annual description of the company's internal control and risk management system regarding the financial reporting. The Board has overall responsibility for the financial reporting. The Audit Committee has an important task in preparing the Board's work on quality assurance of the financial reporting. This preparation includes issues regarding internal control and compliance, control of carrying amounts, estimates, assessments and other factors that may affect the quality of the financial reports. The committee has commissioned the company's auditor to examine in particular how well the rules for internal control, both comprehensive and detailed, are complied with in the company.

Pricer's internal control process should provide reasonable assurance regarding the quality and reliability of its financial reporting. It should also ensure that reports are prepared in accordance with the applicable laws and regulations and the requirements that apply to publicly listed companies in Sweden.

Control environment

Pricer's internal control over financial reporting is based on the organizational and system structures, decision-making paths and separation of duties that are documented and communicated in control documents, policies and manuals. The Board has adopted rules of procedure that regulate the Board's responsibilities and work on the Board's committees. To uphold an effective control environment and good internal control, the Board has delegated practical responsibility to the CEO and drafted instructions for the CEO. To safeguard the quality of the financial reporting, the company has a number of internal control instruments, such as a finance policy, attest and authorization routines, and a standard model for ongoing monthly reporting that has been designed together with the Board. Pricer uses an integrated ERP system, which handles all financial flows.

The company has set up a whistle-blowing function that can be used anonymously.

Risk assessment

Regarding the financial reporting, the risks are assessed to lie primarily in the possibility that material errors may arise in the accounting for the company's financial position and results. The Board is responsible for ensuring that significant financial risks and risks of misstatement in the financial statements are identified and dealt with.

Control activities and monitoring

The company also has a number of control activities aimed at ensuring the accuracy and completeness of the financial statements. Routines and actions have been designed to

manage significant risks related to the financial statements, which have been identified in the risk assessment. Control activities are available at both a general and detailed level in the Group. For example, complete monthly financial statements are prepared and monitored by the responsible unit and function managers and controllers.


Executive Management meets at least once a month for a review of the business situation. In addition, persons from the finance function maintain regular contact with the heads of Group companies to discuss current issues, review performance and financial position, and verify that processes are being followed and developed. The Board monitors the activities through monthly reports in which the CEO comments on business performance, results and financial position. Measures and activities aimed at strengthening and optimizing internal controls are implemented on a regular basis.

Internal control is monitored continuously. This is done primarily in the form of deviation reporting against budget/forecast and the previous year's outcome. The Board reviews each interim report and discusses the content with the CFO and, when appropriate, with the company's auditor. The company monitors the areas for improvement in internal control that are reported by the external auditor. Furthermore, the CEO and the CFO hold regular meetings with the Board's Audit Committee to discuss financial matters on an ongoing basis. The finance staff employed in the subsidiaries have explicit responsibility for reporting deviations to the central finance and controller organization. In accordance with the rules in the Swedish Corporate Governance Code, the Board has assessed the need for a special internal audit function. Against this background, the Board of Directors is of the opinion that there is no need in the company at present.

Work performed during the year

The work to improve the company's internal control has continued through development of the integrated ERP system used by most of the company's subsidiaries, together with reporting tools to improve reporting quality and the analysis of the company's economic development. The finance department has also analyzed the consequences of and implemented the transition to the new IFRS regulations, which will take effect on January 1, 2019, regarding lease contracts (IFRS 16), so that knowledge about the regulatory framework is spread internally and the effects of these regulations are reported in a correct manner in the company's financial statements.

Board of Directors

						
	BERNT INGMAN	HANS GRANBERG	JENNI VIRNES	JONAS GULDSTRAND	THOMAS KRISHAN	KNUT FAREMO
Position in the Board	Chair of Board since 2017	Member	Member	Member	Member	Member
Election year	2014	2014	2016	2017	2018	2019
Born	1954	1953	1974	1966	1968	1957
Nationality	Swedish	Swedish	Finnish	Swedish	Swedish	Norwegian
Education	MSc. Business Studies and Economics	High school diploma	MSc. Industrial Engineering and Management	MSc. Business Studies and Economics	MSc. Business Studies and Economics	Major in mathematics and economics at upper secondary school in Norway
Other assignments	Chair of Board of Beijer Ref AB, Handelsbanken's local office in Kista.	Chair of Board of Investment AB Karlsvik.	–	Chair of Intersport Sverige Holding AB.	–	Chair of Migaya Retail Sweden AB, Migaya Nordic Retail Holding AB, Migaya Retail Norway AS, Migaya Consulting AG Switzerland and European Retail Holding Ltd Malta, and Board member of Sveriges godaste matmarknad AB.
Previous assignments	Extensive experience from various financial positions at international industrial and technology companies. Previously CFO of listed companies such as Husqvarna, Munters, Gunnebo and Doro. Previously Chair of the Board of listed SBC Sveriges BostadsrättsCentrum and Chair of the Board of a number of unlisted companies.	Extensive experience as a sole-proprietor and investor in industrial and technology companies, primarily through the company Investment AB Karlsvik. Previously performed work of the Board at Gema Industri AB and other as the head of sales at KGK Group.	Extensive experience as an advisor for start-up companies, strategy, business models and marketing strategies. Previously CEO of Sensisto Oy, Board Member, COO and market strategist at MariElla Labels Oy and business developer at UPM – The Biofore Company.	Thirty years of experience in retail, of which fourteen in different European countries. Previous Head of Sales and Head of Logistics for the H&M Group, President of H&M France, Belgium and Luxembourg and acting President at Intersport Sverige. Retail and management consultant and Board assignments.	Extensive experience in corporate finance and financial advising and as a private investor in growth companies. Previously Trading Manager at Hagströmer & Qviberg.	Extensive experience as a manager and investor in retail companies. Owner or operationally involved at Norges-Gruppen ASA, Dagrofa AS, Coop Sverige AB, Apoteket Hjärtat AB, Picard Sweden AB and Migaya Consulting AG.
Independence	Independent in relation to the company and its management as well as to the company's major shareholders.	Independent in relation to the company and its management as well as to the company's major shareholders.	Independent in relation to the company and its management as well as to the company's major shareholders.	Independent in relation to the company and its management as well as to the company's major shareholders.	Independent in relation to the company and its management as well as to the company's major shareholders.	Independent in relation to the company and its management as well as to the company's major shareholders.
Shareholding (own and closely related persons):	105,000 Class B shares	1,764 Class A shares 2,392,300 Class B shares	–	35,500 Class B shares	3,214,741 Class B shares	–

In March, the Nomination Committee made public its proposal for the period extending to the end of the 2021 AGM: re-election of Board members Knut Faremo, Hans Granberg, Jonas Guldstrand, Thomas Krishan and Jenni Virnes. Bernt Ingman declined re-election. Knut Faremo is proposed as the new Chair of the Board.

Executive Management



	HELENA HOLMGREN	SUSANNE ANDERSSON	EDVIN RUUD	MAGNUS LARSSON
Position	President and CEO	CFO	VP Sales	VP Customer Operations
Employed since	2015	2019	2018	2019
Born	1976	1971	1963	1970
Nationality	Swedish	Swedish	Norwegian	Swedish
Education	MBA	MSc. Business Studies and Economics	Cert. Computer Science, B.Sc. BA and Econ., MBA	Electrical engineer
Previous assignments	Over 15 years of experience in various financial positions in international companies with a focus on growth strategies, financial control, and change management. Acting CEO Pricer 2017–2018, CFO Pricer 2015–2017, CFO Edgware and several different roles in finance in, for example, Justitia and EF Education.	CFO & Head of Communications ChromoGenics, VP Head of Investor Relations PostNord, CFO Nordic Mines more than fifteen years of experience with various financial and management positions within Ericsson and the telecom industry.	More than 30 years of international experience in sales and management positions within primarily telecom and the IT industry. President and CEO of Apis IP-Solutions Training AB, VP Sales EMEA på Powerwave Technologies AB, President and CEO of Climate Well AB, Operations Director Nordic in Cisco Systems, Sales Director EMEA at Ciena Europe and Sales Director of Ericsson.	More than 20 years of international experience in leading a number of executive management within sales and other forms of occupational pension is determined within the payment industry. Previous employees include Edgware, NokiaSiems Networks, Nordia and Sonera.
Other assignments	–	–	–	–
Shareholding (own and closely related persons)	91,000 own and 1,540 closely related Class B shares	5,500 Class B shares	12,500 Class B shares	1,500 Class B shares



	NILS HULT	JÖRGEN JOST AUF DER STROTH	(DONALD) CHARLES JACKSSON
Position	CPO, Chief Product Officer	VP Supply Chain & Procurement	Head of Americas Region
Employed since	2006	2018	2014
Born	1971	1964	1963
Nationality	Swedish	Swedish	Canadian
Education	Master's in Computer Science and Master's in Evolutionary and Adaptive Systems	Master's in Electrical Engineering	Bachelor's Degree in Business Administration
Previous assignments	More than 20 different leading positions in international highly technical B2B organization. Different positions at Pricer since 2006, including: Head of sales, Chief Digital Officer, Chief Digital Officer, President Business development (FoU). Previously President of a start-up technology company, Rotundus AB, a business coach via Uppsala Innovation Center, software developer at Biotage AB, Pyrosequencing AB and CellaVisionAB.	More than 20 years' experience as a manager within global engineering management, business development, electronic development, supply chain management, logistics, purchasing and complex product sales with experience from Europe, Asia and North America within several of the world's leading technology companies, such as Tieto, Ericsson, Teleca and Cybercom.	More than 30 years of international experience in sales and management positions, primarily within retail. Previous positions within Pricer: EVP Global Sales, Strategy & Marketing, Vice President and CEO 2016, President and CEO 2007–2010. Also Head of France & Global Sales Director, VP Strategy & Business Development at SES Imagotag 2011–2014, General Manager Europe at Boston Group and various sales and marketing positions within the technology and telecommunications industries.
Other assignments	Board Member Convertus AB	–	–
Shareholding (own and closely related persons)	45,000 Class B shares	15,500 Class B shares	35,393 Class B shares

In January 2020, the organization was restructure and the Head of Quality & Sustainability was moved under VP Supply Chain & Procurement, VP R&D was moved under VP Product Management & Business Development, which changed title to CPO (Chief Product Officer), and the Head of France was moved under VP Sales.

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Consolidated Income Statement

Amounts in SEK 000s	Note	2019	2018
Net sales	2	1,002,909	1,194,517
Cost of goods sold		-671,956	-922,344
Gross profit		330,953	272,173
Selling expenses		-121,848	-108,125
Administrative expenses		-69,601	-54,489
Research and development costs		-35,775	-25,697
Other income and expenses	20	-3,303	5,198
Operating profit	4, 5, 6, 21	100,426	89,060
Financial income		2,146	7
Financial expenses		-1,317	-300
Financial items	7	829	-293
Profit/loss before tax		101,254	88,767
Income tax	8	-3,514	-1,492
Net profit for the year		97,740	87,275
Net profit for the year attributable to:			
Owners of the Parent Company		97,740	87,275
Earnings per share	16	2019	2018
Earnings per share, basic, SEK		0.89	0.79
Earnings per share, diluted, SEK		0.88	0.79

Consolidated Statement of Comprehensive Income

Amounts in SEK 000s	2019	2018
Net profit for the year	97,740	87,275
<i>Items that are or may be reclassified to profit or loss for the year</i>		
Translation differences	6,787	14,926
Cash flow hedging	-	2,895
Tax attributable to items in other comprehensive income	-	-637
Other comprehensive income	6,787	17,184
Comprehensive income for the year	104,527	104,459
Net comprehensive income for the year attributable to:		
Owners of the Parent Company	104,527	104,459

Consolidated Balance Sheet

Amounts in SEK 000s	Note	2019	2018
ASSETS	1		
Intangible assets	9	325,823	301,490
Property, plant and equipment	10	24,295	22,269
Right-of-use asset	21	53,775	-
Deferred tax assets	8	76,345	76,051
Total non-current assets		480,238	399,810
Inventories	13	218,679	188,987
Trade receivables	20	147,552	278,337
Prepaid expenses and accrued income	14	12,164	9,542
Other current receivables	12	68,127	73,913
Cash and cash equivalents	25	194,232	171,035
Total current assets		640,754	721,814
TOTAL ASSETS		1,120,992	1,121,624
EQUITY AND LIABILITIES	1		
EQUITY	15		
Share capital		110,972	110,972
Other capital contributions		404,415	401,846
Reserves		34,908	28,121
Accumulated profits including profit for the year		259,942	228,362
Shareholder's equity attributable to the Parent Company's shareholders		810,237	769,301
LIABILITIES			
Provisions	17	15,407	14,478
Non-current lease liabilities	21	43,106	582
Total non-current liabilities		58,513	15,060
Advances from customers		8,335	16,384
Trade payables	20	155,502	212,020
Current lease liabilities	21	11,543	557
Other current liabilities	18	8,997	12,799
Accrued expenses and deferred income	19	51,674	78,122
Provisions	17	16,191	17,381
Total current liabilities		252,242	337,263
Total liabilities		310,755	352,323
TOTAL EQUITY AND LIABILITIES		1,120,992	1,121,624

Changes in consolidated equity

Amounts in SEK 000s	Note	Shareholder's equity attributable to the Parent Company's shareholders				Total equity
		Share capital	Other capital contributions	Reserves	Retained earnings incl. profit for the year	
Equity at start of period 1/1/2018		110,972	400,576	10,937	196,220	718,705
Net profit for the year					87,275	87,275
<i>Other comprehensive income, items that may be reclassified to profit and loss</i>						
Cash flow hedges				2,895		2,895
Exchange rate differences when translating foreign operations				14,926		14,926
Tax attributable to other comprehensive income				-637		-637
Other comprehensive income				17,184		17,184
Comprehensive income for the year				17,184	87,275	104,459
Dividend					-55,133	-55,133
Share-based payments, equity-settled			1,270			1,270
<i>Total transactions with owners of the Group</i>			<i>1,270</i>		<i>-55,133</i>	<i>-53,863</i>
Equity at end of period 12/31/2018	15	110,972	401,846	28,121	228,362	769,301
Equity at start of period 1/1/2019		110,972	401,846	28,121	228,362	769,301
Net profit for the year					97,740	97,740
<i>Other comprehensive income, items that may be reclassified to profit and loss</i>						
Exchange rate differences when translating foreign operations				6,787		6,787
Other comprehensive income				6,787		6,787
Comprehensive income for the year				6,787	97,740	104,527
Dividend					-66,160	-66,160
Share-based payments, equity-settled			2,569			2,569
<i>Total transactions with owners of the Group</i>			<i>2,569</i>		<i>-66,160</i>	<i>-63,591</i>
Equity at end of period 12/31/2019	15	110,972	404,415	34,908	259,942	810,237

Consolidated Cash Flow Statement

Amounts in SEK 000s	Note	2019	2018
	25		
Operating activities			
Profit/loss before tax		101,255	88,767
Adjustments for non-cash items		39,258	28,384
Income tax paid		-2,839	-3,391
Cash flow from operating activities before changes in working capital		137,674	113,759
Changes in working capital			
Change in inventories		-28,531	-49,762
Change in operating receivables		138,611	-113,396
Change in operating liabilities		-98,628	133,085
Cash flow from changes in working capital		11,452	-30,073
Cash flow from operating activities		149,126	83,686
Investing activities			
Acquisition of intangible fixed assets		-39,006	-19,046
Acquisition of property, plant and equipment		-10,955	-8,538
Cash flow from investing activities		-49,961	-27,584
Cash flow from financing activities			
Amortization of lease liabilities		-10,107	-
Dividend paid		-66,160	-55,133
Buy-back of warrants		-	-105
Cash flow from financing activities		-76,267	-55,238
Cash flow for the year		22,898	864
Cash and cash equivalents at beginning of year		171,035	166,776
Exchange rate differences in cash and cash equivalents		299	3,395
Cash and cash equivalents at end of year		194,232	171,035

Parent Company Income Statement

Amounts in SEK 000s	Note	2019	2018
Net sales	2	848,730	1,057,364
Cost of goods sold		-620,050	-889,736
Gross profit		228,680	167,628
Selling expenses		-22,237	-23,630
Administrative expenses		-75,677	-54,489
Research and development costs		-35,775	-25,697
Other income and expenses	20	-3,307	5,130
Operating profit	4, 5, 21	91,684	68,942
<i>Result from financial items:</i>	7		
Result from participations in group companies		49,974	-5,935
Interest income and similar profit/loss items		2,416	1,043
Interest expenses and similar profit/loss items		-192	-270
Profit/loss before tax		143,882	63,780
Income tax	8	-550	3,278
Net profit for the year		143,332	67,058

Parent Company Statement of Comprehensive Income

Amounts in SEK 000s	2019	2018
Net profit for the year	143,332	67,058
<i>Items that are or may be reclassified to profit or loss for the year</i>		
Cash flow hedges	-	2,895
Tax attributable to items in other comprehensive income	-	-637
Other comprehensive income	-	2,258
Comprehensive income for the year	143,332	69,316

Parent Company Balance Sheet

Amounts in SEK 000s	Note	2019	2018
ASSETS	1		
Non-current assets			
Intangible assets	9	62,471	42,120
Property, plant and equipment	10	21,608	18,664
<i>Financial assets</i>			
Participations in group companies	24	186,937	186,025
Receivables from group companies	11	6,319	6,491
Deferred tax asset	8	75,253	75,803
<i>Total financial assets</i>		268,509	268,319
Total non-current assets		352,588	329,103
Current assets			
Inventories, etc.	13	170,750	132,955
<i>Current receivables</i>			
Trade receivables	20	56,730	84,925
Receivables from group companies	11	65,383	161,384
Other current receivables	12	62,944	64,333
Prepaid expenses and accrued income	14	7,569	3,579
Total current receivables		192,626	314,221
Cash and bank balances	25	167,884	160,988
Total current assets		531,260	608,164
TOTAL ASSETS		883,848	937,267

Amounts in SEK 000s	Note	2019	2018
EQUITY AND LIABILITIES	1		
Shareholders' equity	15		
<i>Restricted equity</i>			
Share capital		110,972	110,972
Statutory reserve		104,841	104,841
Legal reserve for internally generated development expenditure		59,442	36,226
<i>Total restricted equity</i>		275,255	252,039
<i>Non-restricted equity</i>			
Share premium reserve		207,670	205,103
Retained earnings		39,374	61,691
Net profit for the year		143,332	67,058
<i>Total non-restricted equity</i>		390,376	333,852
Total equity		665,631	585,891
PROVISIONS			
Provisions	17	23,559	24,559
Total provisions		23,559	24,559
NON-CURRENT LIABILITIES			
Non-current liabilities to group companies	11	100	100
Total non-current liabilities		100	100
CURRENT LIABILITIES			
Advances from customers		-	12,978
Trade payables	20	151,709	205,614
Liabilities to group companies	11	12,914	87,384
Other current liabilities	18	2,634	1,990
Accrued expenses and deferred income	19	27,301	18,751
Total current liabilities		194,558	326,717
TOTAL EQUITY AND LIABILITIES		883,848	937,267

Parent Company Statement of Changes in Equity

Amounts in SEK 000s	Note	Restricted equity			Non-restricted equity			Total
		Share capital	Statutory reserve	Legal reserve for internally generated development expenditure	Share premium reserve	Reserves	Retained earnings incl. profit for the year	
Equity at start of period 1/1/2018		110,972	104,841	26,124	203,728	-2,258	126,927	570,333
Net profit for the year							67,058	67,058
<i>Other comprehensive income, items that may be reclassified to profit and loss:</i>								
Cash flow hedges						2,895		2,895
Tax attributable to other comprehensive income						-637		-637
Other comprehensive income						2,258		2,258
Comprehensive income for the year						2,258	67,058	69,316
Legal reserve for internally generated development expenditure				10,102			-10,102	-
Dividend							-55,133	-55,133
Share-based payments, equity-settled					1,374			1,374
<i>Total transactions with owners of the Parent Company</i>		-	-	10,102	1,374	-	-65,235	-53,759
Equity at end of period 12/31/2018	15	110,972	104,841	36,226	205,103	-	128,749	585,891
Equity at start of period 1/1/2019		110,972	104,841	36,226	205,103		128,749	585,891
Net profit for the year							143,332	143,332
<i>Other comprehensive income, items that may be reclassified to profit and loss:</i>								
Other comprehensive income								
Comprehensive income for the year							143,332	143,332
Legal reserve for internally generated development expenditure				23,216			-23,216	-
Dividend							-66,160	-66,160
Share-based payments, equity-settled					2,569			2,569
<i>Total transactions with owners of the Parent Company</i>		-	-	23,216	2,569	-	89,376	-63,592
Equity at end of period 12/31/2019	15	110,972	104,841	59,442	207,671	-	182,705	665,631

Parent Company Cash Flow Statement

Amounts in SEK 000s	Note	2019	2018
	25		
Operating activities			
Profit/loss before tax		143,882	63,780
Adjustments for non-cash items		-23,602	31,104
Income tax paid		-	-
Cash flow from operating activities before changes in working capital		120,280	94,884
Changes in working capital			
Change in inventories		-37,484	-32,719
Change in operating receivables		119,010	-116,231
Change in operating liabilities		-79,776	108,553
Cash flow from changes in working capital		1,750	-40,397
Cash flow from operating activities		122,030	54,487
Investing activities			
Acquisition of intangible fixed assets		-38,973	-19,039
Acquisition of property, plant and equipment		-10,172	-7,591
Acquisition of financial assets		-	-
Decrease in non-current receivables from group companies		171	64,264
Cash flow from investing activities		-48,974	37,634
Cash flow from financing activities			
Dividend paid		-66,160	-55,133
Cash flow from financing activities		-66,160	-55,133
Cash flow for the year		6,896	36,988
Cash and cash equivalents at beginning of year		160,988	124,000
Exchange rate differences in cash and cash equivalents		-	-
Cash and cash equivalents at end of year		167,884	160,988

Notes to the financial statements

(Amount in SEK thousands unless otherwise stated.)

NOTE 1 GENERAL ACCOUNTING PRINCIPLES

CORPORATE INFORMATION

The annual report and consolidated financial statements for 2019 were approved for publication by the Board of Directors on March 25, 2020, and were put before the AGM for adoption on May 6, 2020.

Pricer AB (publ) is a Swedish-registered public limited company domiciled in Stockholm, Sweden. The shares of the Parent Company are quoted on the Small Cap list of Nasdaq Stockholm. The address to the head office is P.O. Box 215, SE-101 24 Stockholm, Sweden, and the visiting address is Västra Järnvägsгатan 7, SE-111 64 Stockholm, Sweden.

COMPLIANCE WITH STANDARDS AND LAWS

The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) and the interpretations issued by the IFRS Interpretations Committee (IFRSIC) as endorsed for application in the EU. The Group also applies the *Annual Accounts Act* (1995:1554), the Swedish Financial Reporting Council's recommendation RFR 1, *Supplementary Reporting Rules for Groups*, and statements from the Swedish Financial Reporting Board.

The annual report of the Parent Company are prepared in accordance with the *Annual Accounts Act* (1995:1554), the Swedish Financial Reporting Council's recommendation RFR 2, *Accounting for Legal Entities*, and statements from the Swedish Financial Reporting Board. RFR 2 means that in the annual report for the legal entity, the Parent Company applies both the EU-endorsed IFRSs and statements as far as possible within the framework of the *Annual Accounts Act* and taking into account the connection between accounting and taxation. The recommendation states which exceptions and additions to IFRS are required. Any deviations are described in the section on accounting policies of the Parent Company.

PRESENTATION OF THE ANNUAL REPORT

The financial statements are denominated in SEK thousands (TSEK) unless otherwise specified. The Parent Company's functional currency is the Swedish krona (SEK), which is also the reporting currency for the Parent Company and Group. This means that the consolidated financial statements are reported in SEK. Assets and liabilities are measured at historical cost, aside from certain financial assets and liabilities that are measured at fair value.

The annual report is prepared in accordance with IAS 1 *Presentation of Financial Statements*, meaning among other things that separate statements are prepared for profit or loss, other comprehensive income, financial position, changes in equity and cash flows, and that description of applied accounting policies and disclosures is provided in the notes.

Changes in IFRS during 2019

As of January 1, 2019, a change went into effect regarding IFRS 16 Leases. The standard changes the reporting of leases and requires all leases to be recognized in the balance sheet. The company has operating leases for primarily office premises and cars, which affects the financial position and key ratios at transition. The company has chosen to apply the transition rules for this standard in accordance with the simplified approach, which recognizes the accumulated effect of an initial application of the standard on the first day of application, January 1, 2019. Comparative information will not be restated, and it will continue to be reported in accordance with IAS 17 *Leases* and IFRIC 4 *Determining Whether an Arrangement Contains a Lease*. The company has opted to exclude leases in which the value of the underlying asset is low. Leasing expenses for earlier operating leases will be replaced as of January 1, 2019, with write-downs on right-of-use assets and financial interest expenses for lease liabilities. Right-of-use assets will be measured at an amount corresponding to the lease liabilities on the date of transition.

Refer to Note 21 for more disclosures.

New IFRS effective from 2020

New and amended IFRS with future adoption are not expected to have any impact on the company's financial statements.

BASIS OF CONSOLIDATION

Subsidiaries are companies that are under the control of Pricer AB. Control exists if the parent company has power over the subsidiary, has exposure to variable returns from its involvement and is able to use its power to affect the amount of the returns.

The financial statements of subsidiaries are consolidated from the date of acquisition until the date when control ceases.

Acquisition method

Business combinations are recognized according to the acquisition method, which means that the acquisition of a subsidiary is regarded as a transaction whereby the Group indirectly acquires the subsidiary's assets and assumes its liabilities. The acquisition analysis determines the fair value of the identifiable

assets acquired, liabilities assumed and any non-controlling interests on the date of the acquisition.

Foreign currency

Transactions in foreign currency

Monetary assets and liabilities in foreign currency are translated into the functional currency at balance sheet date rates. Exchange rate differences arising on translation are recognized in profit or loss. Exchange rate fluctuations arising from operating receivables and liabilities are recognized in other income and expenses in operating profit, while exchange rate fluctuations arising from financial receivables and liabilities are recognized in net financial items. Non-monetary assets and liabilities measured at historical cost are translated to the functional currency on the transaction date. Non-monetary assets and liabilities measured at fair value are translated to the functional currency at the rate prevailing on the date of the measurement at fair value.

Financial statements of foreign operations

The assets and liabilities of foreign operations are translated from the foreign entity's functional currency into the Group's presentation currency, SEK, at the exchange rates in effect on the balance sheet date. Income and expenses of foreign operations are translated into SEK at a monthly average rate. Translation differences arising on the translation of foreign operations are recognized in other comprehensive income and are accumulated in a separate component in equity, the foreign currency translation reserve.

Net investments in foreign operations

Monetary non-current receivables from a foreign operation for which settlement is not planned and is unlikely to occur in the foreseeable future are in practical terms part of the net investment in the foreign operation. An exchange rate difference that arises on monetary long-term receivables is recognized cumulatively in a separate component of equity, the foreign currency translation reserve. When a foreign operation is disposed of, the cumulative amount of the exchange rate differences attributable to monetary non-current receivables is reclassified from the translation reserve in equity and recognized in profit or loss.

Elimination of intra-group transactions

Receivables, liabilities, income and expenses, as well as unrealized gains and losses arising when a group company sells a good or service to another group company, are eliminated in full.

CLASSIFICATION

Non-current assets and non-current liabilities essentially comprise amounts that are expected to be recovered or settled more than twelve months after the balance sheet date. Current assets and current liabilities essentially comprise amounts that are expected to be recovered or settled within twelve months from the balance sheet date.

KEY ACCOUNTING ESTIMATES AND ASSUMPTIONS

When preparing financial statements in accordance with IFRS, management is required to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual outcomes may differ from these estimates and assumptions. Refer to the following notes for more disclosures:

- Note 2 — Revenue recognition
- Note 8 — Recognition and measurement of deferred tax asset
- Note 9 — Impairment of goodwill
- Note 13 — Measurement of inventories
- Note 17 — Warranty commitments

SIGNIFICANT DIFFERENCES BETWEEN THE ACCOUNTING PRINCIPLES OF THE GROUP AND THE PARENT COMPANY

The Parent Company applies the same accounting policies as the Group with the following exceptions.

In the Parent Company, shares in subsidiaries are recognized in accordance with the cost method. The value of the participations is tested for impairment as soon as there are indications that the value has diminished.

As of the financial year 2016, the Parent Company makes provisions for capitalized development expenditure for software/computer programs to the reserve for capitalized development expenditure within restricted equity. The reserve is reduced by amortization of the capitalized development expenditure.

The Parent Company, like in previous years, reports leasing expenses on a straight-line basis in the income statement during the period in question.

OTHER ACCOUNTING PRINCIPLES

For other accounting principles, see additional disclosures in each respective note.

NOTE 2 BREAKDOWN OF REVENUE**ACCOUNTING PRINCIPLES****REVENUE FROM CONTRACTS WITH CUSTOMERS**

The Group's revenue can be allocated into revenue from goods, services and licenses. Revenue is generated primarily from direct sales to customers or sales through resellers, and goods/service are often packaged in a bundled obligation. This obligation is transferred to the customer when the risk is transferred, which is the same as when control of the goods is transferred.

Revenue is recognized only in cases where it is likely that the economic benefits will flow to the Group. There is no recognition if there is a considerable degree of uncertainty regarding payment, the attributable costs or risk of return or if the seller retains operational involvement to the degree usually associated with ownership. Revenue is recognized at the fair value of the consideration received, or is expected to be received, with a deduction for granted discounts.

Revenue from goods

Revenue from the sale of goods is recognized when Pricer has transferred all significant risks and benefits associated with the right of ownership to the product. In most cases, this occurs when the legal right of ownership has been transferred and the goods have been physically handed over to the buyer. The customer is thereby considered to have control over the goods and the ability to use or benefit from the goods. In cases where the significant risks associated with ownership of the goods have not been transferred, the sale has not been completed and the revenue is therefore not recognized.

Revenue from services

Maintenance and service revenue is generated mainly through service contracts at a fixed price and is recognized on a straight-line basis over the term of the contract. Consulting services are normally carried out on running account, and revenue is recognized in pace with completion of this work. Goods and services can be combined in different combinations in a joint obligation for a customer. The total revenue from such an obligation is only recognized after delivery of the package has been approved by the customer.

Revenue from licensees

License revenue gives the customer the right to use a license issued by the company. Revenue is therefore recognized when this right is transferred.

Key assessments and estimates: Revenue recognition

The company assesses the value of work completed in relation to the terms of the customer contract, the estimated total contract costs and the stage of completion of the contract in order to determine the amount to be recognized as revenue.

BREAKDOWN OF REVENUE

	Group		Parent Company	
	2019	2018	2019	2018
<i>Revenue at a certain point in time:</i>				
Revenue from goods	924,324	1,110,987	831,111	1,044,482
Revenue from licensees	14,304	18,650	6,962	5,667
<i>Revenue over time:</i>				
Revenue from services	64,281	64,880	10,657	7,215
Total	1,002,909	1,194,517	848,730	1,057,364

The Parent Company's net sales include inter-company sales of SEK 408 M (747).

NET SALES BY SALES CHANNEL

	2019	2018
Direct customers	47%	63%
Resellers	53%	37%
Total	100%	100%

BACKLOG DISTRIBUTION

	2019	2018
Within one year	731,359	224,400
Between one to two years	-	-
Total	731,359	224,400

CONTRACT BALANCE

	Group	
	2019	2018
Contract assets		
Trade receivables	147,552	278,337
Accrued income (Note 14)	1,983	1,609
Total contract assets	149,535	279,946
Contract liabilities		
Advances from customers	8,335	16,384
Deferred income (Note 19)	13,108	34,835
Total contract liabilities	21,443	51,219
<i>Income recognized during the year from:</i>		
Amounts included in the contract's liability balance at beginning of year	51,219	21,261
Met performance obligations in previous years	-	-
<i>Transaction price allocated to outstanding performance obligations</i>		
Within one year	21,443	51,219
Later than one year	-	-

NOTE 3 OPERATING SEGMENTS**ACCOUNTING PRINCIPLES****OPERATING SEGMENT REPORTING**

An operating segment is a part of the Group that engages in business operations from which it may earn income and incur expenses and for which discrete financial information is available. The results of an operating segment are reviewed regularly by the chief operating decision-maker to assess the performance and make decisions about the allocation of resource to the segment. Pricer has only one operating segment.

Pricer develops and markets a complete system consisting of components for communication in a store environment. The components are never sold separately except as additions to existing systems. Therefore, the various product components do not constitute separate operating segments. The system is sold to customers in more than 50 countries worldwide. Customer activities are to a large extent directed towards large global retail chains. For external reporting, net sales are broken down into three geographical areas and reported externally in order to provide comments on and analysis of market development, but these areas are not a basis for internal guidance and monitoring and therefore do not constitute different operating segments. Sales are made both directly to customers and via resellers, but this division does not constitute different operating segments in the operations. Furthermore, sales are made to different categories of the retail trade such as groceries, discretionary goods, DIY, etc., that also do not constitute different operating segments. Pricer's operations are not divided into different operating segments but rather are monitored in their entirety. Consequently, the entire Pricer business constitutes a single operating segment.

NET SALES BY MARKET

	Group	
	2019	2018
Europe, Middle East & Africa	807,668	741,696
Americas	122,703	396,100
Asia & Pacific	72,538	56,721
Total	1,002,909	1,194,517

Revenue from external customers by geographical domicile

Revenue is allocated by country based on the domicile of the external customer.

NET SALES BY COUNTRY

	Group	
	2019	2018
Sweden	36,089	33,984
France	369,087	411,850
Italy	132,238	79,463
Norway	107,979	87,161
USA	48,198	358,258
Other countries	309,318	223,801
Total	1,002,909	1,194,517

Of Pricer's total net sales in 2019, one customer accounts for more than 10 percent. Sales to this customer amounted to SEK 108 M, which corresponds 11 percent of net sales. In 2018 one customer accounted for more than 10 percent of the company's net sales, SEK 332 M, which corresponded to 28 percent of the company's total sales in 2018.

NOTE 4 EMPLOYEES AND PERSONNEL COSTS

ACCOUNTING PRINCIPLES

EMPLOYEE BENEFITS

Current remuneration to employees

Employees within the Group receive remuneration in the form of a fixed basic salary, fixed hourly rate, benefits, and pension provisions. Some employees, as a supplement to the fixed basic salary, also receive a variable commission-based salary component, which is capped.

Defined contribution plans

All pension solutions in the Group are classified as defined contribution plans. Consequently, the company's obligation is limited to the amount it agrees to contribute. In such cases, the size of employee's pension depends on the contributions that the company pays to the plan or to an insurance company and the contributions' return on capital. The employee thus bears the actuarial risk (that the remuneration will be lower than expected) and the investment risk (that the invested assets will not suffice to pay out the expected remuneration). The company's obligations regarding payments to defined contribution plans are recognized as an expense in the income statement as they are earned over time by the employee rendering services for the company.

Termination benefits

A provision is recognized in connection with termination of employment only if the company is demonstrably committed to terminate employment before the normal retirement date or when termination benefits take the form of an offer to encourage voluntary redundancy. When compensation is paid as an offer to encourage voluntary redundancy, a cost is recognized if it is probable that the offer will be accepted and the number of employees who will accept the offer can be reliably estimated.

Share-based payment

Share-based payment pertains to employee benefits, including senior executives in accordance with the employee stock option scheme, granted by Pricer in 2016 and the performance share plans adopted in 2017, 2018 and 2019. Expenses for employee benefits are recognized as the value of services received, allocated over the vesting periods of the plans, measured at the fair value of the granted equity instruments. The fair value is determined on the date of allocation, or in other words the date on which Pricer and the employees have agreed on the terms and conditions of the plans. Since the plans are settled with equity instruments, they are classified as "equity settled" and an amount corresponding to the recognized expense for employee benefits is recognized directly in shareholders' equity (other contributed capital).

The vesting of share options depends on the plan participant remaining in employment. The performance share plan contains two types of rights. Matching share rights grant entitlement to Pricer shares if the participant remains in employment and retains the saving share that must initially be purchased. Performance shares grant entitlement to shares under the same conditions and if certain target ratios for the Group are met. The recognized expense is initially based on, and regularly adjusted in relation to, the number of warrants/share rights that are expected to be vested by considering the expected and actual fulfillment of the conditions of the Group's financial targets.

No such an adjustment carried out for the number of warrants that are expected to be redeemed and those actually redeemed depending on whether the strike price leads to redemption or not. No such adjustment is made either for when a participant loses share rights due to the sale of saving shares they needed to purchase and hold; this case, the entire remaining expense is instead recognized immediately. When warrants are exercised or shares are matched, social security contributions are paid in certain countries for the value of the employee's benefits. An expense and a provision are recognized, allocated over the vesting period, for these social security contributions. The provision for social security contributions is based on the number of warrants/share rights that are expected to be vested and the fair value of the warrants/share rights on each reporting date and, finally, on redemption/matching.

AVERAGE NUMBER OF EMPLOYEES

	2019		2018	
	Number	of whom, men	Number	of whom, men
<i>Parent Company</i>				
Sweden	60	81%	48	85%
Hong Kong	4	100%	3	100%
Italy	2	100%	2	100%
Total Parent Company	66	83%	53	87%
<i>Subsidiaries</i>				
USA	10	83%	7	90%
Israel	1	100%	1	100%
Germany	3	100%	2	100%
France	47	73%	46	65%
Total subsidiaries	61	78%	56	70%
Total Group	127	80%	109	78%

GENDER DISTRIBUTION IN MANAGEMENT ON BALANCE SHEET DATE

	Group		Parent Company	
	2019	2018	2019	2018
	% of women	% of women	% of women	% of women
Board of Directors	17%	20%	17%	20%
Senior executives	20%	13%	25%	17%

SALARIES, OTHER REMUNERATION, PENSION COSTS UNDER DEFINED CONTRIBUTION PLANS AND SOCIAL SECURITY EXPENSES

	Group		Parent Company	
	2019	2018	2019	2018
Board and CEO	5,577	5,093	5,577	5,093
(of which bonus, etc.)	799	1,134	799	1,134
Other senior executives	18,465	16,413	13,270	9,463
(of which bonus, etc.)	1,848	3,983	2,599	2,494
Other employees	79,955	67,225	39,136	33,015
(of which bonus, etc.)	9,783	11,203	1,213	3,118
Total salaries and other remuneration	103,997	88,731	57,983	47,571
(of which bonus, etc.)	12,430	16,320	4,611	6,746
Social security expenses, Board and CEO	2,340	2,432	2,340	2,432
Social security expenses, other senior executives	5,942	4,353	5,866	3,952
Social security expenses, other employees	31,883	29,554	14,829	13,657
Total social security expenses	40,165	36,339	23,035	20,041
of which:				
Pension costs, Board and CEO	641	722	641	722
Pension costs, other senior executives	1,841	1,286	1,765	1,190
Pension costs, other employees	4,731	4,889	4,317	4,169
Total pension costs	7,213	6,897	6,723	6,081

The company does not have any outstanding pension commitments on behalf of the Board and CEO. The category "Other senior executives" consisted of 9 (7) individuals at the Group level, including 7 (5) in the Parent Company, during most of the year.

REMUNERATION TO SENIOR EXECUTIVES**Remuneration principles**

Fees to the Board of Directors are paid in accordance with a resolution by the AGM, which has also resolved on guidelines for remuneration to senior executives. These guidelines are presented in the Administration Report on page 20-21. During the year, the Board prepared a proposal for a remuneration structure for senior executives within the guidelines resolved by the AGM. Based on this remuneration structure, the Board has authorized the Chair to reach an agreement with the CEO regarding salary and other benefits. The remuneration and benefits of senior executives who report directly to the CEO are determined by the CEO after consultation with the Board of Directors. The main principle is to offer senior executives competitive remuneration and terms of employment. When deciding actual levels for remuneration, factors such as competence, experience and performance are considered. Remuneration to senior executives consists of basic salary, a variable salary, in certain cases pension in the form of defined contribution plans, other benefits and a long-term incentive scheme in the form of employee stock options and/or performance share plans. Other benefits may include a company car and health care insurance. All pension plans in the Group are defined contribution plans. The retirement age for the CEO and other senior executives is 65.

Remuneration to the Board

During the 2019/2020 mandate period (until the AGM on May 6, 2020), fees to the Board of Directors amounted to a total of SEK 1,720,000, to be paid in an amount of SEK 495,000 to the Chair and SEK 245,000 to each of the other members (a total of six Board members). The costs were allocated over the mandate period. In addition, the company has reimbursed Board members for various minor cost outlays on a minor scale.

During the 2018/2019 mandate period (until the AGM on 25 April 2019), fees to the Board of Directors amounted to a total of SEK 1,375,000, to be paid in an amount of SEK 495,000 to the Chair and SEK 220,000 to each of the other members (a total of five Board members). The costs were allocated over the mandate period.

Remuneration to senior executives

Remuneration to the CEO and other senior executives is shown in the table. For senior executives, the variable salary for 2019 was based on the Group's operating profit, operating profit growth, and individual targets. The variable salary is individual, and for 2019 it is set at a maximum of 50 percent of the fixed salary for residents of Sweden and 60 percent of the fixed salary for residents in other countries.

The period of notice for the CEO is six months when notice is given by both the company and the employee. If notice is given by the company, the company also pays severance pay corresponding to six fixed monthly salaries. The period of notice for other senior executives varies, although it never exceeds twelve months. The CEO and a few other senior executives are subject to non-competition clauses during the notice period. The executives receive benefits during the notice period and the period covered by the non-competition clause. Other senior executives are not entitled to severance pay.

Loans and other transactions with related parties

No loans, guarantees or sureties have been issued on behalf of any member of the Board or senior executives in the Group. Nor are there any past or present business transactions between the company and members of the Board, senior executives or the auditors that have had a material impact on the Group's profit or financial position.

REIMBURSEMENT AND OTHER BENEFITS TO SENIOR EXECUTIVES

GROUP 2019	Basic salary/fees	Variable component	Performance share plan	Pension	Other remuneration*	Total
Helena Holmgren, President and CEO	2,520	799	487	641	176	4,623
Other members of Executive Management (nine people)	13,571	1,848	2,082	1,842	1,242	20,585
	16,091	2,647	2,569	2,483	1,418	25,208
<i>Board of Directors</i>						
Bernt Ingman (Chairman)	528	-	-	-	-	528
Hans Granberg	270	-	-	-	-	270
Jenni Vines	237	-	-	-	-	237
Jonas Guldstrand	237	-	-	-	-	237
Thomas Krishan	237	-	-	-	-	237
Knut Faremo (as of 4/25)	163	-	-	-	-	163
	1,672	-	-	-	-	1,672
	17,763	2,647	2,569	2,483	1,418	26,880
GROUP 2018	Basic salary/fees	Variable component	Performance share plan	Pension	Other remuneration*	Total
Helena Holmgren, President and CEO ¹⁾	2,217	1,134	249	722	207	4,529
Other members of Executive Management (seven people)	10,934	3,983	1,058	1,286	601	17,861
	13,151	5,117	1,307	2,008	808	22,390
<i>Board of Directors</i>						
Bernt Ingman (Chair)	495	-	-	-	-	495
Hans Granberg	220	-	-	-	-	220
Olof Sand (through 4/26)	73	-	-	-	-	73
Jenni Vines	220	-	-	-	-	220
Jonas Guldstrand	220	-	-	-	-	220
Thomas Krishan (as of 4/26)	147	-	-	-	-	147
	1,375	-	-	-	-	1,375
	14,526	5,117	1,307	2,008	808	23,765

* Other remuneration and benefits consist primarily of car benefits and change in holiday pay liability.

1) Part of the CEO's pension costs in 2018 refer to 2017. The terms of the CEO's pension amount to 25 percent of the fixed salary.

Performance share plan

The AGMs in 2017, 2018 and 2019 resolved on a performance share plan for certain senior executives and key employees in the Pricer Group. After an initial investment by the participant in Pricer's B-share at market price ("saving shares"), the participant receives one matching share right and one performance-based share right per invested share. Following the vesting period of three years, the share rights entitle the participants to receive one matching share and up to five performance shares depending on the outcome of the performance conditions. The total number of Class B shares that each performance share right grants entitlement to depends on the Board's attainment of certain levels established by the Board for value creation in the Pricer Group. For allocation, the participant must still be employed in the Pricer Group and have retained the savings shares during the vesting period.

If the price of the Class B share were to increase more than 150 percent during the three-year vesting period, the number of Class B shares to which the share rights are entitled will decrease, by which the maximum value that each participant can receive under LTI is limited to the value corresponding to a maximum allocation of Class B shares given an increase in the share price of 150 percent during the vesting period.

From the 2017 performance share plan, a maximum of 228,190 shares can be transferred free of charge to the participants in June 2020 in the event the predefined performance targets during the measurement period 2017-2019 are fully met.

From the 2018 performance share plan, a maximum of 408,890 shares can be transferred free of charge to the participants in June 2021 in the event the

predefined performance targets during the measurement period 2018–2020 are fully met.

From the 2019 performance share plan, a maximum of 315,522 shares can be transferred free of charge to the participants in June 2022 in the event the predefined performance targets during the measurement period 2019–2021 are fully met.

In 2019 the costs for matching/performance shares were recognized in the Group at an amount of SEK 2.6 M (1.4), of which SEK 2.6 M (1.4) in the Parent Company with a corresponding offsetting from equity.

Warrant program

The 2016 AGM approved a warrant program for certain senior executives and key employees in the Pricer Group, resulting in the issue of 665,000 warrants. Each warrant is entitled to subscribe for one share in Pricer AB during the period from May 27 to June 27, 2019, at a strike price of SEK 12.80, equal to 150 percent of the Pricer share's volume-weighted average price on Nasdaq Stockholm during the period April 29 to May 13, 2016. On June 27, 2019, 475,000 warrants expired without redemption. There are no outstanding warrants as at December 31, 2019.

SUMMARY OF SHARE-BASED INCENTIVE PROGRAMS FOR EMPLOYEES

	Performance share plan	Performance share plan	Performance share plan	Stock options
Plans	2019	2018	2017	2016
Issued share rights and warrants	315,522	408,890	228,190	665,000
Expiration date	5/31/2022	5/31/2021	5/31/2020	6/27/2019
Strike price, SEK	-	-	-	12.80
Type of shares	B	B	B	B
Warrants	-	-	-	665,000
Matching share rights	52,587	68,148	38,032	-
Performance share rights	262,935	340,742	190,158	-
Outstanding, January 1, 2019	-	408,890	228,190	475,000
Granted	315,522	-	-	-
Repurchased	-	-	-	-
Forfeited	-	-	-	-475,000
Outstanding, December 31, 2019	315,522	408,890	228,190	-
Remaining exercise period, months, as per December 31, 2019	29	17	5	-
Outstanding January 1, 2018	-	-	228,190	570,000
Granted	-	408,890	-	-
Repurchased	-	-	-	-95,000
Outstanding, December 31, 2018	-	408,890	228,190	475,000
Remaining exercise period, months, as per December 31, 2018	-	29	17	6

NOTE 5 FEES TO AUDITORS

	Group		Parent Company	
	2019	2018	2019	2018
<i>Fees to Ernst & Young</i>				
Audit services	1,131	1,070	734	700
Other services	-	-	-	-
Total	1,131	1,070	734	700

Audit services comprise examination of the annual report, bookkeeping and administration of the Board and CEO, other tasks assigned to the company's auditors and advice or other assistance arising from observations made during the review or execution of such other tasks.

NOTE 6 OPERATING EXPENSES ALLOCATED BY COST TYPE

	Group		Parent Company	
	2019	2018	2019	2018
Cost of goods sold, excluding depreciation	648,732	904,647	596,913	872,039
Personnel costs	139,499	118,257	73,770	60,731
Amortization/depreciation and impairment	37,690	20,912	25,538	19,487
Other operating expenses	73,259	66,839	57,518	41,295
Total	899,180	1,110,655	753,739	993,552

NOTE 7 FINANCIAL ITEMS

ACCOUNTING PRINCIPLES

FINANCIAL INCOME AND EXPENSES

Financial income consists of interest income on investments. Interest income on receivables and interest expenses on liabilities are calculated using the effective interest method. Exchange gains and losses on financial receivables and liabilities are recognized in their net amount.

	Group	
	2019	2018
Interest income	621	7
Net exchange rate fluctuations	1,525	-51
Financial income	2,146	7
Interest expenses	-1,317	-249
Financial expenses	-1,317	-300
Financial items	829	-293

	Parent Company	
	2019	2018
Result from participations in group companies		
Impairment of participations in subsidiaries Pricer GmbH	-2,817	-5,935
Dividend from subsidiary Pricer SAS	52,791	-
Total	49,974	-5,935
Interest income and similar profit/loss items	2019	2018
Interest income	621	7
Interest income, group companies	230	1,036
Net exchange rate fluctuations	1,565	-
Total	2,416	1,043
Interest expenses and similar profit/loss items	2019	2018
Interest expenses	-192	-240
Net exchange rate fluctuations	-	-30
Total	-192	-270

NOTE 8 TAX ON PROFIT FOR THE YEAR AND DEFERRED TAX ASSETS**ACCOUNTING PRINCIPLES****TAXES**

Income tax consists of current tax and deferred tax. Taxes are recognized in profit/loss for the year except for when the underlying transaction is recognized as other comprehensive income or equity, in which case the associated tax effect is recognized in other comprehensive income or equity.

Current tax is tax that is to be paid or recovered with regard to the current year using the tax rates that have been enacted or substantively enacted by the balance sheet date. Tax adjustments pertaining to previous periods are also included here.

Deferred tax is calculated using the asset-liability method, which is based on temporary differences between the carrying amount and taxable values of assets and liabilities. Temporary differences are not reflected in consolidated goodwill, and nor are they reflected for differences that arise on initial recognition of assets and liabilities other than in a business combination which, at the time of the transaction, does not affect either the accounting or the taxable profit. Temporary differences associated with investments in subsidiaries or associated companies are not recognized to the extent that it is probable that reversal will not occur in the foreseeable future. Deferred tax is measured on the basis of how the carrying amount of the assets or liabilities is expected to be realized or settled.

Deferred tax is estimated using the tax rates/laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets in respect of deductible temporary differences and unutilized loss carryforwards are recognized to the extent that it is probable that these will be utilized. The value of accrued tax receivables is reduced when it is no longer considered probable that they can be utilized.

Any additional income tax that arises for dividends is reported when the dividend is recognized as a liability.

Deferred tax assets are set off against deferred tax liabilities when the asset and liability refer to the same taxation authority.

Key assessments and estimates: Measurement and recognition of deferred tax assets

When preparing the financial statements, the company calculates income tax for each tax jurisdiction where the Group is active, as well as deferred taxes attributable to temporary differences. *Deferred tax assets are recognized to the extent that it is probable that they can be utilized against future taxable profits within the foreseeable future.*

REPORTED IN THE INCOME STATEMENT

	Group		Parent Company	
Reported tax	2019	2018	2019	2018
Current tax	-3,806	-4,708	-	-
Deferred tax expense	292	3,216	-550	3,278
Total reported tax expense on profit for the year	-3,514	-1,492	-550	3,278

The differences between reported tax and an estimated tax expense based on the calculated tax rate are as follows:

	Group		Parent Company	
Reconciliation of effective tax	2019	2018	2019	2018
Profit/loss before tax	101,254	88,767	143,882	63,780
Tax according to applicable tax rate for the Parent Company (21.4% 2019, 22.0% 2018)	-21,668	-19,529	-30,791	-14,032
Effect of applicable tax rates for foreign subsidiaries	-833	-1,678	-	-
Non-deductible expenses	-710	-580	-794	-1,490
Non-taxable income	382	43	11,297	-
Utilized previous loss carry-forwards that have not been recognized	20,610	21,001	20,073	18,800
Non-recognized tax losses carried forward	-858	-749	-	-
Other	-437	-	-335	-
Reported effective tax	-3,514	-1,492	-550	3,278
Effective tax rate	-3.5%	-1.7%	-0.4%	5.1%

REPORTED IN THE BALANCE SHEET DEFERRED TAX ASSET

	Group		Parent Company	
Change in deferred tax asset	2019	2018	2019	2018
Opening carrying amount	76,051	73,445	75,803	73,161
Provisions	-550	875	-550	875
Hedge accounting	-	-654	-	-654
Loss carry-forward	-	2,421	-	2,421
Other	844	-36	-	-
Closing carrying amount	76,345	76,051	75,253	75,803

	Group		Parent Company	
Deferred tax asset	2019	2018	2019	2018
Provisions	4,853	5,403	4,853	5,403
Loss carry-forward	70,400	70,400	70,400	70,400
Other	1,092	248	-	-
Closing carrying amount	76,345	76,051	75,253	75,803

For the deferred tax asset, a majority of the deferred taxes have been recognized at 20.6 percent (20.6).

	Recognized loss carry-forwards		Non-recognized loss carry-forwards		Total	
	2019	2018	2019	2018	2019	2018
Tax loss carry-forward						
Sweden — Parent Company	341,748	341,748	87,966	181,766	429,714	523,514
Sweden — subsidiaries	-	-	4,331	4,331	4,331	4,331
Israel	-	-	187,715	167,191	187,715	167,191
USA	-	-	85,364	110,572	85,364	110,572
Other countries	-	-	8,861	5,951	8,861	5,951
Total	341,748	341,748	374,237	469,811	715,985	811,559

The Group's total loss carry-forward as at December 31, 2019, amounted to SEK 716.0 M (811.6), of which SEK 341.7 M (341.7) for which a deferred tax asset was recognized and for which the remainder, SEK 374.2 M (469.8), was not. All recognized loss carry-forwards refer to the Parent Company.

Deferred tax assets relating to deductible temporary differences and loss carry-forwards are recognized only to the extent it is probable that these will lead to lower taxes paid in the future.

When assessing the Parent Company's recognized deferred tax asset, only a short forecast period of 3–5 years was considered.

Regarding the loss carry-forwards in the US, these refer to state tax and have a time limitation of 20 years, after which the majority expire within 3 years and all of them within 8 years. Other loss carry-forwards do not have an expiration date.

NOTE 9 INTANGIBLE ASSETS

ACCOUNTING PRINCIPLES

INTANGIBLE ASSETS

Goodwill

Goodwill is measured at cost less accumulated impairment. Goodwill is allocated to cash-generating units and tested for impairment at least once annually.

Capitalization of development projects

All research costs are recognized as expenses in the period in which they arise. Development expenditure can be capitalized in the balance sheet if the technical and commercial feasibility of the product or process has been established and the company has adequate resources to complete its development and then intends to use or sell the intangible asset, according to IAS 38. Amortization usually commences at product launch. The carrying amount includes all directly attributable costs, e.g. for materials and services, remuneration to employees, registration of a legal entitlement, patents and licenses.

Other intangible assets

Other intangible assets acquired by the Group are recognized at cost less accumulated amortization and impairment. Other intangible assets refer primarily to one-off costs (non-recurring engineering) for development and testing of new products.

Amortization of intangible assets

Amortization is applied on a straight-line basis over the estimated useful life of the asset, which is assessed annually. Goodwill and R&D assets that are not yet ready for use are tested for impairment annually or as soon as there are indications that the asset in question has diminished in value. Intangible assets with definite useful lives are tested for impairment when they are available for use.

Estimated useful lives:

- market, patent and license rights: 5-10 years
- capitalized development projects: 3 years
- other intangible assets: 3-5 years

Impairment of property, plant and equipment and intangible assets

The Group's reported assets are tested for impairment annually.

If there is any indication of impairment, the asset's recoverable value is calculated (see below). The recoverable value of goodwill and other intangible assets that are not ready for use is also calculated annually. If it is not possible to establish an essentially independent cash flow associated with a particular asset when testing for impairment, the assets are grouped at the lowest level for which it is possible to identify an essentially independent cash flow (known as a cash-generating unit).

When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, an impairment loss is recognized. An impairment loss is charged to net profit for the year. Impairment losses on assets belonging to a cash-generating unit (group of units) are primarily allocated to goodwill. Thereafter, the carrying amounts of other assets in the cash-generating unit (group of units) are reduced on a pro rata basis.

The recoverable amount is the higher of fair value less selling costs and value in use. When calculating value in use, future cash flows are discounted using a discounting factor that reflects the risk-free interest rate and the risks specific to the asset.

Key assessments and estimates: Impairment of goodwill

The Group tests the reported goodwill values for impairment once a year. The recoverable value of cash-generating units is determined by calculating the discounted cash flow on which the recoverable value is based. The calculations are based on certain assumptions about the future of the Group on the date of the test. Key assumptions that can affect the value of goodwill are growth, the margin and the discount rate.

GROUP 2019

	Market, patent and license rights	Capitalized develop- ment projects	Goodwill	Other intangible assets	Total intangible assets
<i>Accumulated cost</i>					
At beginning of year	433	66,139	259,302	6,671	332,545
Purchases during the year	-	38,974	-	31	39,005
Disposals	-	-	-	-1,864	-1,864
Impairment	-	-3,997	-	-	-3,997
Exchange rate difference	7	-	3,995	-10	3,992
At year-end	440	101,116	263,297	4,828	369,681
<i>Accumulated amortization</i>					
At beginning of year	-364	-28,010	-	-2,681	-31,055
Disposals	-	-	-	1,487	1,487
Impairment	-	2,652	-	-	2,652
Amortization for the year	-36	-15,472	-	-1,429	-16,937
Exchange rate difference	-6	-	-	1	-5
At year-end	-406	-40,830	-	-2,622	-43,858
Carrying amount	34	60,286	263,297	2,206	325,823

GROUP 2018

	Market, patent and license rights	Capitalized develop- ment projects	Goodwill	Other intangible assets	Total intangible assets
<i>Accumulated cost</i>					
At beginning of year	433	48,546	248,566	10,045	307,590
Purchases during the year	8	18,472	-	566	19,046
Disposals	-24	-	-	-4,117	-4,141
Impairment	-	-879	-	-	-879
Exchange rate difference	16	-	10,736	177	10,929
At year-end	433	66,139	259,302	6,671	332,545
<i>Accumulated amortization</i>					
At beginning of year	-335	-16,490	-	-5,038	-21,863
Disposals	24	-	-	4,117	4,141
Amortization for the year	-31	-11,520	-	-1,582	-13,133
Exchange rate difference	-22	-	-	-178	-200
At year-end	-364	-28,010	-	-2,681	-31,055
Carrying amount	69	38,129	259,302	3,990	301,490

PARENT COMPANY 2019

	Capitalized development projects	Other intangible assets	Total intangible assets
<i>Accumulated cost</i>			
At beginning of year	66,139	6,671	72,810
Purchases during the year	38,974	-	38,974
Disposals	-	-1,864	-1,864
Impairment	-3,997	-	-3,997
At year-end	101,116	4,807	105,923
<i>Accumulated amortization</i>			
At beginning of year	-28,010	-2,680	-30,690
Disposals	-	1,487	1,487
Impairment	2,653	-	2,653
Amortization for the year	-15,472	-1,429	-16,901
At year-end	-40,829	-2,623	-43,452
Carrying amount	60,287	2,184	62,471

PARENT COMPANY 2018

	Capitalized development projects	Other intangible assets	Total intangible assets
<i>Accumulated cost</i>			
At beginning of year	48,546	6,105	54,651
Purchases during the year	18,472	566	19,038
Impairment	-879	-	-879
At year-end	66,139	6,671	72,810
<i>Accumulated amortization</i>			
At beginning of year	-16,490	-1,226	-17,716
Amortization for the year	-11,520	-1,454	-12,974
At year-end	-28,010	-2,680	-30,690
Carrying amount	38,129	3,991	42,120

DISTRIBUTION OF AMORTISATION AND IMPAIRMENT

	Group		Parent Company	
	2019	2018	2019	2018
Depreciation/amortization and write-downs are recognized on the following lines in the statement of consolidated comprehensive income				
Cost of goods sold	16,816	12,399	16,816	12,399
Selling expenses	1,252	975	1,217	816
Administrative expenses	214	638	214	638
Research and development costs	-	-	-	-
Total	18,282	14,012	18,247	13,853

In 2019, impairment losses were recorded at a value of SEK 1,345,000 (879,000) for development projects that will not be launched.

Impairment testing of goodwill

Pricer's balance sheet contains a goodwill item of SEK 263.3 M (259.3) from the acquisition of Eldat in 2006. The goodwill item is accounted for in EUR, which means that it is affected by exchange rate movements. The goodwill item has been tested for impairment by discounting future cash flows from the operations, whereby value in use was estimated as follows:

The acquisition of Eldat gave Pricer a clear position as the market leader in the ESL industry. The goodwill item that arose on the acquisition has been tested for impairment based on the Pricer Group's strategic plan and a discounted cash flow from the same. Eldat was previously an autonomous cash-generating unit but is now fully integrated with the rest of the Pricer Group. The shared customer base represents an asset for the Group as a whole.

The impairment test is based on multi-year forecast for the Group together with the company's other assessments about the Group's future development and risks. The forecast is based on a continuation of the positive business development in the market for Pricer's products and growth in sales. After the first three years, growth is assumed to be in line with the ESL market at around 20 percent (20), and after five years a perpetual growth rate of 2 percent (2) is assumed.

The expected increase in gross profit as a result of anticipated volume expansion will require more resources. But despite this, Pricer expects the costs, which mainly consist of personnel related expenses, to be contained so that they increase at a lower rate than gross profit.

Some of the cash flow generated by the business will be tied up in higher working capital.

Pricer is making limited investments in the product facilities in addition to capitalized product development and possible acquisitions of intangible assets. This is in part because manufacturing is outsourced to external suppliers.

The forecast cash flow has been discounted using an estimated average weighted cost of capital to calculate a recoverable amount. The estimated average weighted cost of capital is 12 percent (11) before tax. The implementation of IFRS 16 has only had a marginal decrease in the weighted cost of capital, following which the recoverable amount increased, and net assets increased correspondingly. The weighted cost of capital was based on a capital structure that is primarily equity and only a small amount of debt.

The estimated recoverable amount does not indicate any need for impairment. The recoverable amount is also compared to the company's market capitalization.

A sensitivity analysis of the changes in assumptions made, such as expected growth in sales in combination with a higher gross margin and discount rate, indicates that impairment is highly unlikely even with slower market development and/or higher yield requirements.

NOTE 10 | PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING PRINCIPLES

PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are recognized at cost less accumulated depreciation and impairment. Cost includes the purchase price and all costs necessary to bring the asset to working condition for its intended use.

The carrying amount of an item of property, plant and equipment is derecognized from the statement of financial position on disposal or when it is withdrawn for use and no future economic benefits are expected from its use or withdrawal/disposal. The gain or loss on disposal or withdrawal is the difference between the proceeds and the carrying amount less direct selling costs. This gain or loss is recognized in other operating income/expense.

Subsequent expenditure is added to the historical cost only when it is probable that the future economic benefits associated with the asset will flow to the

company and the cost can be measured reliably. All other subsequent expenditure is expensed as incurred.

Depreciation occurs on a straight-line basis over the estimated useful life. Leased assets are also depreciated over the estimated useful life or, if it is shorter, over the contractual term of the lease.

Estimated useful lives:

- incurred costs on third-party property: according to the term of the contract
- machinery and other technical installations: 3-5 years
- equipment, tools, fixtures and fittings: 3-5 years

GROUP 2019

	Incurring costs on third-party property	Plant and machinery	Equipment, tools, and fixtures and fittings	Cars	Total property, plant and equipment
<i>Accumulated cost</i>					
At beginning of year	4,034	3,145	39,888	1,912	48,979
Purchases during the year	-	10	12,356	-	12,366
Sales and disposals	-174	-287	-3,358	-	-3,819
Reclassification	-	-	-	- 1,912	-1,912
Exchange rate difference	60	37	13	-	110
At year-end	3,920	2,905	48,899	-	55,725
<i>Accumulated amortization</i>					
At beginning of year	-2,978	-2,698	-20,329	-705	-26,710
Amortization for the year	-338	-131	-7,510	-	-7,979
Disposals	174	287	2,148	-	2,609
Reclassification	-	-	-	705	705
Exchange rate difference	-42	-28	15	-	-55
At year-end	-3,184	-2,570	-25,676	-	-31,430
Carrying amount	736	335	23,223	-	24,295

GROUP 2018

	Incurring costs on third-party property	Plant and machinery	Equipment, tools, and fixtures and fittings	Cars	Total property, plant and equipment
<i>Accumulated cost</i>					
At beginning of year	2,699	3,163	28,421	1,917	36,201
Purchases during the year	1,215	133	11,860	340	13,548
Sales and disposals	-	-234	-689	-345	-1,268
Exchange rate difference	120	83	296	-	499
At year-end	4,034	3,145	39,888	1,912	48,979
<i>Accumulated amortization</i>					
At beginning of year	-2,669	-2,673	-14,470	-474	-20,287
Amortization for the year	-190	-190	-6,146	-371	-6,897
Disposals	-	234	416	140	790
Exchange rate difference	-119	-69	-129	-	-317
At year-end	-2,978	-2,698	-20,329	-705	-26,710
Carrying amount	1,056	447	19,559	1,207	22,269

PARENT COMPANY 2019

	Plant and machinery	Equipment, tools, and fixtures and fittings	Total property, plant and equipment
<i>Accumulated cost</i>			
At beginning of year	1,350	35,918	37,268
Disposals	-287	-3,356	-3,643
Purchases during the year	-	10,980	10,980
At year-end	1,063	43,542	44,605
<i>Accumulated amortization</i>			
At beginning of year	-1,350	-17,254	-18,604
Disposals	287	2,237	2,524
Amortization for the year	-	- 6,917	-6,917
At year-end	-1,063	-21,934	-22,997
Carrying amount	-	21,608	21,608

PARENT COMPANY 2018

	Plant and machinery	Equipment, tools, and fixtures and fittings	Total property, plant and equipment
<i>Accumulated cost</i>			
At beginning of year	1,584	23,964	25,549
Disposals	-234	-383	-617
Purchases during the year	-	12,337	12,337
At year-end	1,350	35,918	37,268
<i>Accumulated amortization</i>			
At beginning of year	-1,517	-11,920	-13,437
Disposals	234	233	467
Amortization for the year	-67	-5,567	-5,634
At year-end	-1,350	-17,254	-18,604
Carrying amount	-	18,664	18,664

DISTRIBUTION OF DEPRECIATION

	Group		Parent Company	
	2019	2018	2019	2018
Depreciation is recognized on the following lines in the statement of consolidated comprehensive income				
Cost of goods sold	6,408	5,298	6,321	5,298
Selling expenses	1,087	1,263	112	-
Administrative expenses	389	244	389	244
Research and development costs	95	92	95	92
Total	7,979	6,897	6,917	5,634

NOTE 11

RECEIVABLES AND LIABILITIES FROM GROUP COMPANIES

	Parent Company	
	2019	2018
Non-current receivables		
At beginning of year	6,491	70,755
Changes during the year	-295	-65,025
Translation differences	123	761
Carrying amount	6,319	6,491
Current receivables		
At beginning of year	161,384	103,081
Changes during the year	-95,727	58,414
Translation differences	-274	-111
Carrying amount	65,383	161,384
Non-current liabilities		
At beginning of year	100	100
Changes during the year	-	-
Translation differences	-	-
Carrying amount	100	100
Current liabilities		
At beginning of year	87,384	99,061
Changes during the year	-74,591	-17,577
Translation differences	121	5,900
Carrying amount	12,914	87,384

The above receivables and liabilities to subsidiaries run indefinitely. The counterparties referred to primarily the subsidiaries Pricer SAS and Pricer Inc.

NOTE 12

OTHER CURRENT RECEIVABLES

	Group		Parent Company	
	2019	2018	2019	2018
VAT and tax asset	2,680	1,051	2,671	959
Receivables from suppliers	58,565	61,234	58,565	61,234
Other	6,882	11,628	1,708	2,140
Total	68,127	73,913	62,944	64,333

NOTE 13

INVENTORIES

ACCOUNTING PRINCIPLES
INVENTORIES

Inventories, which consist of finished goods and goods for resale, are measured at the lower of cost and net realizable value. The risk of obsolescence has therefore been taken into account. The cost of inventories is calculated through application of weighted average cost per unit and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and realizing the sale.

Key assessments and estimates: Valuation of inventories

When measuring the value of inventories, the company makes assessments regarding the net realizable value, which can affect the carrying amount.

	Group		Parent Company	
	2019	2018	2019	2018
Finished goods and goods for resale	218,679	188,987	170,750	132,955
Total	218,679	188,987	170,750	132,955

The Group's inventory value includes a provision for obsolescence with a total of SEK -4.9 M (-5.6).

NOTE 14

PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
	2019	2018	2019	2018
Marketing expenses	3,123	2,106	2,319	439
Licensing expenses	2,022	1,229	1,857	1,229
Rent	1,867	799	1,867	799
Other prepaid expenses	3,169	3,799	1,526	1,112
Accrued income	1,983	1,609	-	-
Total	12,164	9,542	7,569	3,579

NOTE 15 SHAREHOLDERS' EQUITY**ACCOUNTING PRINCIPLES
EQUITY**

Costs attributable to the issue of new shares or options are recognized in equity as a reduction in the proceeds generated. The repurchase of own shares is classified as treasury shares and reported as a deduction from equity.

Share capital

The item share capital refers only to the Parent Company.

CHANGES IN SHARE CAPITAL 2010-2019

Year		No. of shares	Change in share capital MSEK
2010	At beginning of year	1,016,132,200	101.6
2010	Conversion/issue of shares	39,385,963	3.9
2011	Issue of shares from employee stock options	11,509,870	1.2
2011	Reverse split 10:1	-960,325,229	-
2011	Issue of shares from employee stock options	1,762,344	1.8
2012	Issue of shares from employee stock options	1,426,633	1.4
2013	Issue of shares for performance share plans	750,000	0.8
2014	Issue of shares for performance share plans	330,000	0.3
2019	Number of shares at year-end	110,971,781	111.0

The registered share capital at December 31, 2019, amounted to 110,971,781 shares with a quota value of SEK 1.00.

TREASURY SHARES**Number of Class B treasury shares**

Treasury shares at beginning of year	705,131
Number of treasury B shares at year-end	705,131

DISTRIBUTION OF SHARE CAPITAL BY SHARE CLASS

	Class A	Class B	Total
Number	225,523	110,746,258	110,971,781
Quota value per share	1	1	
Voting rights per share	5	1	

GROUP**Other capital contributions**

Pertains to equity contributed by the shareholders. As of January 1, 2006, allocations to the share premium reserve are also recognized as capital contributions.

Reserves

The foreign currency translation reserve consists of all exchange rate differences arising on translation of the financial statements of foreign operations that present their financial statements in a currency other than that in which the consolidated financial statements are presented.

The hedging reserve comprises the effective portion of the accumulated net change in the fair value of a cash flow hedging instrument attributable to hedging transactions that have not yet taken place.

The consolidated closing balance of SEK 34.9 M (28.1) is attributable to exchange rate differences arising on the translation of foreign operations.

Retained earnings

Retained earnings include profit for the year and accumulated profits from previous years. During the period, an amount corresponding to the net asset of internally generated intangible assets was transferred from retained earnings to the reserve for capitalized development costs.

PARENT COMPANY**Statutory reserve**

The statutory reserve consists of amounts transferred to the share premium reserve prior to January 1, 2006.

Reserve for capitalized development expenditure

The amount transferred from retained earnings corresponds to the net asset of internally generated intangible assets capitalized in the balance sheet as of January 1, 2016 and is exclusively attributable to the Parent Company.

LEGAL RESERVE FOR INTERNALLY GENERATED DEVELOPMENT EXPENDITURE

	Parent Company	
	2019	2018
At beginning of year	36,226	26,124
Change during the year	23,216	10,102
Carrying amount	59,442	36,226

Share premium reserve

When new shares are issued at a premium, meaning that the prices to be paid for a share exceeds the previous quota value of the share, an amount corresponding to the amount received in excess of the share's quota value is transferred to the share premium reserve. Amounts transferred to the share premium reserve prior to January 1, 2006, are included in non-restricted equity.

NOTE 16 EARNINGS PER SHARE**ACCOUNTING PRINCIPLES****EARNINGS PER SHARE**

Basic earnings per share are calculated by dividing the profit for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year. To calculate diluted earnings per share, the average number of shares is adjusted for the dilutive effects of potential ordinary shares originating from options issued to employees and rights to matching and performance shares during the period. Warrants and share rights are not considered dilutive if profit for the period is negative. The dilutive effect arises only when the strike price is lower than the listed price and is greater the wider the spread between the strike price and the listed price. The strike price is adjusted by making an addition for the value of future services associated with the employee stock option program that is recognized as share-based payments. Matching shares are considered dilutive if profit for the period is positive. Performance shares are dilutive to the extent that the profitability targets have been met at the reporting date. When calculating the dilutive effect of matching and performance shares, an adjustment is made for the value of future services.

	Before dilution		After dilution	
	2019	2018	2019	2018
Earnings per share, SEK	0.89	0.79	0.88	0.79
Number of shares, thousands	110,267	110,267	111,105	110,904

Basic earnings per share

Basic earnings per share are calculated based on profit for the year attributable to owners of the Parent Company of SEK 97,740 thousand (87,275) and the basic weighted average number of shares outstanding during the year, 110,267 thousand shares (110,267 thousand shares).

Diluted earnings per share

Diluted earnings per share are calculated based on profit for the year attributable to owners of the Parent Company of SEK 97,740 thousand (87,275) and the diluted weighted average number of shares outstanding during the year. The dilutive effects arise from the company's outstanding rights to matching and performance shares.

Weighted average number of shares after dilution: 111,112 thousand shares (110,904 thousand shares).

Potentially dilutive instruments

Profit for 2019 was positive and part of the shares included in earlier years' performance share plans are dilutive, and profit was also positive in 2018. If profit for future periods is positive and all the other prerequisites for dilution are present, then dilutive effects may arise.

NOTE 17 PROVISIONS**ACCOUNTING PRINCIPLES
PROVISIONS**

A provision is made when the Group has an existing legal or constructive obligation that has arisen as the result of a past event, it is probable that an outflow of financial resources will be required to settle the obligation and the amount can be estimated reliably.

Warranties

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical data on guarantees and a total appraisal of conceivable outcomes in relation to the probabilities to which the outcomes are linked.

Key assessments and estimates: Warranty obligations

Pricer markets its products with product warranties which in some cases can extend over several years. There is therefore a risk that the installed products may need to be replaced during the warranty period or for market reasons. Provisions to reserves are made based on historical outcomes, which have provided a reliable provision in comparison with actual outcomes.

WARRANTY PROVISIONS

	Group		Parent Company	
	2019	2018	2019	2018
Carrying amount at beginning of year	24,559	20,585	24,559	20,585
Provisions	7,700	14,374	7,700	14,374
Amount utilized	-8,700	-10,400	-8,700	-10,400
Carrying amount	23,559	24,559	23,559	24,559
Of which, non-current	7,853	7,603	7,853	7,603

Warranty provisions pertain primarily to certain obligations for products sold in both prior years and 2019. The provision is based on calculations made on the basis of outcomes during 2019 and prior years. Pricer markets its products with traditional product warranties, normally 1–3 years but which in some cases can extend over several years.

PROVISIONS

	Group		Parent Company	
	2019	2018	2019	2018
Warranties	23,559	24,559	23,559	24,559
Recovery	5,924	5,267	-	-
Other	2,115	2,033	-	-
Total	31,598	31,859	23,559	24,559
Of which, non-current	15,407	14,478	7,853	7,603

NOTE 18 OTHER CURRENT LIABILITIES

	Group		Parent Company	
	2019	2018	2019	2018
Withholding tax, employee	2,233	2,121	1,288	1,056
VAT payable	3,557	7,197	-	-
Social security contributions	2,930	2,495	1,182	851
Other liabilities	277	986	164	83
Total	8,997	12,799	2,634	1,990

NOTE 19 ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
	2019	2018	2019	2018
Holiday pay liability	4,959	4,424	2,411	2,073
Accrued salaries	13,410	17,189	5,859	8,479
Social security expenses	3,920	2,039	2,357	931
Accrued consultant expenses	2,423	1,918	2,423	1,918
Other accrued expenses	13,854	17,717	9,665	5,341
Deferred income	13,108	34,835	4,586	9
Total	51,674	78,122	27,301	18,751

NOTE 20 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**ACCOUNTING PRINCIPLES
FINANCIAL INSTRUMENTS**

The purchase or disposal of financial instruments is recognized on the transaction date, which is the date when the company undertakes to purchase or dispose of the asset.

The financial instruments reported in the balance sheet include cash and cash equivalents, loan receivables, trade receivables, financial investments and derivatives. On the liability side, they include trade payables, borrowings, lease liabilities, and derivatives. Financial instruments also include financial guarantees such as sureties given, etc.

A financial asset or liability is recognized in the balance sheet when the company becomes party to the contractual conditions of the instrument. Trade receivables are recognized in the balance sheet when an invoice has been sent. Trade payables are recognized when an invoice has been received.

A financial asset is derecognized from the balance sheet when the company's rights under the agreement have been realized or expired. The same applies to a part of a financial asset. A financial liability is derecognized from the balance sheet when the obligation specified in the agreement has been discharged or is otherwise extinguished. The same applies to a part of a financial liability.

Impairment of financial assets

At each reporting date, the company assesses whether there is objective evidence that an asset or group of assets is impaired. Objective evidence consists of observable events that have occurred and adversely affect the ability to recover the cost of the asset.

The company classifies trade receivables as doubtful when it is considered unlikely that they will be paid. Impairment of receivables is established by reference to historical experience of customer defaults on similar receivables.

A financial asset and a financial liability when there is a legal right of set-off.

Classification and measurement

Non-derivative financial instruments are initially measured at cost, corresponding to the fair value of the instrument plus transaction costs for all financial instruments except those in the category of financial assets at fair value through profit or loss, which are measured at fair value excluding transaction costs. A financial instrument is initially classified based on the purpose for which the instrument was acquired. This classification determines how the financial instrument is subsequently measured, as described below.

Cash and cash equivalents consist of cash on hand and deposits with banks and equivalent institutions as well as current investments that have a term to maturity of less than three months and are exposed to only an insignificant risk of changes in value.

Financial assets at amortized cost

Loans and receivables are non-derivative financial assets that have fixed or determinable payments and are not quoted in an active market. These assets are measured at amortized cost. Amortized cost is determined on the basis of the effective interest rate that was calculated at the time of acquisition. Trade receivables are measured at the amount in which they are expected to be received, i.e. after deductions for bad debts.

Financial assets at amortized cost

Loans and other financial liabilities, e.g. Trade payables, are included in this category. The liabilities are valued at amortized cost.

Hedging instruments at fair value via other comprehensive income

Pricer applies hedge accounting for hedging of currency risk in its transaction flows. Currency exposure in future flows is hedged through forward contracts. The forward contract that hedges this cash flow is recognized in the balance sheet at fair value. Changes in fair value attributable to exchange rate fluctuations on the forward contract are recognized, after consideration to the tax effect, in other comprehensive income when hedge accounting is applied. Any hedge inefficiency is recognized in profit or loss. When the hedged flow is recognized in the income statement, the value change on the forward contract is reclassified from other comprehensive income to operating profit, where it meets the currency effect for the hedged flow. The hedged flows can be both contractual and forecasted transactions.

Given the nature of its business, the Group is exposed to various types of financial risk, including fluctuations in the company's earnings and cash flow caused by changes in exchange rates, interest rates, and refinancing and credit risks.

Risks are managed by a finance policy adopted by the Board with the purpose of limiting and controlling these risks. The policy establishes a framework of guidelines and rules in the form of risk mandates and limits for financial activities. The Group's financial transactions are executed centrally by the Parent Company.

The Parent Company's finance department has responsibility for the Group's cash management and ensures that any cash requirements of the subsidiaries are satisfied. The overriding goal of the finance department is to arrange cost-effective financing and to minimize any negative effects of market fluctuations on consolidated earnings resulting from market fluctuations.

Currency risk

Currency risk refers to the risk that changes in exchange rates can have a negative impact on profit, the balance sheet and cash flow.

The Group is exposed to different types of currency risk. The main exposure relates to purchases and sales in foreign currencies, where the risks include the effects of fluctuations in the currencies on customer and supplier invoices, as well as the currency risk resulting from expected or contracted payment flows (transaction exposure).

Pricer is also exposed to currency risks in financial assets, primarily loans to subsidiaries and bank deposits in foreign currencies.

Furthermore, currency risks also arise in connection with the translation of foreign subsidiaries' assets and liabilities into the Parent Company's functional currency (translation exposure).

PERCENTAGE OF SALES AND COSTS BY CURRENCY

	EUR	USD	SEK and other currencies
Sales	62 (49) %	37 (50) %	1 (1) %
Costs	15 (9) %	67 (79) %	18 (12) %

In 2019, the breakdown of Pricer's net sales was 62 percent (49) in EUR, 37 percent (50) in USD and 1 percent (1) in other currencies. The cost of goods sold was almost exclusively denominated in USD, and operating expenses was equally split between EUR and SEK with a minor share in USD.

Currency effects in net financial items amounted to SEK 1.5 M (-0.1) and consisted of currency translation of loan receivables for subsidiaries and cash and cash equivalents.

Pricer's net assets in foreign currency at year-end 2019, amounted to SEK 502.0 M (487.8).

In 2017 the company hedged a fixed percentage of the Parent Company's forecasted future currency flows in EUR and USD by purchasing forward contracts over time. The company has hedged future cash flows through various hedging contracts in order to achieve the target level prescribed by the finance policy in effect at that time regarding what share of the flows should be hedged. In the accounts, hedge accounting is applied when the requirements for hedge accounting have been met, and the effectiveness test of the contracts carried out in 2017 determined that the hedges were effective. In 2018, a decision was made to change the company's finance policy and abandon the former formulation to hedge a percentage of forecasted future cash flows. Hedging via forward contracts is permitted even in the future, but for specific contracts with the purpose of reducing transaction exposure. As at December 31, 2018, there were no outstanding forward contracts, and no forward contracts were bought in 2019.

Sensitivity analysis

EUR strengthened against SEK by 5 percent, resulting in a positive impact on operating profit of SEK 26 M and on equity of SEK 47 M since Pricer's income in EUR was higher than its expenses in EUR in 2019 and the company holds net assets in EUR.

USD strengthened against SEK by 5 percent, resulting in a negative impact on operating profit of SEK 12 M and on equity of SEK 8 M, since Pricer's expenses in USD were higher than its income in USD in 2019, somewhat offset by net assets in USD.

The above effects are calculated on conditions in 2019 and events that should be seen as isolated without any measures taken to compensate for any loss of income.

SPECIFICATION OF OTHER INCOME AND EXPENSE

	Group		Parent Company	
	2019	2018	2019	2018
Realized exchange gains/losses	-2,555	3,118	-2,571	3,052
Unrealized exchange gains/losses	-748	335	-736	333
Gains/losses forward contracts	-	1,745	-	1,745
Total	-3,303	5,198	-3,307	5,130

Realized and unrealized exchange gains refer primarily to trade receivables denominated in EUR and USD, respectively, and realized and unrealized exchange losses refer primarily to trade payables denominated in USD.

Interest rate risk

Interest rate risk is the risk that changes in market rates will have a negative impact on the income statement, balance sheet and cash flow. Exposure to interest rate risk arises mainly from outstanding external loans.

At present, Pricer has no assets carrying fixed rates of interest since its cash and cash equivalents are placed on deposit at banks. Accordingly, any change in interest rates will have a direct impact on consolidated earnings. At year-end the Group had cash and cash equivalents of SEK 194.2 M (171.0). A change of one percentage point in the interest rate would affect net financial items by SEK 1.9 M (1.7) on an annual basis.

Credit/Counterparty risk

Credit/Counterparty risk is the risk that a counterparty in a transaction will fail to meet its contractual financial obligations and that collateral, if any, will not be sufficient to cover the company's receivable. Pricer's sales are spread across a large number of customers with a wide geographic spread. The Group has established routines for how credits are to be valued and uncertain debts are to be dealt with and sets decision levels for various credit limits. Pricer has long-standing knowledge about most of its customers, which consist mainly of large retail companies and chains whose bad debt losses have been minor. Reserve for possible bad debts has been based on the customers' payment and loss history. Historical losses are adjusted to take into account current and forward-looking information that can affect the customers' ability to pay the claim.

CONCENTRATION OF CREDIT RISK IN 2019

	Number of customers	Percentage of the no. of customers	Percentage of the portfolio
Exposure < SEK 1 M	98	80%	7%
Exposure SEK 1-5 M	14	11%	28%
Exposure > SEK 5 M	11	9%	65%
Total	123	100%	100%

CONCENTRATION OF CREDIT RISK IN 2018

	Number of customers	Percentage of the no. of customers	Percentage of the portfolio
Exposure < SEK 1 M	120	81%	23%
Exposure SEK 1-5 M	18	12%	45%
Exposure > SEK 5 M	10	7%	32%
Total	148	100%	100%

AGE ANALYSIS OF TRADE RECEIVABLES

	2019	2018
Overdue but not impaired trade receivables	Overdue payments	Overdue payments
< 60 days	54,743	73,051
> 60 days	16,626	15,704
Total	71,369	88,755
Total outstanding receivables	147,552	278,337

	2019	2018
Impaired customer receivables		
<60 days	116	245
>60 days	1,523	1,391
Total	1,639	1,636

	2019	2018
Reserve for bad debts		
At beginning of year	1,636	802
Reserve for possible bad debts	1,947	1,302
Realized losses	-102	-350
Recovered estimated losses	-1,842	-118
Reserves at year-end	1,639	1,636

Refinancing/liquidity risk

Refinancing/liquidity risk is the risk for limited access to financing at the payment or interest reset date of existing loans and that it will not be possible to meet payment obligations as a result of insufficient liquidity. In addition to available cash and cash equivalents, at year-end Pricer had an unutilized bank overdraft facility of SEK 50 M (50). In 2019 and 2018 Pricer had no non-current loans, which has reduced the need for refinancing.

UNDISCOUNTED CONTRACTUAL COMMITMENTS FOR FINANCIAL LIABILITIES

	Less than 1 year	1-5 years	More than 5 years	Total
Group 2019				
Trade payables	155,502	-	-	155,502
Lease liabilities	12,531	40,740	4,559	57,830
Other current liabilities	173	-	-	-
Accrued expenses	20,847	-	-	20,847
Total financial liabilities	189,053	40,740	4,559	234,352
Group 2018				
Trade payables	212,020	-	-	212,020
Lease liabilities	566	586	-	1,152
Other current liabilities	238	-	-	238
Accrued expenses	28,294	-	-	28,294
Total financial liabilities	241,118	586	-	241,704

Financial credit risks

Pricer's financial policy regulates the handling of the financial credit risks that arise in financial management, for example in investment of liquidity. Transactions are only executed within established limits and with selected credit-worthy counterparties. The policy for interest rate and credit risks is to strive for a low risk profile. Temporary surplus liquidity made be invested only in instruments issued by institutions with the highest rating and with established banking connections.

Capital management

The company's goal is to have an efficient capital structure with regard to operational and financial risks that provides a platform for the company's long-term development while at the same time ensuring that the shareholders receive a satisfactory return. Capital is defined as total equity.

Carrying amount and fair value of financial instruments

The carrying amounts of assets and liabilities in the statement of financial position may differ from their fair values, in part due to changes in market rates. Measurement of forward contracts at fair value is based on customary models with observable inputs such as interest rates and exchange rates.

For financial instruments measured at amortized cost – trade receivables, other current receivables and cash and cash equivalents, trade payables and other current interest-free liabilities – the fair value is assessed to correspond to the carrying amount. The fair values of other non-current and current liabilities are not assessed to deviate substantially from their carrying amounts.

The table below provides shows how fair value is determined for financial instruments valued at fair value in the statement of financial position. Fair value is assessed based on following three levels:

Level 1: Based on quoted prices in active markets for identical assets or liabilities

Level 2: Based directly or indirectly on observable market inputs not included in level 1

Level 3: Based on inputs that are unobservable in the market.

FINANCIAL INSTRUMENTS

	Level 1	Level 2	Level 3	12/31/2019
Financial assets	-	-	-	-
Financial liabilities	-	-	-	-
Financial items (asset (+), liability (-))	-	-	-	-
	Level 1	Level 2	Level 3	12/31/2018
Financial assets	-	-	-	-
Financial liabilities	-	-	-	-
Financial items (asset (+), liability (-))	-	-	-	-

No financial instruments have been valued at fair value as at December 31 in 2018 or 2019 since the company stopped purchasing forward contracts in 2018.

For the Group and the Parent Company, the majority of financial assets and liabilities fall due between 3 months and 1 year, with the exception of lease liabilities. The company's assessment is that the carrying amount is approximately the same as fair value, for example with regard to the duration and operating character of these items.

	Financial assets at amortized cost	Financial liabilities at amortized cost	Total carrying amount	Fair value
GROUP 2019				
Trade receivables	147,552	-	147,552	147,552
Accrued income	1,210	-	1,210	1,210
Other current receivables	62,975	-	62,975	62,975
Cash and cash equivalents	194,232	-	194,232	194,232
Total financial assets	405,969	-	405,969	405,969
Trade payables	-	-155,502	-155,502	-155,502
Lease liabilities	-	-54,649	-54,649	-54,649
Other current liabilities	-	-173	-173	-173
Accrued expenses	-	-20,847	-20,847	-20,847
Total financial liabilities	-	-231,171	-231,171	-231,171
GROUP 2018				
Trade receivables	278,337	-	278,337	278,337
Accrued income	10,493	-	10,493	10,493
Other current receivables	59,947	-	59,947	59,947
Cash and cash equivalents	171,035	-	171,035	171,035
Total financial assets	519,812	-	519,812	519,812
Trade payables	-	-212,020	-212,020	-212,020
Lease liabilities	-	-1,139	-1,139	-1,139
Other current liabilities	-	-238	-238	-238
Accrued expenses	-	-28,294	-28,294	-28,294
Total financial liabilities	-	-241,691	-241,691	-241,691
PARENT COMPANY 2019				
Trade receivables	56,730	-	56,730	56,730
Receivables from group companies	65,383	-	65,383	65,383
Other current receivables	60,273	-	60,273	60,273
Accrued income	-	-	-	-
Cash and cash equivalents	167,884	-	167,884	167,884
Total financial assets	350,270	-	350,270	350,270
Trade payables	-	-151,709	-151,709	-151,709
Liabilities to group companies	-	-13,014	-13,014	-13,014
Other current liabilities	-	-164	-164	-164
Accrued expenses	-	-16,674	-16,674	-16,674
Total financial liabilities	-	-181,561	-181,561	-181,561
PARENT COMPANY 2018				
Trade receivables	84,925	-	84,925	84,925
Receivables from group companies	161,384	-	161,384	161,384
Other current receivables	54,217	-	54,217	54,217
Accrued income	8,884	-	8,884	8,884
Cash and cash equivalents	160,988	-	160,988	160,988
Total financial assets	470,398	-	470,398	470,398
Trade payables	-	-205,609	-205,609	-205,609
Liabilities to group companies	-	-87,484	-87,484	-87,484
Other current liabilities	-	-83	-83	-83
Accrued expenses	-	-20,237	-20,237	-20,237
Total financial liabilities	-	-313,413	-313,413	-313,413

NOTE 21 LEASES**ACCOUNTING PRINCIPLES****LEASES**

IFRS 16 Leases entered into force on January 1, 2019. The standard changes the reporting of leases and requires all leases to be recognized in the balance sheet. The company has operating leases for primarily office premises and cars, which affects the financial position and key ratios at transition. The company has chosen to apply the transition rules for this standard in accordance with the simplified approach, which recognizes the accumulated effect of an initial application of the standard on the first day of application, January 1, 2019. Comparative information will not be restated, and it will continue to be reported in accordance with *IAS 17 Leases* and *IFRIC 4 Determining Whether an Arrangement Contains a Lease*. The company has opted to exclude leases in which the value of the underlying asset is low. Leasing expenses for earlier operating leases will be replaced as of January 1, 2019, with write-downs on right-of-use assets and financial interest expenses for lease liabilities. Right-of-use assets will be measured at an amount corresponding to the lease liabilities on the date of transition. On January 1, 2019, the change in the reporting of leases impacted the balance sheet total by SEK 60.7 M (corresponding to 5 percent) without having an impact on equity. The Group's weighted average marginal lending rate amounted to 2.4 percent.

Like in previous years, the Parent Company reports all leasing as operating leasing, and costs are recognized in profit or loss during each respective period.

The following are disclosures of carrying amounts for rights-of-use per underlying asset class. Most of the Group's operating leases consist of leasing expenses for the Parent Company's premises and office facilities for the Group's subsidiaries, Pricer SAS and Pricer Inc. Possibilities for extension or termination have not been considered since the company does not have reasonable assurance that it will utilize these alternatives.

RIGHTS-OF-USE ASSETS – GROUP 2019

	Premises	Cars	Total
Opening balance	-	-	-
Reclassification of assets for previously recognized finance leases (Note 10)	-	1,206	1,206
Lease liabilities, operating leases at the date of transition to IFRS 16	60,031	622	60,653
New contracts	-	2,161	2,161
Reassessment of the lease liability	-	-	-
Rights-of-use that expired	-	-	-
Amortization for the year	- 9,912	-1,130	-11,042
Exchange rate difference	670	128	798
Carrying amount	50,789	2,987	53,775

The following clarifies the maturity dates for carrying amounts of lease liabilities. Undiscounted contractual commitments for leasing and other financial liabilities are set out in Note 20.

LEASING LIABILITIES – GROUP

	12/31/2019	1/1/2019
Current – less than one year	11,543	10,191
Non-current – between one and five years	38,630	42,976
Non-current – More than five years	4,476	8,625
Total	54,649	61,792

Financial liabilities to credit institutions consist entirely of lease liabilities. Changes in liabilities attributable to the financing activities are presented in the following table.

LIABILITIES ATTRIBUTABLE TO THE FINANCING ACTIVITIES – GROUP 2019

	Lease liabilities
Liability recorded January 1, 2019	61,792
New contracts	2,161
Amortization of lease liabilities	-10,107
Reassessment of the liability	-
Accrued interest rates and fees	-
Exchange rate difference	804
Carrying amount	54,649

IFRS 16 – TRANSITION DISCLOSURES – GROUP

Lease liability	1/1/2019
Operating leases as at December 31, 2018	64,561
Discounting with the Group's weighted average marginal lending rate	-3,908
Lease liability for operating leases as at December 31, 2018	60,653
Additional liabilities for financial leases as at December 31, 2018, Cars	1,139
Lease liability recorded January 1, 2019	61,792
Right-of-use asset	
Lease liability recorded January 1, 2019	60,653
Additional assets for financial leases as at December 31, 2018, Cars	1,206
Right-of-use asset recorded January 1, 2019	61,859

Amounts reported in the income statement attributable to leases are presented in the following table.

AMOUNTS REPORTED IN THE INCOME STATEMENT – GROUP

	2019
Depreciation of rights-of-use assets	11,042
Interest expenses for lease liabilities	1,127
Variable lease expenses not included in the measurement of lease liabilities	1,004
Costs attributable to short-term leases	251
Costs attributable to low-value leases	-
Total	13,423

Cash outflow attributable to the lease liabilities is presented in the following table.

CASH OUTFLOW – GROUP

	2019
Interest expenses for lease liabilities	1,127
Amortization of lease liabilities	10,107
Total	11,234

The Parent Company has operating leases for primarily rental contracts. The reported in the Parent Company for leases amounted to SEK 9,000 thousand (6,605) during the year. Disclosures about the Parent Company's non-cancellable lease payments are presented below.

NON-CANCELLABLE LEASE PAYMENTS FOR OPERATING LEASES – PARENT COMPANY

	2019	2018
Current – less than one year	7,986	6,717
Non-current – between one and five years	24,022	30,550
Non-current – More than five years	-	1,730
Total	32,008	38,997

NOTE 22 PLEDGED ASSETS AND CONTINGENT LIABILITIES**ACCOUNTING PRINCIPLES****Contingent liability**

A contingent liability is a possible obligation arising from past events and whose existence is confirmed only by the occurrence of non-occurrence of one or more uncertain future events. Contingent liabilities are not recognized as liabilities or provisions since it is not probable that an outflow of resources will be required or the amount cannot be measured reliably.

	Group		Parent Company	
	2019	2018	2019	2018
Pledged assets				
<i>For own liabilities and provisions</i>				
Floating charges	59,625	59,625	59,625	59,625
Blocked funds	927	885	-	-
Total	60,552	60,510	59,625	59,625

	Group		Parent Company	
	2019	2018	2019	2018
Contingent liabilities				
Bank guarantee	927	885	-	-
Customs services	5,940	144	144	144
Rent guarantees	1,700	1,700	1,700	1,700
Advance guarantees	-	12,956	-	12,956
Total	8,567	15,685	1,844	14,800

Floating charges (chattel mortgages) are a type of general collateral in the form of an undertaking to the bank. In the case of the Parent Company, guarantees are issued to customs authorities, landlords and advance payments from customers. Blocked funds in the companies' bank accounts are available for bank guarantees.

NOTE 23 RELATED PARTY TRANSACTIONS

The Parent Company has a related party relationship with its subsidiaries, see Note 24 The counterparties referred to primarily the subsidiaries Pricer SAS and Pricer Inc.

SUMMARY OF RELATED PARTY TRANSACTIONS:

	Year	Sales of goods and services to related parties	Purchase of services from related parties	Interest income	Receivables from related parties at December 31	Liabilities to related parties at December 31
Subsidiaries	2019	410,324	-1,907	230	71,702	13,014
Subsidiaries	2018	746,849	-1,917	1,036	167,875	87,484

Transactions with key management personnel

Individuals in senior positions receive no benefits other than Board fees and salary. See also Note 4 Employees and personnel costs. There have been no significant transactions with related parties that have had a material impact on Pricer's financial standing or results.

NOTE 24 PARTICIPATIONS IN GROUP COMPANIES

	Parent Company	
	2019	2018
Accumulated cost		
At beginning of year	1,150,413	1,143,926
Shareholder contributions	3,729	6,487
At year-end	1,154,142	1,150,413
Accumulated impairment losses		
At beginning of year	-964,388	-958,453
Impairment	-2,817	-5,935
At year-end	-967,205	-964,388
Carrying amount of participations in group companies	186,937	186,025

Impairments in 2019 and 2018 refer to Pricer GmbH and are due to loss coverage via shareholder contributions.

SPECIFICATION OF PARENT COMPANY SHAREHOLDINGS AND PARTICIPATIONS IN SUBSIDIARIES:

Subsidiary/CIN/Domicile	Participation, %	Number of shares/participations	Currency	12/31/2019 Carrying amount	12/31/2018 Carrying amount
Pricer Inc. (22-3215520), Delaware, USA	100	223,000	USD	10,652	9,997
Pricer SAS, (RCS 395 238 751) Paris, France	100	2,138	EUR	170,708	170,451
Pricer Communication AB, 556450-7563, Stockholm, Sweden	100	100,000	SEK	4,981	4,981
Pricer Explorative Research (PER) AB, 556454-7098, Stockholm, Sweden	100	260	SEK	260	260
Pricer Consulting AB, 556429-6027, Stockholm, Sweden	100	1,000	SEK	100	100
Pricer GmbH, HR B 13017, Marktoberdorf, Bavaria, Germany	100	25,000	EUR	236	236
Pricer E.S.L. Israel Ltd, 511838732, Tel Aviv, Israel	100	56,667,922	ILS	0	0
Participations in group companies				186,937	186,025

NOTE 25 CASH FLOW STATEMENT

	Group		Parent Company	
	2019	2018	2019	2018
Cash and cash equivalents				
<i>Cash and cash equivalents include the following sub-components:</i>				
Cash and bank balances	194,232	171,035	167,884	160,988
Total as per the statement of financial position	194,232	171,035	167,884	160,988
Total as per the cash flow statement	194,232	171,035	167,884	160,988

	Group		Parent Company	
	2019	2018	2019	2018
Interest rates paid				
Interest received	621	7	621	7
Interest paid	-1,317	-249	-190	-240

Adjustments for non-cash items	Group		Parent Company	
	2019	2018	2019	2018
Depreciation/amortization	36,347	20,034	24,195	18,608
Impairment	1,344	879	4,161	6,814
Accrued costs of employee stock options	2,569	1,375	2,569	1,375
Exchange rate differences/translation differences	-659	243	-736	333
Dividends from subsidiaries, not paid	-	-	-52,791	-
Change in provisions	-343	5,853	-1,000	3,974
Non-cash items	39,258	28,384	-23,602	31,104

NOTE 26 APPROPRIATION OF PROFITS**ACCOUNTING PRINCIPLES****DISTRIBUTION OF CAPITAL TO SHAREHOLDERS**

The dividend proposed by the Board of Directors is recognized as a liability after it has been approved by the AGM.

The Annual General Meeting has at its disposal:	SEK
Share premium reserve	207,672,606
Retained earnings	39,372,608
Net profit for the year	143,331,735
Total amount available including share premium reserve	390,376,949

The Board of Directors proposes that the available funds are to be used as follows:

Dividend SEK 0.80/share, total of 110,266,650 shares	88,213,320
Total amount to dissolve from retained earnings	88,213,320
Carried forward to new account	302,163,629

In light of the current macroeconomic uncertainty as a result of the corona virus (COVID-19) and therefore showing heightened prudence, the Board of Directors considers that it is justified in splitting the payment of the dividend in two tranches of 0.40 SEK each. Proposed record dates are May 8 and November 6, 2020. If the AGM resolves in accordance with the proposal, the dividend is expected to be distributed through Euroclear Sweden AB on May 13 and November 13, 2020. The Board's reasoning is presented on page 59.

NOTE 27 SIGNIFICANT EVENTS AFTER THE END OF THE YEAR

A leading US retail chain placed another follow-up order to complete the roll-out of Pricer's digital price label system in the remaining 230 stores in the USA. The estimated value of the new order is around SEK 300 M. Delivery is planned to begin in Q2 2020 and be completed by the end of 2020.

As a result of the reorganization that was completed in January 2020 with the primary aim of clarifying roles and responsibilities, a decision was made to reduce the number of members of Group management from ten to seven.

Update on possible effects of the coronavirus (COVID-19)

Based on Pricer's record-high order backlog in combination with an improved situation in supply chain, the company's view is currently that the effects of the coronavirus (COVID-19) will be limited. We anticipate certain timing effects regarding deliveries and completion of store installations that may have a moderate negative effect in the first quarter of 2020. The main impact that we see is that customer dialogues regarding test and pilot projects are being postponed.

As a result of the COVID-19 virus spreading around the world, several countries in March have taken decisions that may restrain retailers from carrying out their businesses effectively. It is likely that these measures will result in delayed investment decisions in several of Pricer's most important markets and hence impact the company's order intake going forward. So far, we have not experienced any interrupted negotiations, but we do experience postponed customer dialogues relating to test and pilot projects. The company's view is that the flow of small and medium-sized orders will be temporarily slowed as our customers need to focus on internal priorities until their operations are back to normal. Apart from that, the supply chain situation is recovering well, and lead times are improving, although some logistics challenges remain.

For the time being, it is not possible to quantify the financial implications resulting from the COVID-19. The company monitors developments closely and remain in constant dialogue with both suppliers and customers to mitigate risks that arise as a consequence of the spread of virus. Pricer has a strong financial position with a continued high net cash position and has no plans for reductions in its operations.

The Board's proposed appropriation of profits

<i>The Annual General Meeting has at its disposal:</i>	<i>SEK</i>
Share premium reserve	207,672,606
Retained earnings	39,372,608
Net profit for the year	143,331,735
Total amount available including share premium reserve	390,376,949
The Board of Directors proposes that the available funds are to be used as follows:	
Dividend SEK 0.80/share, total of 110,266,650 shares	88,213,320
Total amount to dissolve from retained earnings	88,213,320
Carried forward to new account	302,163,629

The payment of the dividend is proposed to be split in two tranches of 0.40 SEK each and distributed in May and November 2020.

In view of the Board's proposed appropriation of profits, the Board of Directors hereby issues the following statement in accordance with Chapter 18, section 4 of the Swedish Companies Act (2005:551).

The nature and scope of the business are described in the Articles of Association and published annual reports.

The operations conducted by the company do not give rise to any risks beyond those that exist or can be assumed to exist in the industry or the risks that are otherwise associated with the conduct of business in general. For information about significant events, see the Administration Report.

The financial position of the Parent Company and the Group at December 31, 2019, is presented in the most recently published annual report. The annual report also describes the policies applied for the measurement of assets, provisions and liabilities. On December 31, 2019, the Parent Company had an equity/assets ratio of 75 percent and the Group of 72 percent. Following a maximum dividend, the equity/assets ratios of the Parent Company and Group would be 73 percent and 70 percent, respectively. This is deemed satisfactory in view of the company's current development. Liquidity in the Parent Company and Group, particularly in light of the available unutilized bank overdraft facility, is

deemed to continue to be sufficient. In the Board's opinion, the proposed dividend will not prevent the company, or other companies in the Group, from continuing their operations, meeting their obligations in the short and long term or making the necessary development projects and other investment projects. The liquidity forecast also includes preparedness for dealing with variations in day-to-day payment obligations. The Board's assessment is that the amount of equity, as reported in the most recently published annual report, stands in reasonable proportion to the scope of the company's operations and the risks associated with the conduct of the company's business in respect of the now proposed dividend.

With consideration to the above and all other circumstances that have come to the Board's knowledge, the Board's opinion is that an overall assessment of the financial position of the Parent Company and the Group will show that the dividend is justifiable with regard to the requirements placed by the operations' nature, scope and risks on the amount of equity in the Parent Company and the Group and the Group's consolidation requirements, liquidity and position in general. The proposed dividend can thereby be warranted in view of that stated in Chapter 17, section 3, paragraphs 2 and 3 of the Swedish Companies Act (the principle of prudence).

Assurance by the Board of Directors and the CEO

The Board and CEO hereby give their assurance that the annual report was prepared in accordance with generally accepted accounting principles in Sweden and that the consolidated financial statements were prepared in accordance with the international accounting standards referred to in the European Parliament's and Council's regulation (EC) No. 1606/2002 of 19 July 2002 concerning the application of international accounting standards. The annual and sustainability reports and the consolidated financial statements provide a true and fair view of the results of operations and financial position of the Parent Company and the Group. The administration report for the Parent Company and the Group provide

a true and fair view of the results of operations, financial position and performance of the Group and describe the risks and significant uncertainties to which the Parent Company and other companies in the Group are exposed.

The annual and sustainability reports and the consolidated financial statements, as presented above, were approved for publication by the Board and CEO on March 25, 2020. The income statement and balance sheet of the Parent Company and the statement of comprehensive income and statement of financial position for the Group will be submitted to the Annual General Meeting for approval on May 6, 2020.

Stockholm, March 25, 2020

Bernt Ingman
Chair

Hans Granberg

Jenni Virnes

Jonas Guldstrand

Thomas Krishan

Knut Faremo

Helena Holmgren
President and CEO

Our audit report was submitted on March 25, 2020

Ernst & Young AB

Rickard Andersson
*Authorized Public Accountant
Auditor in Charge*

Auditor's Report

To the general meeting of Pricer AB (publ), CIN 556427-7993

Report on the annual report and consolidated financial statements

Opinions

We have audited the annual report and consolidated financial statements of Pricer AB (publ) for the year 2019 with the exception of the Corporate Governance Report on pages 24–28. The annual report and consolidated financial statements of the company are included on pages 18–60 in this document.

In our opinion, the annual report has been prepared in accordance with the Annual Accounts Act and presents fairly, in all material respects, the financial position of the parent company as of December 31, 2019, and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated financial statements have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of December 31, 2019, and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance report on pages 24–28. The administration report is consistent with the other parts of the annual report and consolidated financial statements.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual report and consolidated financial statements are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual report and consolidated financial statements of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual report and consolidated financial statements as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Revenue recognition

Description

Revenue for 2019 amounted to SEK 1,003 M in the consolidated statement of comprehensive income. Revenue is recognized when it is likely that the future economic benefits will flow to the company and the benefits can be measured reliably. Revenue from license agreements with end customers is recognized in connection with delivery or installation, depending on the structure of the agreement, and revenue from license agreements with partner companies is recognized in connection with delivery. Support revenue is recognized on a straight-line basis over the term of the agreement. Recognition of revenue related to the sale of licenses to end customers requires management to estimate when in time the delivery or partial delivery has been fulfilled. This means that the reporting of the Group's revenue includes a certain degree of estimates, for which reason revenue recognition has been deemed a key audit matter. A description of the assumptions underlying the company's revenue recognition is provided in the section on accounting policies, Note 1–3.

How our audit addressed this key audit matter

We have reviewed revenue recognition to ensure that it is carried out in accordance with IFRS. We have performed a detailed analytical review using data-based analysis tools, the review of agreements and random sampling of allocations in connection with the closing of the accounts to assess the relevance of revenue recognition. We have particularly focused on reviewing new and more complex customer agreements and revenue cut-offs before and after the balance sheet date. We have also assessed whether the disclosures provided are sufficient and appropriate.

Impairment of goodwill and shares in subsidiaries**Description**

Goodwill is recognized at SEK 263 M (259) in the statement of financial position for the Group at December 31, 2019, and shares in subsidiaries are recognized at SEK 187 M (186) in the Parent Company's balance sheet.

As stated in Note 9, an impairment test is carried out annually or when there is an indication of a need for impairment. Goodwill is allocated to cash-generating units and in cases where the carrying amount exceeds the estimated recoverable amount, the asset is written down to the recoverable amount. The recoverable amount is determined by calculating value in use, and Note 9 presents the assumptions about future earnings growth that have been applied in calculating value in use. No indications of impairment were judged to occur in 2019. Note 9 describes the parameters for which estimates and assessments have been made. As a result of the key assessments and estimates required to calculate value in use, we have deemed measurement of goodwill and shares in subsidiaries to be key audit matters.

How our audit addressed this key audit matter

In our audit we have evaluated the company's process for conducting the impairment test. We have reviewed how cash-generating units are identified in relation to the established criteria and compared how the company monitors goodwill internally. With the help of valuation experts, we have evaluated the applied valuation methods and calculation models, assessed the reasonableness of the assumptions made and sensitivity analyses for changed assumptions and made comparisons against historical outcomes and the precision of previous forecasts. We have evaluated the reasonableness of the applied discount rate and long-term growth rate for the respective units through comparisons with other companies in the same industry. We have also assessed whether the information provided in the annual report is sufficient and appropriate.

Information other than the annual report and consolidated accounts

This document also contains information other than the annual report and consolidated financial statements and is found on pages 2–17. The Board of Directors and the CEO are responsible for this other information.

Our opinion on the annual report and consolidated financial statements does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual report and consolidated financial statements, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual report and consolidated financial statements. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and CEO

The Board of Directors and the CEO are responsible for the preparation of the annual report and consolidated financial statements and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated financial statements, in accordance with IFRS as adopted by the EU. The Board of Directors and CEO are also responsible for such internal control as they determine is necessary to enable the preparation of annual report and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual report and consolidated financial statements, the Board of Directors and the CEO are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors

and the CEO intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual report and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the annual report and consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the annual report and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the CEO.
- Conclude on the appropriateness of the Board of Directors' and the CEO's use of the going concern basis of accounting in preparing the annual report and consolidated financial statements. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual report and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion about the annual report and consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual report and consolidated financial statements, including the disclosures, and whether the annual report and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual report and consolidated financial statements, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual report and consolidated financial statements, we have also audited the administration of the Board of Directors and the CEO of Pricer AB (publ) for the year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated (loss be dealt with) in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and CEO

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The CEO shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the CEO in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Swedish Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance

whether the proposal is in accordance with the Swedish Companies Act.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Swedish Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance report

The Board of Directors is responsible for the corporate governance report on pages 24–28 and that it is prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance report is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with Chapter 6, section 6, second paragraph, points 2–6 of the Annual Accounts Act and Chapter 7, section 31, the second paragraph of the same act are consistent with the other parts of the annual report and consolidated financial statements and are in accordance with the Annual Accounts Act.

Ernst & Young AB, Box 7850, 103 99 Stockholm, Sweden, was appointed auditor of Pricer AB (publ) by the general meeting of the shareholders on April 25, 2019, and has been the company's auditor since the April 23, 2015.

Stockholm, March 25, 2020
Ernst & Young AB

Rickard Andersson
Authorized Public Accountant

Alternative key ratios

In addition to the key financial ratios that are covered by the IFRS framework, this report also includes other key ratios and measures, so-called alternative performance measures, that Pricer considers to be important for monitoring, analyzing and managing its operations. These key ratios and measures also provide Pricer's stakeholders with useful information about the company's financial position, profit and loss and development in a consistent manner. The reconciliation and definitions of the alternative key ratios and measures used in this report and that cannot be inferred directly from the financial statements are presented below.

ALTERNATIVE KEY RATIOS	DEFINITION	REASON FOR USE
PERFORMANCE MEASURE		
Change in net sales adjusted for changes in exchange rates	Relationship between the period's net sales and the comparative period's net sales translated using the period's exchange rates.	This measure is used by management to follow underlying change in net sales in comparable currencies.
Gross profit	Net sales less Cost of goods sold.	Gross profit is an important measure for management since it is used to analyze the company's underlying development excluding factors such as the product mix and price changes that can give rise to sharp fluctuations in net sales.
Operating expenses	Refers to selling expenses, administrative expenses and R&D expenses that are included in operating activities	Operating expenses provide an overall picture of expenses that are charged to operating activities and are an important internal measure that management can influence to a large extent.
Items affecting comparability	Expenses of a non-recurring nature that are not part of operating activities, such as personnel expenses related to restructurings.	This measure is used by management to understand which costs are not part of the underlying operating activities.
Operating expenses adjusted for items affecting comparability	Operating expenses minus items affecting comparability.	This measure is used by management to enable comparability of operating expenses between periods and to forecast future cost trends.
Operating profit	Profit before financial items and tax.	Operating profit provides an overall picture of the total profit generation in operating activities. This is a very important measure for internal use that management can influence to a greater extent than net profit.
Rolling four quarters	Financial KPIs and measurements based on the four most recent quarters.	Rolling four quarters are used to show financial development over time adjusted for any seasonal effects.
MARGIN RATIOS		
Gross profit margin	Gross profit as a percentage of net sales.	The gross margin is used for both internal evaluation of individual sales/contracts and to monitor development over time for the company as a whole.
Operating margin	Operating profit as a percentage of net sales.	Operating margin is one of management's most important measures for performance monitoring since it measures the company's ability to convert net sales into operating profit.
CAPITAL AND FINANCIAL RATIOS		
Equity/asset ratio	Equity as a percentage of total assets.	A traditional measure that gives an indication of the company's ability to pay its debts.
RETURN RATIOS		
Equity per share, before/after dilution	Equity attributable to owners of the Parent Company divided by the weighted number of shares before/after dilution on the balance sheet date. The dilutive effect can arise from the company's outstanding warrants or performance share plans.	This measure is used to show development of equity per share over time and to enable comparability with other companies.
Earnings per share, before/after dilution	Profit for the period attributable to owners of the parent company divided by the average number of shares outstanding before/after dilution during the period. The dilutive effect can arise from the company's outstanding warrants or performance share plans.	This measure is used to show development of earnings per share over time and to enable comparability with other companies.
P/S ratio	The share price on the balance sheet date divided by net sales per the average numbers of shares.	This measure is used to show the development of earnings per share over time and to enable comparability with other companies.
OTHER RATIOS		
Order intake	The value of binding customer orders, invoiced service contracts and call-off under framework agreements. Does not include the anticipated future value of frameworks agreements.	Order intake is used to measure demand for the company's products and services during a specific period. This measure is also an important indicator of increases/decreases in demand between periods.
Change in order intake adjusted for exchange rate fluctuations	Relationship between the period's order intake and the comparative period's order intake translated using the period's exchange rates.	This measure is used by management to follow underlying change in order intake in comparable currencies.
Order backlog	The value of incoming orders that have not yet been invoiced.	The size of the order backlog gives an indication of net sales development from a short to mid-term perspective.

Alternative key ratios

AMOUNTS IN SEK M UNLESS OTHERWISE STATED		
	2019	2018
RESULTATMÅTT		
Operating expenses		
Selling and administrative expenses	-191.4	-162.6
Research and development costs	-35.8	-25.7
Operating expenses	-227.2	-188.3
Operating expenses adjusted for items affecting comparability		
Operating expenses	-227.2	-188.3
- Of which items affecting comparability	-	-
Operating expenses adjusted for items affecting comparability	-227.2	-188.3
MARGIN ratios		
Net sales	1,002.9	1,194.5
Gross profit	331.0	272.2
Gross margin, percent	33.0%	22.8%
Operating profit	100.4	89.1
Operating margin, percent	10.0%	7.5%
CAPITAL AND FINANCIAL RATIOS		
Equity/asset ratio		
Total assets	1,121.0	1,121.6
Shareholders' equity	810.2	769.3
Equity/assets ratio, percent	72%	69%
RETURN RATIOS		
Equity per share, before/after dilution		
Number of outstanding shares, millions	110.3	110.3
Dilution effect, millions	1.0	0.6
Shareholders' equity	810.2	769.3
Equity per share, basic, SEK	7.35	6.98
Equity per share, diluted, SEK	7.29	6.94
Earnings per share, before/after dilution		
Average number of outstanding shares, millions	110.3	110.3
Dilution effect, millions	1.0	0.6
Profit/loss for the period	97.7	87.3
Earnings per share, basic, SEK	0.89	0.79
Earnings per share, diluted, SEK	0.88	0.79
P/S ratio		
Net sales	1,002.9	1,194.5
Average number of outstanding shares, millions	110.3	110.3
Net sales per average number of shares, SEK	9.10	10.83
Share price as end of period, Class B	18.70	9.29
P/S ratio, SEK	2.06	0.86

Five-year overview – Group

ALL AMOUNTS IN SEK M UNLESS OTHERWISE STATED

	2019	2018	2017	2016	2015
KEY RATIOS					
Net sales	1,002.9	1,194.5	827.8	757.6	864.8
Gross profit	331.0	272.2	216.0	213.2	188.2
Operating expenses	-227.2	-188.3	-155.4	-149.6	-142.8
Items affecting comparability	-	-	-1.5	-3.0	-16.0
Operating expenses adjusted for items affecting comparability	-227.2	-188.3	-153.9	-146.6	-126.8
Operating profit	100.4	89.1	55.7	64.1	47.8
Working capital	194.8	212.9	186.9	115.5	201.0
Cash flow from operating activities	149.1	83.7	-8.2	174.0	101.5
Financial data					
Equity/assets ratio, percent	72	69	78	78	85
Margin data					
Gross margin, percent	33.0	22.8	26.1	28.1	21.8
Operating margin, percent	10.0	7.5	6.7	8.5	5.5
Return data					
Equity per share, basic	7.4	7.0	6.5	6.6	6.2
Equity per share, diluted	7.3	6.9	6.5	6.6	6.2
Basic earnings per share	0.89	0.79	0.35	0.52	0.34
Diluted earnings per share	0.88	0.79	0.35	0.52	0.34
P/S ratio	2.06	0.86	1.13	1.35	1.21
Other data					
Order intake	1,504	1,268	872	783	792
Backlog on December 31	731	224	133	95	63
Average number of employees	127	109	101	90	82
Number of employees at end of year	135	115	104	93	82

The Pricer share

The Pricer Class B share is quoted on the Small Cap list of Nasdaq Stockholm. Pricer's share capital at December 31, 2019, amounted to SEK 110,971,781. The total number of shares was 110,971,781, divided between 225,523 Class A and 110,746,258 Class B shares, all with a quota value of SEK 1. Each Class A share carries five votes and each Class B share carries one vote. All shares grant equal rights to the company's assets and profits. See Note 15 for changes in the share capital during the years 2010–2019.

The company's share was available in 2019 for US investors via an ADR (American Depositary Receipt) program through the Bank of New York Mellon. This means that the Class B share is available as a depository receipt in the USA without a formal stock market listing. The company decided in 2019 to terminate the agreement with Bank of New York Mellon due to low transaction volume.

Trading and price trend

The share price started the year at SEK 9.29 and ended at SEK 18.70. The highest price paid during the year was SEK 18.92, quoted on December 30, 2019, and the lowest price paid was SEK 9.03, quoted on January 2, 2019. The total market capitalization at December 31, 2019, was SEK 2,062 M. Turnover for the full year 2019 amounted to 67 million shares traded for a combined value of SEK 886 M, equal to an average daily volume of 268,000 shares with a combined value of SEK 3.6 M per trading day. The number of trades cleared for the full year was 70,000, equal to an average of 282 per trading day.

Ownership structure

The number of shareholders at Tuesday, December 31, 2019, was 16,375. The ten largest shareholders held 42 percent of the number of shares and 43 percent of the number of votes. Legal persons were responsible for 58 percent of the number of shares and votes. Foreign ownership amounted to 25 percent of the number of shares and votes.

Dividend

The company's dividend policy states that the long-term annual dividend shall be equal to 30–50 percent of the profit for the year. For the financial year 2019, the Board proposes a dividend of SEK 0.80 per share.

Warrant program

The 2016 AGM approved a warrant program where each warrant grants the right to subscribe for one Class B share in Pricer AB during the period from May 27, 2019, to June 27, 2019, at a strike price equal to 150 percent of the Pricer share's volume-weighted average price on Nasdaq Stockholm during the ten business days following the AGM 2016. In June 2019, 475,000 warrants expired without redemption. There are no outstanding warrants as at December 31, 2019.

Performance share plan

The AGMs in 2017, 2018 and 2019 resolved on a performance share plan for certain senior executives and key employees in the Pricer Group. After an initial investment by the participant in Pricer's B-share at market price ("saving shares"), the participant receives one matching share right and one performance-based share right per invested share. Following the vesting period of three years, the share rights entitle the participants to receive one matching share and up to five performance shares depending on the outcome of the performance conditions. For allocation, the participant must still be employed in the Pricer Group and have retained the savings shares during the vesting period.

From the 2017 performance share plan, a maximum of 228,190 shares can be transferred free of charge to the participants in June 2020 in the event the predefined performance targets are fully met.

From the 2018 performance share plan, a maximum of 408,890 shares can be transferred free of charge to the participants in June 2021 in the event the predefined performance targets are fully met.

From the 2019 performance share plan, a maximum of 315,522 shares can be transferred free of charge to the participants in June 2022 in the event the predefined performance targets are fully met.

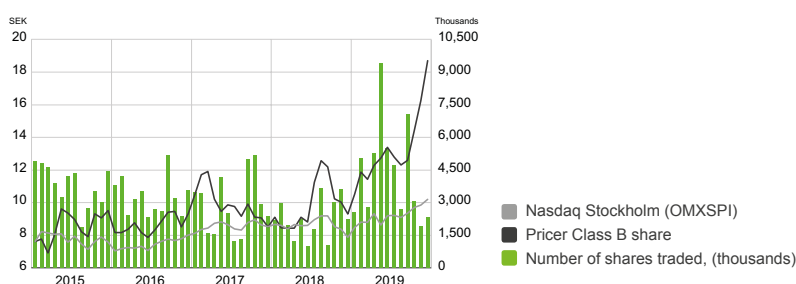
See Note 4 for further information.

Treasury shares and conversion of shares

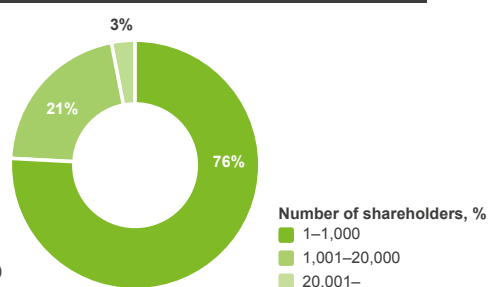
The company holds 705,131 Class B treasury shares. These shares were bought back to cover the company's commitment to provide matching and performance shares under the outstanding performance share plans.

Holders of Class A shares may convert these to Class B shares. The request for conversion must be made in writing to the Board of Directors.

PRICER SHARE DEVELOPMENT 2015-2019



OWNERSHIP STRUCTURE, DECEMBER 31, 2019



Why invest in Pricer?

- Strong underlying growth in the market with a low rate of penetration. Digitalization of physical stores is necessary in order to maintain a competitive edge. Pricer is a strong partner for retailers during their digital journey.
- Most reliable system on the market. Unique functionality and a technological solution that is difficult to copy. Based on reliable, scalable, energy-efficient and interference-free communication.
- Strong balance sheet promotes innovative strength.
- Global presence with a large installed base.
- Long-standing track record of producing solutions demanded by retailers.

LARGE SHAREHOLDERS, DECEMBER 31, 2019

Owners	No. of Class A shares	No. of Class B shares	Total number of shares	Percentage	
				Share capital	Voting rights
Avanza Pension	-	11,943,434	11,943,434	10.8%	10.7%
Nordea Bank AB	-	11,266,342	11,266,342	10.2%	10.1%
Nordnet Pensionsförsäkring AB	-	6,533,648	6,533,648	5.9%	5.8%
Thomas Krishan	-	3,192,092	3,192,092	2.9%	2.9%
Sifonen AB	-	3,000,000	3,000,000	2.7%	2.7%
SEB	-	2,832,447	2,832,447	2.6%	2.5%
BNY Mellon SA/NV	-	2,407,734	2,407,734	2.2%	2.2%
Tamt AB	211,254	1,270,000	1,481,254	1.3%	2.1%
Hans Granberg	-	2,250,000	2,250,000	2.0%	2.0%
Pictet & Cie (Europe) SA	-	2,160,342	2,160,342	1.9%	1.9%
10 largest shareholders	211,254	46,856,039	47,067,293	42.4%	42.8%
Others	14,269	63,185,088	63,199,357	57.0%	56.5%
Total number of shares outstanding	225,523	110,041,127	110,266,650	99.4%	99.4%
Pricer's own treasury shares	-	705,131	705,131	0.6%	0.6%
Total number of shares	225,523	110,746,258	110,971,781	100.0%	100.0%

Source: Euroclear.

FIVE-YEAR SUMMARY FOR PRICER SHARE

	2019	2018	2017	2016	2015
SEK per share, basic					
Earnings	0.89	0.79	0.35	0.52	0.34
Dividend, paid	0.60	0.50	0.50	0.25	-
Equity	7.35	6.98	6.52	6.63	6.23
Cash flow from operating activities	1.35	0.76	-0.08	1.58	0.92
P/S ratio	2.06	0.86	1.13	1.35	1.21
SEK per share, diluted					
Earnings	0.88	0.79	0.35	0.52	0.34
Shareholders' equity	7.29	6.94	6.50	6.63	6.23
Cash flow from operating activities	1.34	0.75	-0.08	1.58	0.92
P/S ratio	2.06	0.86	1.13	1.35	1.21
Share price					
Closing price for the year, Class B	18.70	9.29	8.50	9.30	9.50
Highest price paid, Class B	18.92	13.10	12.60	9.90	12.10
Lowest price paid, Class B	9.03	7.62	8.30	7.30	6.15
No. of outstanding shares on Dec. 31, thousands	110,267	110,267	110,267	110,042	109,905
Market capitalization on Dec. 31, SEK M	2,062	1,024	937	1,023	1,044
Average number of outstanding shares, 000s	110,267	110,267	110,149	109,979	109,899
Share price on Dec. 31/shareholders' equity, %	254	133	130	140	152

Shareholder information

Annual General Meeting

The Annual General Meeting will be held in Stockholm on May 6, 2020, at 2:00 PM at Kapitel 8 Klara Strand, Klarabergsviadukten 90, Stockholm, Sweden. In order to participate in the AGM, shareholders must be entered in the share register maintained by Euroclear Sweden AB by Wednesday April 29 and must notify the company of their intention to participate no later than Wednesday April 29 at 6:00 PM. Shareholders whose shares are held in the name of a trustee must temporarily re-register the shares in their own name well in advance of April 29. Notification of participation can be made to the company as follows:

By email: ir@pricer.com

By telephone: +46 8-505 582 00

By mail: Pricer AB, Box 215, SE-101 24 Stockholm

The notification should include the shareholder's name, personal/corporate identity number, address and telephone number, registered shareholding and, when appropriate, the names of any participating advisors.

Proposed dividend

The Board will propose that the AGM approve a dividend of 0.80 per share for the 2019 financial year and that the payment is split in two tranches of 0.40 SEK each and distributed in May and November 2020.

Financial calendar

In 2020, the quarterly financial reports will be published as follows:

April 24, 2020	Interim report January–March
July 21, 2020	Interim report January–June
October 23, 2020	Interim report January–September

Distribution of financial information

Press releases, interim reports, annual reports and share price data are presented on the company's website www.pricer.com. Subscription to information via email is offered on the website, where there is also an archive containing older interim reports and annual reports. The printed annual report is distributed to shareholders upon request.

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Pricer's milestones

- 1991** Pricer is founded in June. Development of the first ESL system begins.
- 1993** The first Pricer system is installed for the ICA supermarket chain in Sweden.
- 1995** Contract for installations in 53 Metro stores in Germany.
- 1996** Pricer is listed on the O list of the Stockholm Stock Exchange.
- 1997** Pricer acquires Intactix, a systems provider for retail space management. Cooperation is initiated with Telxon, which delivers mobile data capture solutions.
- 1998** Cooperation with Ishida of Japan is initiated.
- 1999** Deliveries to the Metro stores are completed.
- 2000** Intactix is sold to US-based JDA Software Group.
- 2001** A sizable order is placed through Pricer's partner in Japan, Ishida.
- 2002** A large-scale action program is launched to restructure and streamline operations for increased customer focus.
- 2003** The development company PIER AB is formed. Pricer acquires a majority holding in the software company Appulse Ltd. in India. StoreNext becomes a new partner in the US market.
- 2004** Pricer wins a major order from the French chain Carrefour. Through partner Ishida, Ito Yokado awards Pricer a sizable contract in the Japanese market. IBM becomes a new partner in the US.
- 2005** Substantial increase in sales. Carrefour expands its installation in France. The Continuum product family is launched.
- 2006** Eldat Communication Ltd. in Israel is acquired. The holding in Appulse Ltd. is sold.
- 2007** The integration of Eldat is completed. Pricer reports positive earnings.
- 2008** More prevalent breakthrough for the DotMatrix™ product. Pricer maintains its market leading position.
- 2009** Pricer surpasses 5,000 store installations. Pricer ESL and DotMatrix™ reach new customer segments.
- 2010** Significant increase in net sales and profit. Several important framework agreements signed.
- 2011** Continued significant growth in revenue and profit leading to the best year ever for Pricer.
- 2012** Pricer maintains its market leading position.
- 2013** 100 million labels installed.
- 2014** Pricer launches new digital strategy that gives stores a solution not only for pricing, but also for streamlining processes, consumer contact, campaigns and forecasts.
- 2015** Record high order intake and sales driven by sharply increased demand for digital shelf edge solutions with graphic e-paper. The loss is turned into profit.
- 2016** Pricer introduces automated product positioning, with a system that uses electronic shelf labels to help shoppers and employees find products in the store.
- 2017** The year that retailers to a greater extent began implementing retail automation based on ESL, with automatic product positioning for customers and employees, and Instant Flash to streamline the larger and more important store processes.
- 2018** Pricer conducts a major roll-out in the US, and for the first time in the company's history, sales surpass SEK 1 billion.
- 2019** Pricer introduces a shelf-edge camera that enables unique insight on an ongoing basis into products' placement, availability, and other sales-sensitive information.



www.pricer.com