

Year-end report for the 2001 financial year

Twelve months

- Revenues for the period January – December rose by 36 per cent to SEK 268.0 million (196.7m).
- Earnings net of financial items for the period rose by 68 per cent to SEK 15.0 million (8.9m)
- The average number of permanent employees for the year was 209 (171), an increase of 22 per cent compared with the previous year
- Development expenditure amounted to approximately SEK 35 million (32m).
- The company reported revenue growth of 51 per cent for the period January - August. During the following two months, September and October, revenues fell by 6 per cent, but subsequently grew by 49 per cent during the last two months of the year.
- The equity ratio at the end of the year was 47 per cent (51%).

Fourth quarter

- Revenues for the fourth quarter rose by 30 per cent to SEK 83.9 million (64.6m).
- Earnings net of financial items for the fourth quarter of 2001 amounted to SEK 4.0 million (8.4m).
- In November, Frango launched its new group control system, Frango Controller, on the Swedish market.
- Telia signed an agreement in November regarding the delivery and implementation of the new Frango Controller system for management reporting and statutory consolidation.

Frango in brief

Frango is a leading software company that specializes in the field of corporate financial control for organizations and groups. The company develops and supplies software and services through its international network of subsidiaries and distributors. Frango is headquartered in Stockholm. The Frango share is quoted on the 'O' list of the Stockholm Stock Exchange (Stockholmsbörsen).

Significant events during the period October – December 2001

The generally poor developments in economic growth combined with growing concern following the terrorist attacks in New York in September have had a significant impact on license sales, causing customers to postpone or delay their software investments in October. Frango noted a return to its normal rate of revenue growth during the end of the year.

In November, Frango launched its new group control system, Frango Controller, on the Swedish market. The system offers a single point of entry for accessing all functions across the Internet or via corporate networks and has been designed to handle numerous simultaneous users. This will meet the most demanding of requirements made by groups of companies and organizations, whose complex structures demand sophisticated tools for financial controlling. Frango Controller is the latest addition to the company's product portfolio and is a part of the Frango Management Perspective Suite.



In November, Telia signed an agreement with Frango regarding the delivery and implementation of Frango's system solution for management reporting and statutory consolidation. The solution, which was chosen to be able to meet the Telia Group's reporting and analysis requirements – both legal and operational - will be used by all Telia companies. The order initially comprises software licenses for 450 users. Delivery of the order, which is based around Frango Controller, began in November.

At the end of November, it was decided to introduce a new earnings-related, Group-wide stock option programme for Frango employees. For senior executives, exercise of the full number of options is subject to long-term targets being met, namely that the Frango Group no later than 2005 achieves revenues of at least SEK 1,000 million (currently equivalent to about USD 100 million) and, by the same time, earnings net of financial items of at least SEK 100 million.

In October and November, one of the principal shareholders in Frango, board member Guy Davison, sold his stake in Frango AB, comprising 165,000 class A shares and 713,500 class B shares. The stake corresponded to 30.1 per cent of the voting rights and 18.0 per cent of the share capital after full dilution. Tom Löfstedt acquired 165,000 class A shares from Guy Davison and sold 165,000 class B shares. In connection with a board meeting and extraordinary general meeting held on November 29, Guy Davison resigned from his position on the board.

Sales trends and earnings

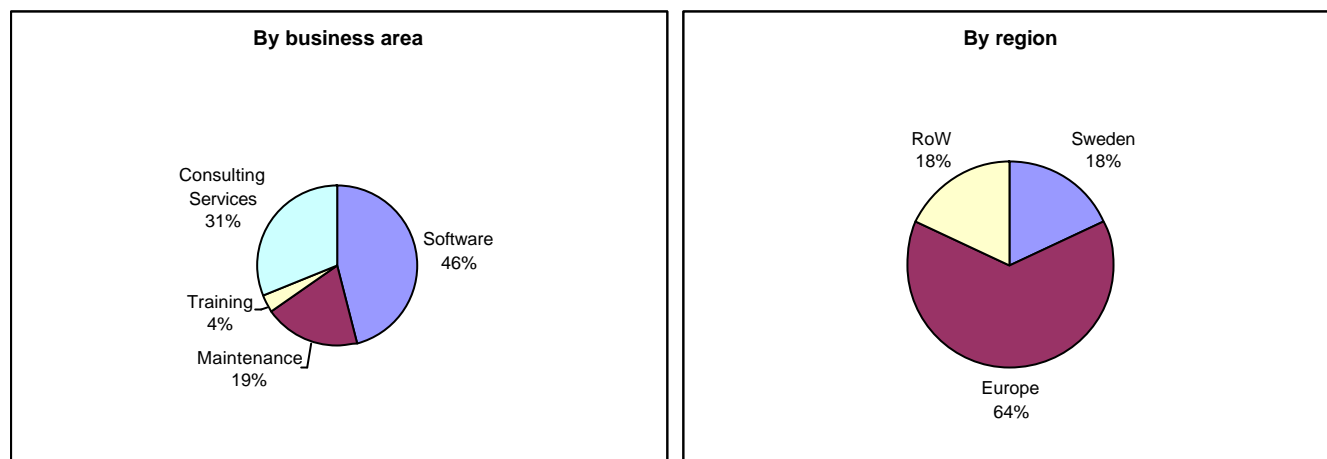
January - December 2001

Demand for the company's products during the year has remained strong. The current uncertainty following the events in September had a significant impact on license sales during September and October. Up to and including the month of August, the company continued to report strong growth. Frango's revenue growth for January – August was around 51 per cent and the earnings trend remained positive. In August, earnings net of financial items calculated on a rolling twelve-month basis reflected a profit margin of almost 13 per cent. The decline in license sales noted in September and October, when revenues fell by 6 per cent in relation to 2000, resulted in a substantial loss of earnings. For the last two months of the year, however, revenue growth was once again high, 49 per cent, and earnings improved. Given the chain of events witnessed during the second half of the year, performance for 2001 on the whole can nevertheless be regarded as satisfactory. Earnings net of financial items for 2001 improved by SEK 6.1 million, amounting to SEK 15.0 million, compared with SEK 8.9 million for 2000.

Revenues during 2001 rose from SEK 196.7 million to SEK 268.0 million, an increase of 36 per cent compared with the corresponding period of the previous year. The proportion of revenues attributable to new licenses during the year was 46 per cent, compared with 54 per cent for 2000. Customers outside Sweden accounted for 82 per cent (79) of overall revenues from software licenses. Sales in Asia indicate strong growth in these markets. Meanwhile, growth in key markets in Europe has remained steady. Revenues from software licenses rose by 14 per cent to SEK 122.7 million (107.4m). Revenues for maintenance and consulting services continued to show strong growth, rising by 65 per cent and 66 per cent respectively.

Operating expenses were up SEK 79.1 million or 42 per cent on the previous year, from SEK 187.7 million to SEK 266.8 million, largely due to an increase in personnel expenses. The company's sales and marketing department was reorganized during the year and a new vice president of sales and marketing was appointed for the Frango Group. In connection with this reorganization, operations at the sales and marketing department formerly located in Brussels have been discontinued and transferred to Stockholm. This has resulted in some non-recurring personnel expenses. Of overall operating expenses, a total of SEK 14.0 million, attributable to the development of the new software, has been reported as capitalized development expenditure in accordance with the Swedish Financial Accounting Standards Council's recommendation (recommendation no. 15) pertaining to Intangible assets (see below).

Net revenue January – December 2001



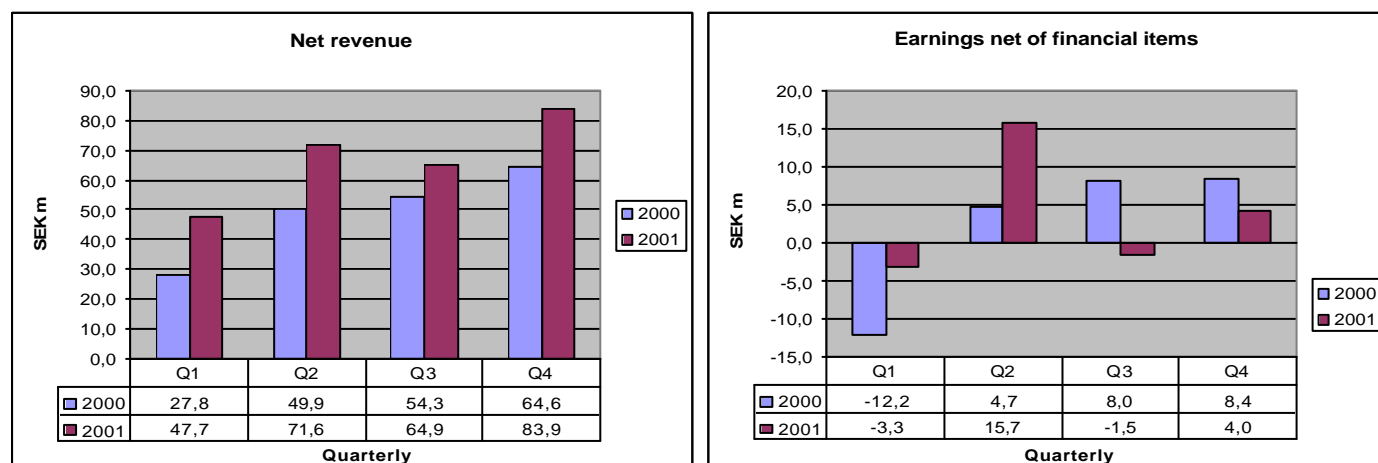
Product development

In November, Frango's new software, Frango Controller, was launched in Sweden. An extensive world-wide launch is planned for the spring of 2002. The new software, which is primarily aimed at major corporate clients with a wide user base, uses cutting edge technology and is expected to generate considerable demand. The costs of developing this software, which is an entirely new product that has involved a complete reprogramming of the existing system, are much greater than those normally associated with annual program upgrades. In total, it has taken almost two years to develop. The earlier version of Frango's software will continue to be developed separately, which means that the company will in the future be able to offer customers two consolidation systems: Frango Consolidator and Frango Controller. The overall development and maintenance costs for the period January – December 2001 amounted to around SEK 35 million (32m), including development costs of SEK 14.0 million that have been capitalized in the balance sheet. The costs incurred in association with the development of the new software in 2000, amounting to approximately SEK 15 million, have been charged to the 2000 accounts in full.

October–December 2001

Revenues during the period October – December 2001 rose from SEK 64.6 million to SEK 83.9 million, an increase of 30 per cent compared with the previous year. The proportion of fourth quarter revenues attributable to new licenses was 48 per cent, compared with 55 per cent for the corresponding period in 2000. Revenue from software licenses rose by 13 per cent in the quarter compared to the corresponding period of the previous year. Revenues for maintenance and consulting services continued to show strong growth, rising by 56 per cent and 53 per cent respectively.

Earnings net of financial items amounted to SEK 4.0 million for the quarter, compared with SEK 8.4 million for the fourth quarter of 2000. Operating expenses rose from SEK 56.1 million to SEK 81.8 million, an increase of 46 per cent, or SEK 25.7 million, compared with the previous year. This can largely be attributed to an increase in personnel expenses. Earnings have been adversely affected by the decline in license sales in October and non-recurring costs.





New recommendations issued by the Swedish Financial Accounting Standards Council (Redovisningsrådet)

With effect from January 1, 2001, the accounting standards have been adapted to comply with the new recommendations issued by the Swedish Financial Accounting Standards Council in 2000. The change also takes into account recommendations due to come into force in 2002. One of these recommendations, no. 15, relates to intangible assets. For Frango, this means that expenditure associated with the development of major new software versions will be capitalized in the balance sheet and subsequently depreciated over the estimated useful life of the assets, calculated as 3 years. In accordance with this recommendation, comparative figures for previous years have not been restated. Another new recommendation issued by the Swedish Financial Accounting Standards Council (no. 9), which relates to the methods used when reporting income taxes, has a significant impact on the company's accounts. In accordance with this recommendation, tax has been calculated on the earnings reported for 2001.

Market

The market for group controlling systems corresponds to what IDC (International Data Corporation) terms Financial Management and BPM (Business Performance Management). This is part of the market generally defined as the Analytical Applications market. Frango has chosen to develop specialist competence in this field for medium-sized and large groups operating in all industries. It is estimated by IDC that this segment will grow by an average of 19 per cent per year over the next five years.

Frango has historically outperformed the market. During the past five-year period, Frango's average annual rate of revenue growth from license sales and maintenance services has been 64 per cent. Frango has benefited from this positive market trend, which has been driven by the increasing trend towards internationalization seen in recent years, making the preparation of consolidated financial statements and financial reporting far more complex. The switch to euro-based accounting also demands more sophisticated systems. The financial markets have progressed rapidly, demanding improvements in corporate transparency and reporting speed. At the same time, legal requirements for statutory consolidation have become increasingly extensive and detailed, and are being introduced in a growing number of countries. It is expected that these underlying business drivers will continue to prevail, even in the longer-term perspective.

Employees

The average number of employees rose during the period to 209 (171), corresponding to an increase of 22 per cent. At the end of December, the number of employees was 234, to be compared with 181 last year.

Liquidity, investments and financial position

The company's financial position remains healthy. The company reported a negative cash flow for the year, SEK -9.7 million (-2.0m). The Group's liquid funds at the end of the period amounted to SEK 28.6 million (44.0m). Including short-term investments, liquid assets amounted to SEK 36.6 million (45.2m). As in the past, business activities have been financed with funds generated internally and shareholders' equity. The Group has no bank loans. The equity ratio at the end of the year was 47 per cent (51%). Investments for the period amounted to SEK 25.2 million (8.6m), including SEK 14.0 million relating to capitalized development expenditure for software. The purchase of computers and peripheral equipment accounted for most of the remaining expenditure. Shareholders' equity at the end of the period amounted to SEK 83.6 million. The increase in shareholders' equity – SEK 13.4 million since the previous year – is reflected in the earnings for the year, SEK 11.6 million, and positive translation differences of SEK 1.8 million.

Parent Company

As of January 1, 2001, the Parent Company's sales operations in the Swedish market are organized under a separate subsidiary company. Parent Company revenues amounted to SEK 67.0 million (82.0m), including intra-group invoicing of SEK 65.2 million (40.1m). Earnings net of financial items totalled SEK -5.9 million (2.0m). Investments for the period amounted to SEK 4.5 million (3.0m). The Parent Company's liquid funds at the end of the period, including short-term investments, amounted to SEK 5.1 million (15.4m).

Developments in the share price

The year has been characterized by low revenues, with falling share prices common throughout the IT sector. During 2001 a total of 2,602,097 shares have been traded, representing a turnover of SEK 248.0 million. This corresponds to an average share price of around SEK 95. The highest share price noted during the year was on January 24, when the

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share closed at SEK 155 and the lowest share price was on September 21, when the share closed at SEK 70. A total of 1,611,895 shares were traded in the fourth quarter, representing a turnover of SEK 130.8 million, which corresponds to an average share price of SEK 81. On December 28, the Frango share closed at SEK 91.50. Frango's market value at the end of December was SEK 418 million. The share was listed on the 'O' list of Stockholmsbörsen on April 23, 1999. The initial share price was SEK 62. Earnings per share for the year amounted to SEK 2.53, which corresponds to a P/E ratio of 36 when calculated against the buying rate as at December 28. Since one of the principal shareholders sold his stake on October 31, the number of shares traded daily on average has improved considerably. At the end of December, institutional investors accounted for 30 per cent of shareholdings. More than 60 per cent of the total number of shares are today in market circulation.

Prospects

The figures for January – December 2001, with the exception of the dip noted during September and October, indicate sustained healthy organic growth. In the longer-term perspective, it is therefore felt that demand for the company's products will remain buoyant and be accompanied by strong growth and good profitability.

The company's clear focus on its core business, supplying systems for group financial control, is well illustrated by its simple yet comprehensive product portfolio. With the Frango Management Perspective Suite, comprising Frango Consolidator, Frango Controller and Frango Advisor, the company is well-positioned to capitalize on existing and future market opportunities. The latest addition to this product portfolio, Frango Controller, is expected to generate considerable revenues during the spring, when it will be launched world-wide. At the same time, Frango Consolidator and Frango Advisor will be upgraded to incorporate new and improved functions.

In connection with the introduction of a new earnings-related, Group-wide stock option programme for Frango employees, a long-term target was set. According to this target, the Frango Group must by no later than 2005 achieve revenues of at least SEK 1,000 million (currently equivalent to about USD 100 million) and, by the same time, earnings net of financial items of at least SEK 100 million

Annual General Meeting of shareholders

The Annual General Meeting of shareholders will be held at 5 p.m. on March 20 2002 at premises close to the company's offices in Stockholm, Sweden.

Annual Report

The Annual Report will be published at the end of February 2002 and will be available on order from Frango, or can be ordered by e-mail: ir@frango.com or through www.frango.com.

Dividend

The Board of Directors and Managing Director propose that no dividend payment be made in respect of the financial year.

Release of next financial report

The interim report for the first quarter of 2002 will be published on April 12, 2002.

Stockholm, January 24, 2002

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Consolidated Income Statement

<i>SEK 000</i>	Full year 2001	Full year 2000	Change in %
Software	122 739	107 440	14,2%
Maintenance	51 024	30 986	64,7%
Consulting Services	83 967	50 597	66,0%
Training	10 284	7 670	34,1%
Net revenue	268 015	196 694	36,3%
Operating expenses			
Other external expenses	-88 302	-65 027	35,8%
Personnel expenses	-170 935	-117 077	46,0%
Capitalized development expenses software	13 961	0	
Depreciation of fixed assets	-7 602	-5 610	35,5%
Operating earnings	15 136	8 979	68,6%
<i>Operating margin</i>	6%	5%	
Interest income and other financial items	698	609	
Interest expenses and other financial items	-878	-672	
Net interest income	-180	-64	
Earnings net of financial items	14 957	8 916	67,8%
<i>Profit margin</i>	6%	5%	
Tax on net earnings	-3 399	-1 467	
Minority share of net earnings	-2	-2	
Net earnings	11 555	7 447	55,2%
Earnings per share, SEK	2,53	1,63	
Earnings per share after full dilution, SEK	2,32	1,56	

Consolidated Balance Sheet

<i>SEK 000</i>	December 31 2001	December 31 2000
Assets		
Intangible fixed assets	13 577	0
Tangible fixed assets	15 438	12 242
Total fixed assets	29 015	12 242
Accounts receivable	73 570	59 571
Other current assets excl. liquid funds	39 469	20 617
Short-term investments	8 017	1 151
Cash and bank balances	28 558	44 019
Total current assets	149 613	125 358
Total assets	178 629	137 600

Shareholders' equity, provisions and liabilities

Shareholders' equity	83 577	70 206
Minority shares	11	8
Provisions, interest-bearing	2 495	1 812
Provisions, non-interest bearing	5 326	496
Interest-bearing liabilities	380	1 384
Current liabilities	86 839	63 694
Total shareholders' equity, provisions and liabilities	178 629	137 600

Quarterly figures

SEK 000's	1999				2000				2001			
	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4
Net revenue	21 289	31 931	33 892	42 507	27 841	49 932	54 274	64 647	47 660	71 560	64 933	83 862
% of total net sales for the year	16%	25%	26%	33%	14%	25%	28%	33%	18%	27%	24%	31%
Revenue growth in %	93%	37%	66%	20%	31%	56%	60%	52%	71%	43%	20%	30%
Operating expenses												
Other external expenses	-8 490	-9 740	-13 184	-14 640	-12 697	-16 131	-15 366	-20 833	-15 660	-20 591	-21 332	-30 720
Personnel expenses	-13 641	-15 686	-17 849	-24 603	-26 579	-27 800	-29 151	-33 548	-39 631	-38 773	-43 800	-48 732
Capitalized developm. exp. software	0	0	0	0	0	0	0	0	5 806	5 565	756	1 835
Depreciation of fixed assets	-696	-812	-998	-1 224	-1 115	-1 329	-1 461	-1 705	-1 538	-1 768	-1 952	-2 345
Operating earnings	-1 539	5 693	1 861	2 040	-12 551	4 671	8 297	8 561	-3 362	15 994	-1 395	3 900
Net interest income	-49	149	166	171	315	47	-252	-173	83	-269	-128	134
Earnings net of financial items	-1 587	5 842	2 027	2 211	-12 236	4 718	8 045	8 389	-3 280	15 725	-1 523	4 034
Profit margin %	-7,5%	18,3%	6,0%	5,2%	-43,9%	9,4%	14,8%	13,0%	-6,9%	22,0%	-2,3%	4,8%

Cash flow	Full year	Full year
	2001	2000
Earnings net of financial items	14 957	8 916
Depreciation, provisions	9 071	6 049
Tax	-3 399	-1 467
Change in tax liabilities	-1 190	394
Change in working capital	-3 685	-7 552
Cash flow from operations	15 754	6 339
Investment operations	-24 460	-8 477
Financing operations	-1 003	151
Cash flow	-9 709	-1 987

Financial ratios	Full year	Full year
	2001	2000
Capital employed, SEK m	86,5	73,4
Equity ratio, %	47%	51%
Return on capital employed, %	20%	14%
Return on total capital, %	10%	8%
Return on equity, %	15%	11%
Average number of permanent employees	209	171
Number of employees	234	181

Per share data

Earnings per share, SEK	2,53	1,63
Earnings after full dilution, SEK	2,32	1,56
Shareholders' equity, SEK	18,31	15,38
Shareholders' equity after full dilution, SEK	16,29	14,49
Share price, SEK	91,50	115,00
Dividend, SEK	-	-
Number of shares at the end of the period	4565000	4565000
Average number of shares	4565000	4565000
Number of outstanding options	566000	280000
Average number of shares and outstanding options	4988000	4760000