

Interim report January – March 2002

- Revenues for the period January – March rose by 20 per cent to SEK 57.4 million (47.7m)
- Earnings net of financial items amounted to SEK -17.4 million (-3.3m) for the reporting period.
- The average number of permanent employees for the period was 228 (187), an increase of 22 per cent compared with the previous year.
- Development expenditure amounted to approximately SEK 9.5 million (9m).
- The equity ratio at the end of the period was 41 per cent (51%).
- New versions of Frango Advisor and Frango Consolidator launched.

Frango in brief

Frango is a leading software company that specialises in the field of corporate financial control for organisations and groups. The company develops and sells 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 first quarter of 2002

A new version of Frango Advisor, version 9.0, was launched in February. A new version of Frango Consolidator, version 6.0, was launched in March. Both products have been updated to include a range of new features which will help Frango to further strengthen its position. Agreements were also signed with IKEA International and NV Nuon during the period.

Sales trends and earnings

January - March 2002

The year got off to a weaker start than expected. The first quarter is traditionally less dynamic due to seasonal factors and the fact that relatively few licence agreements are concluded during this period. Frango's customers are generally busy completing their annual accounts and subsequently publishing annual reports. The first quarter of 2002 has also been characterised by more cautious attitudes in light of the general economic trends. Further, the impending

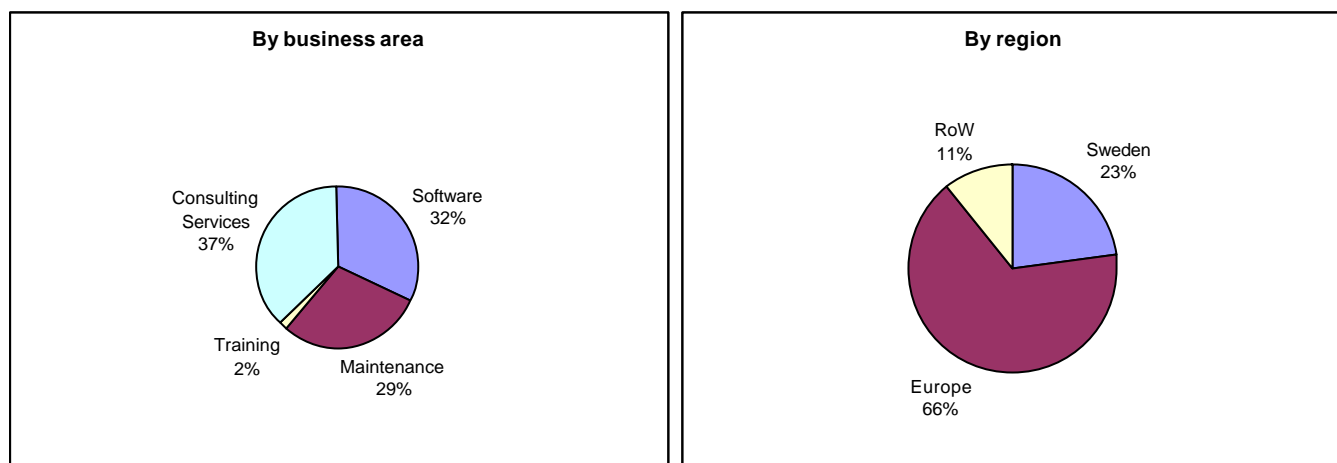


international launch of Frango Controller has lead to some delays in the conclusion of licence agreements, as customers await the release of the new product. However, recent successes can be reported from Sweden, where companies including IKEA have signed licence agreements, and from the Netherlands, where energy company NV Nuon has signed a licence agreement. Both of these agreements concern licences for the new version of Frango Consolidator. The first quarter of the previous year produced a relatively strong performance, with revenues for that quarter accounting for 18 per cent of total revenues for the year. During the past four years, first quarter sales have on average accounted for 15 per cent of overall sales for the year. Sales trends are expected to improve during the latter part of 2002 as the effects of product releases earlier in the year start coming through as of the second quarter, and as improvements in general economic trends are anticipated.

Revenues for the first quarter of 2002 rose from SEK 47.7 million to SEK 57.4 million, an increase of 20 per cent compared with the corresponding period of the previous year. The proportion of revenues attributable to new licences during the period was 32 per cent, compared with 39 per cent for 2001. Customers outside Sweden accounted for 77 per cent (78%) of overall revenues. Revenues from software licences remained on a similar level to those reported for the first quarter of 2001, at SEK 18.3 million (18.7m). Revenues for maintenance and consulting services continued to show strong growth, rising by 51 per cent and 30 per cent respectively. Earnings net of financial items totalled SEK -17.4 million (-3.3m), down SEK 14.1 million on the previous year. The decline is primarily attributable to the reduction in licence sales, which to a certain extent also has an impact on revenues from consulting services. Costs have also risen as a consequence of marketing and internal training costs incurred in relation to the product launches. The strengthening of the Swedish krona in relation to the euro and US dollar has given rise to negative exchange rate differences of SEK -2 million. The situation last year was the opposite, resulting in positive exchange rate differences of SEK 1.8 million. External royalty costs rose by SEK 1.9 million compared to the previous year.

Operating expenses before the capitalisation of development expenses rose from SEK 56.8 million to SEK 77.0 million, an increase of 35 per cent or SEK 20.2 million compared with the corresponding period of the previous year. Of overall operating expenses, a total of SEK 2.5 million, attributable to the development of the new software, has been reported as capitalised development expenditure in accordance with the Swedish Financial Accounting Standards Council's recommendation (recommendation no. 15) pertaining to Intangible assets.

Net revenues January - March 2002



Product development

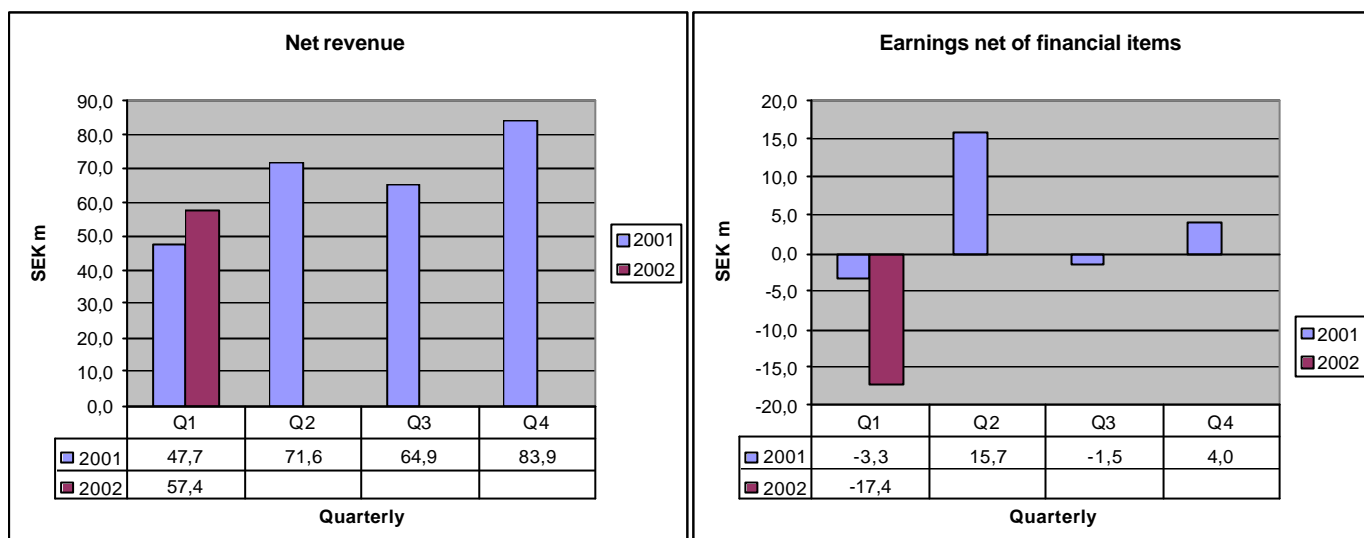
The international launch of the company's new software, Frango Controller, is due to take place during the second quarter. Overall, the product has taken more than two years to develop. The earlier version of Frango software, Frango Consolidator, has continued to be developed separately, which means that the company can now offer customers two consolidation systems: Frango Consolidator and Frango Controller. The new version of Frango Consolidator was launched in March. The overall development and maintenance costs for the period January – March 2002 amounted to around SEK 9.5 million (9m), including development costs of SEK 2.5 million (5.8m) that have been capitalised in the balance sheet. These development expenses are related to the development of Frango Navigator^{XT}, to the development of a manual and online help function for Frango Controller and to costs related to the international version of Frango Controller. Overall, SEK 16.5 million (5.8m) has been capitalised in the balance sheet. Depreciation has already begun and depreciation of SEK 1.2 million (0m) has been charged to the net earnings for the period.

Rolling 12 months

Based on the developments noted during a rolling twelve-month cycle, from April 2001 to March 2002, revenues amounted to SEK 277.7 million, to be compared with SEK 216.5 million as at 31 March 2001. This corresponds to a 28 per cent increase in revenues.

Earnings net of financial items calculated on a rolling twelve-month basis amounted to SEK 0.8 million, a reduction of SEK 17.1 million compared with the first quarter of the previous year, when rolling twelve-month earnings amounted to SEK 17.9 million. In addition to the above-mentioned comments relating to the first quarter, the earnings calculated on a rolling twelve-month basis were significantly affected by the period of generally poor economic development witnessed during the last six months of 2001 and by increasing concern following the terrorist

attacks in New York in September. Further, earnings during the last six months of 2001 were affected by non-recurring costs totalling SEK 8 million.



Market

Frango specialises in group financial control. The particular niche in which Frango operates is termed Corporate Financial Management (CFM) and covers systems and services for group control, management reporting and budgeting. CFM comes under the wider concept of "Analytical Applications". According to the International Data Corporation (IDC), the sector for CFM is expected to report sales of USD 2.3 billion in 2005, which would correspond to an annual growth rate of 20 per cent.

Frango has historically outperformed the market. During the past five-year period, the average rate of revenue growth per year on licence 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 internationalisation seen in recent years, making the preparation of consolidated financial statements and financial reporting far more complex. 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. The recent debate following the Enron scandal has also illustrated the need for reliable, standardised system solutions that can provide effective support to executive management teams and other parties involved in the management and administration of groups of companies.

Employees

The average number of employees rose during the period to 228 (187), corresponding to an increase of 22 per cent. At the end of March, the number of employees was 240, to be compared with 199 last year.

Liquidity, investments and financial position

The company's financial position remains healthy. The company reported a negative cash flow for the period, SEK -1.6 million (-5.0m). The Group's liquid funds at the end of the period amounted to SEK 31.7 million (37.3m). Including short-term investments, liquid assets amounted to SEK 34.6 million (40.4m). 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 March was 41 per cent (51%). Investments for the period amounted to SEK 4.2 million (7.9m), including SEK 2.5 million (5.8m) relating to capitalised 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 69.6 million. The reduction in shareholders' equity - SEK 14.0 million since the turn of the year - is the result of a SEK -13.3 million reduction in net earnings for the period and negative translation differences of SEK -0.7 million.

Parent Company

Parent Company revenues amounted to SEK 12.5 million (12.3m), including intra-group invoicing of SEK 12.5 million (12.3m). Earnings net of financial items amounted to SEK -11.8 million (-1.7m). Investments for the period amounted to SEK 1.1 million (0.5m). The Parent Company's liquid funds at the end of the period, including short-term investments, amounted to SEK 3.6 million (7.4m).

Developments in the share price

The beginning of the year has been characterised by low revenues and falling share prices. During the first quarter of 2002, a total of 454,183 shares (268,242) were traded, with share purchases representing a turnover of SEK 38.0 million (34.5m) for the period. This corresponds to an average share price of around SEK 84 (129). The highest share price noted during the period was on 3 and 4 January, when the share closed at SEK 97 and the lowest share price was on 25 March, when the share closed at SEK 75. On 28 March, the Frango share closed at SEK 80. Frango's market capitalisation at the end of March was SEK 365 million. The share was listed on the 'O' list of Stockholmsbörsen on 23 April 1999. The initial share

price was SEK 62. At the end of March, institutional investors accounted for around 30 per cent of shareholdings. Approximately 65 per cent of the total number of shares are today in market circulation.

Prospects

In the longer-term perspective, it is 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 capitalise on existing and future market opportunities. The company's latest product, Frango Controller, which will be launched internationally in the second quarter, is expected to generate significant revenues in 2002. In conjunction with this product release, Frango Consolidator and Frango Advisor have also been upgraded to include 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.

Auditing

The company's auditors have not reviewed this interim report.

Release of next financial report

The interim report for the second quarter of 2002 will be published on 12 July 2002.

Stockholm, 12 April 2002

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Consolidated Income Statement

<i>SEK '000</i>	3 months 2002	3 months 2001	Change in %	Rolling 12 months	Full year 2001
Software	18 338	18 692	-1,9%	122 385	122 739
Maintenance	16 555	10 973	50,9%	56 606	51 024
Consulting Services	21 460	16 454	30,4%	88 974	83 967
Training	1 005	1 542	-34,8%	9 747	10 284
Net revenue	57 357	47 660	20,3%	277 712	268 015
Operating expenses					
Other external expenses	-28 416	-15 660	81,5%	-101 058	-88 302
Personnel expenses	-45 482	-39 631	14,8%	-176 786	-170 935
Capitalised devt. expenditure software	2 530	5 806		10 685	13 961
Depreciation of fixed assets	-3 064	-1 538	99,3%	-9 129	-7 602
Operating earnings	-17 076	-3 362		1 423	15 136
<i>Operating margin</i>	-30%	-7%		1%	6%
Interest income and other financial items	58	192		565	698
Interest expenses and other financial items	-419	-109		-1 187	-878
Net interest income	-360	83		-623	-180
Earnings net of financial items	-17 436	-3 280		800	14 957
<i>Profit margin</i>	-30%	-7%		0%	6%
Tax on net earnings	4 177	918		-141	-3 399
Minority share of net earnings	6	0		4	-2
Net earnings	-13 254	-2 362		664	11 555
Earnings per share, SEK	-2,90	-0,52		0,15	2,53
Earnings per share after full dilution, SEK	-2,58	-0,49		0,13	2,32

Consolidated Balance Sheet

<i>SEK '000</i>	31 March 2002	31 March 2001	31 December 2001
Assets			
Intangible fixed assets	14 955	5 806	13 577
Tangible fixed assets	14 725	13 189	15 438
Total fixed assets	29 680	18 995	29 015
Accounts receivable	55 180	50 755	73 570
Other current assets excl. liquid funds	48 804	23 169	39 469
Short-term investments	2 871	3 074	8 017
Cash and bank balances	31 734	37 332	28 558
Total current assets	138 588	114 329	149 613
Total assets	168 269	133 324	178 629
Shareholders' equity and liabilities			
Shareholders' equity	69 550	68 415	83 577
Minority shares	5	9	11
Provisions, interest-bearing	2 754	1 923	2 495
Provisions, non-interest bearing	5 717	0	5 326
Interest-bearing liabilities	335	1 386	380
Current liabilities	89 906	61 591	86 839
Total shareholders' equity and liabilities	168 269	133 324	178 629

Results by quarter

SEK '000s	2000				2001				2002
	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1
Software	10 443	31 606	29 657	35 734	18 692	37 545	26 317	40 185	18 338
Maintenance	6 243	6 969	8 242	9 532	10 973	12 101	13 084	14 867	16 555
Consulting Services	10 365	9 389	13 623	17 219	16 454	19 085	21 971	26 457	21 460
Training	789	1 967	2 752	2 162	1 542	2 829	3 561	2 353	1 005
Net revenue	27 841	49 932	54 274	64 647	47 660	71 560	64 933	83 862	57 357
<i>% of total net sales for the year</i>	14%	25%	28%	33%	18%	27%	24%	31%	
<i>Revenue growth in %</i>	31%	56%	60%	52%	71%	43%	20%	30%	20%
Operating expenses									
Other external expenses	-12 697	-16 131	-15 366	-20 833	-15 660	-20 591	-21 332	-30 720	-28 416
Personnel expenses	-26 579	-27 800	-29 151	-33 548	-39 631	-38 773	-43 800	-48 732	-45 482
Capitalised devt. expenditure software	0	0	0	0	5 806	5 565	756	1 835	2 530
Depreciation of fixed assets	-1 115	-1 329	-1 461	-1 705	-1 538	-1 768	-1 952	-2 345	-3 064
Operating earnings	-12 551	4 671	8 297	8 561	-3 362	15 994	-1 395	3 900	-17 076
Net interest income	315	47	-252	-173	83	-269	-128	134	-360
Earnings net of financial items	-12 236	4 718	8 045	8 389	-3 280	15 725	-1 523	4 034	-17 436
<i>Profit margin %</i>	-43,9%	9,4%	14,8%	13,0%	-6,9%	22,0%	-2,3%	4,8%	-30,4%
Tax on net earnings	3 425	-1 321	-2 252	-1 319	918	-4 237	113	-193	4 177
Minority share of net earnings	0	-4	-1	3	0	0	-1	-1	6
Net earnings	-8 810	3 393	5 792	7 072	-2 362	11 487	-1 411	3 841	-13 254

	3 months	3 months	Full year
Cash flow	2002	2001	2001
Earnings net of financial items	-17 436	-3 280	14 957
Depreciation, provisions, capital gains etc	3 382	1 648	9 071
Tax paid	-465	918	-2 397
Change in tax liabilities/receivables	1 944	375	-2 192
Change in working capital	15 212	3 290	-3 685
Cash flow from operations	2 636	2 953	15 754
Investment operations	-4 176	-7 910	-24 460
Financing operations	-46	3	-1 003
Cash flow	-1 586	-4 955	-9 709

	3 months	3 months	Rolling	Full year
Financial ratios	2002	2001	12 months	2001
Capital employed, SEK m	72,6	71,7	72,6	86,5
Equity ratio, %	41%	51%	41%	47%
Return on capital employed, %			3%	20%
Return on total capital, %			1%	10%
Return on equity, %			1%	15%
Average number of permanent employees	228	187		209
Number of employees	240	199		234

Per share data

Earnings per share, SEK			0,15	2,53
Earnings after full dilution, SEK			0,13	2,32
Shareholders' equity, SEK	15,24	14,99	15,24	18,31
Shareholders' equity after full dilution, SEK	13,55	14,12	13,55	16,29
Share price, SEK	80,00	120,00		91,50
Dividend, SEK	-	-	-	-
Number of shares at the end of the period	4565000	4565000	4565000	4565000
Average number of shares	4565000	4565000	4565000	4565000
Number of outstanding options	566000	280000	566000	566000
Average number of shares and outstanding option	5131000	4845000	4988000	4988000