Interim Report
January 1 - June 30, 2002

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Framfab AB (publ)

Framfab Wins New Customers in a Cautious Market

- Operating earnings (EBIT) for April-June were SEK –23.7 million (–157.3). The SEK –32.4 million (–1,702.8) operating earnings for the first six months included SEK -8.8 million in restructuring costs. Total revenue was SEK 87.8 million (154.5) for April-June and SEK 195.7 million (418.5) for January-June.

- Liquid funds amounted to SEK 89.0 million at the end of the second quarter. Cash flow from operating activities totaled SEK –5.6 million (-114.2) for the second quarter, as opposed to SEK –15.3 million for the first quarter.

- As a result of the cautious market, Framfab adopted measures to lower costs, including the reduction of the group's workforce by 45. The lower costs should boost earnings somewhat in the third quarter and have a full impact in the fourth quarter of 2002. Framfab had 563 employees at the end of the second quarter.

- During the year, Framfab entered into a number of new long-term agreements with organizations, including Avanturo, BNN, Central, Ellipsus, Finanz- und Versorgungsdienst GmbH (FDV), Haftplichtverband der Deutschen Industrie V.a.G. (HDI), the Knowledge Foundation and Renault Sweden. Meanwhile, Framfab concluded new general agreements with the Volvo Group and AstraZeneca.

- During the second quarter, Framfab won a Grand Prix for its nikefootball.com website and a Gold Lion for Nike Freestyle at the Cyber Lions Awards in Cannes. The jury called nikefootball.com "the best thing that happened on the web last year".

- Framfab's new initiatives includes Web Services and the packaging of established installations and projects as products, for launch during the second half of the year.

Framfab is a leading provider of consulting services and business solutions based on Internet technology. Most of Framfab's customers are big international companies, including 3M, AXA, the Coca-Cola Company, Danske Bank, Electrolux, Ericsson, Hydro Texaco, IKEA, Kellogg's, Maersk Sealand, NEC Packard-Bell, Nike, Observer, Postbank, Quelle Versicherungen, SAAB, Volvo Car Corporation, Volvo Group and UBS. Framfab operates in Denmark, France, Germany, the Netherlands and Sweden. The company is quoted on the O list of the Stockholm Stock Exchange (ticker symbol FTID). For more information, please visit www.framfab.com.

A Word from the CEO

Customers and the market

During the second quarter, Framfab reinforced its position in the creative concept and design market. Our collaboration with Nike won the Grand Prix for the nikefootball.com website and a Gold Lion for Nike Freestyle at the Cyber Lions Awards in Cannes. The jury called nikefootball.com “the best thing that happened on the web last year.” The Nike project also received a Gold Clio and a Silver Clio, Golden Pencil at the One Show Awards and an EPICA award.

The European Internet and IT consulting sector, including Framfab, experienced a further decline in demand during the second quarter. Clients are holding back, postponing and dividing up the implementation of new projects while awaiting signs that the business cycle will turn up. Thus, it is heartening that Framfab continued to exhibit strength by retaining all of its major clients and attracting a series of new ones. Among the newcomers were Avanturo, BNN, Central, Ellipsus, Finanz- und Versorgungsdienst GmbH (FDV), Haftplichtverband der Deutschen Industrie V.a.G. (HDI), the Knowledge Foundation and Renault Sweden. Meanwhile, we concluded new general agreements with the Volvo Group and AstraZeneca.

In response to the slow demand, Framfab adopted cost-saving measures, primarily for the companies that did not show a profit for the first half of the year. We reduced the number of employees in the group by 45. The lower costs should boost earnings somewhat in the third quarter and have a full impact in the fourth quarter of 2002.

New initiatives

Framfab will now provide products, services and applications through four business segments. The first business segment involves products, services and applications in our clients’ functional areas, such as Branding & Marketing, Sales & Customer Service, Corporate Communication, Human Resources, and Knowledge Management. Our second business segment offers maintenance and management of web applications. The third business segment is devoted to development and pilot projects. True to its tradition, Framfab works with its clients in this business segment with the digital media’s newest technologies and services, including Web Services at the present. Our fourth business segment covers technology and technical solutions in such areas as Content Management, Commerce and portals.

Among our new initiatives in these four business segments are the following:

- **Packaging solutions as products:** We package previously established, successful solutions, such as for the automotive and financial industries, as products. Such solutions are based on our leading, prize-winning creative Web Design and application development endeavors, both of which stem from our thorough expertise in digital brand communication, information architecture and usability. The solutions may be generalized to suit other sectors and geographical regions. By efficiently reusing such well-defined services, concepts and software with specific functionality, Framfab can ensure that implementation costs will decline and quality will improve.

- **Web Services:** Web Services for our clients enables cost and time savings, as well as additional efficiency and productivity through web-based integration of value chains and production flows across technical and organizational boundaries within and among companies and institutions. We are able to offer these advantages even to organizations that were previously held back by hardware and software limitations. Web Services, which is independent of device or platform, provides true interoperability and complements traditional websites by means of XML-based, programmable, secure and well-defined interfaces with the various infrastructures, platforms, applications and underlying business systems of companies and institutions.

- **Extension and expansion of services for application maintenance and management:** Framfab is already offering maintenance and management of in-house and other web applications based on clear Service Level Agreements. Our operations in Cologne and Gothenburg have handled most of that effort. In the autumn of 2002, we will be developing and expanding these services, as well as implementing them in other countries as well.

Anders Ekman, CEO

Earnings and Financial Position

The market

Internet and Internet applications are still a key element of IT and marketing investments. Framfab's European market remained slow in the second quarter. Given the current state of the business cycle, clients are holding back, postponing and dividing up the implementation of new projects.

Despite slow demand, Framfab has identified a growing need to take advantage of the Internet for the development of business processes that can improve both revenue and efficiency. As a result, the demand for Internet consulting services remains low but stable.

One key to Framfab's successful implementation of complex Internet solutions is its ability to combine such disparate disciplines as strategy and business development, creative concept & design, information architecture, user surveys and systems integration & technology. No traditional strategy and management consulting companies, pure advertising and media specialists or the service sectors of the large IT companies possess all of the know-how and accumulated skills that are required.

Clients

Framfab has exhibited strength again this year by retaining all of its major clients. Framfab also expanded existing collaboration projects by concluding general agreements with the Volvo Group and with AstraZeneca.

In January-June, Framfab also braved stiff competition to enter into a number of new long-term agreements with organizations such as Avanturo, BNN, Central, Ellipsus, Finanz- und Versorgungsdienst GmbH (FDV), Haftplichtverband der Deutschen Industrie V.a.G. (HDI), the Knowledge Foundation and Renault Sweden.

During the second quarter, Framfab's collaboration with Nike won a number of awards and is an example of the goodwill that Framfab's determined, first-class efforts forge in long-term customer relationships. Longstanding customer relationships and determined efforts have provided Framfab with a thorough understanding of its clients' dialogs and interfaces with their suppliers, employees and customers.

In order to continue providing top-notch service to international clients, Framfab – in contrast to a series of other companies that have refocused from the global to the domestic arena – has maintained its presence in the European market.

Operations

Framfab Sweden and Denmark, each of which lead the market among pure Internet consulting companies in their countries, posted an operating profit for January-June 2002.

Framfab's Netherlands operations, which are in second place among pure Internet consulting companies, reported earnings close to break-even for January-June.

Framfab Germany aggressively strengthened its sales organization and management, while reducing its workforce, during the first six months. German operations also introduced part-time work for a number of employees, along with a voluntary 20% salary reduction for management. During the second quarter, Framfab Germany, which is number 10-15 among pure Internet consulting companies, attracted ten new clients – primarily in the financial and insurance industries – and obtained more orders from existing ones. The company operated at a loss during the first six months.

The French market remains very sluggish. A number of companies have closed down or cut back their operations. Although Framfab has decided to reduce its workforce in order to ensure an operating profit, the organization will retain sufficient breadth and scope to meet the needs of both current and new clients.

All of Framfab's markets generated lower revenue in the second quarter than the first. As a result of the cautious market and poorer revenue, Framfab adopted measures to lower costs, including a reduction of the number of employees in the group by 45. The reduced costs should boost earnings somewhat in the third quarter and have a full impact in the fourth quarter of 2002.

Revenue

Framfab's net revenue fell by 53% to SEK 195.7 million (418.5) from the first half of 2001 to the first half of 2002. Excluding divested operations, the decline was 37%. Revenue was down by 43% to SEK 87.8 million (154.5) from the second quarter of 2001 to the second quarter of 2002. Excluding divested operations, the reduction was 35%. Lower revenue in the second quarter reflected the persistence of weak demand.

Operating earnings

Excluding restructuring costs, operating earnings for January-June were SEK –23.6 million (–1,206.5). Furthermore, Framfab set aside a SEK 8.8 million provision for restructuring costs in the first quarter. The provision is primarily for the restructuring of French operations. The restructuring costs represent an addition to previous provisions of SEK 496.3 million for the write-down of trade accounts receivable, restructuring and the divestment of other operations in the first quarter of 2001. Framfab's operating earnings (EBIT) for the first half of the year were SEK –32.4 million (–1,702.8). Operating earnings (EBIT) for the second quarter totaled SEK –23.7 million (–157.3), as opposed to SEK –8.7 million in the first quarter.

Operating costs declined by 4%, or SEK 4.3 million, from the first to second quarter. Lower earnings in the second quarter were wholly due to the persistence of weak demand, which contributed to poorer net revenue.

Framfab posted a positive net financial income of SEK 3.0 million for the first six months, while the loss after financial items (EBT) was SEK –29.4 million (–2,078.2). The loss after financial items for April-June was SEK –23.0 million (-148.6).

Financial position
Framfab's cash flow from operating activities rose by SEK 9.7 million to SEK –5.6 million from the first to second quarter. For January-June, cash flow from operating activities was SEK –20.9 million (–310.4). While total cash flow for January-June was SEK –24.5 million, liquid funds totaled SEK 89.0 million on June 30, 2002.

Balance sheet
Trade accounts receivable were SEK 61.4 million, a reduction of SEK 61.3 million since the first of the year. Framfab's equity/assets ratio was 53%, as opposed to 47% at the beginning of the year. The only large remaining shareholding is Framfab's 4.5% stake, which has a book value of SEK 50.0 million, in B2 Bredband AB. Framfab also has holdings, with a total book value of SEK 0.0 million, in a handful of small companies for which it has no financing commitments .

Employees
Framfab had 563 employees as of June 30. The number of employees declined by 129, of which 67 resulted from restructuring in 2001, since the beginning of the year. Framfab adopted measures, including the reduction of the group's workforce by 45, during the second quarter in order to lower costs.

Outlook for 2002

While the business cycle remained tentative, Framfab continued to face slow European markets during the second quarter. Nevertheless, there is clearly a growing need to take advantage of the potential offered by the Internet. Assuming that the market does not weaken further, Framfab's earnings will improve in the second half of the year.

Share Data

The loss after tax of SEK –29.4 million (–1,971.9) for January-June 2002 corresponded to SEK -0.06 (–10.22) per share. Shareholders' equity per share was SEK 0.30 (1.69) on June 30. The parent company had 474,682,438 registered shares as of June 30.

Parent Company

Net revenue totaled SEK 7.2 million (134.1), of which SEK 6.3 million (37.8) was from internal invoicing, in January-June 2002.

The loss after financial items was SEK –28.7 million (–1,011.0). Shareholders' contributions via the conversion of loans to subsidiaries in the amount of SEK 6.1 million are reported as an investment during the period. Total investments in fixed assets were SEK 9.2 million (103.5).

Write-downs of shares in subsidiaries totaled SEK 9.8 million (444.7), while write-downs of other financial fixed assets were SEK 1.6 million (364.4). The parent company had liquid funds of SEK 52.4 million (234.1) on June 30, 2002.

Accounting Policies

This interim report has been prepared in compliance with Recommendation 20 on Interim Reporting issued by the Swedish Financial Accounting Standards Council. The same accounting policies have been applied as in the 2001 annual report.

Upcoming Reports

- The interim report for January-September will be released on October 30, 2002.
- The year-end report of 2002 earnings will be released in January/February 2003.

Stockholm, August 21, 2002
Framfab AB (publ)

Board of Directors

This report has not been subject to examination by the company´s auditors.

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Summary of Income Statements

SEK million	Jan-Jun 2002	Jan-Jun 2001	Jan-Dec 2001	Apr-Jun 2002	Apr-Jun 2001
Services revenue	191.1	412.8	655.2	86.2	150.8
Other operating revenue	4.6	5.7	11.5	1.6	3.7
Net revenue	**195.7**	**418.5**	**666.7**	**87.8**	**154.5**
Costs of operation	-222.9	-1 013.0	-1 331.8	-109.3	-294.6
Other operating costs	-	-236.4	-236.4	-	-
Earnings from shares in associated companies	-	-19.1	-19.1	-	-
Operating earnings before depreciation and amortization	**-27.2**	**-850.0**	**-920.6**	**-21.5**	**-140.1**
Depreciation and write-downs of tangible assets	-5.2	-74.1	-86.7	-2.2	-11.6
Operating earnings after depreciation of tangible assets	**-32.4**	**-924.1**	**-1 007.3**	**-23.7**	**-151.7**
Amortization and write-downs of goodwill	-	-749.7	-1 177.8	-	-5.3
Amortization and write-downs of other intangible fixed assets	-	-29.0	-30.8	-	-0.3
Operating earnings	**-32.4**	**-1 702.8**	**-2 215.9**	**-23.7**	**-157.3**
Net financial items	3.0	-375.4	-360.3	0.7	8.7
Earnings after financial items	**-29.4**	**-2 078.2**	**-2 576.2**	**-23.0**	**-148.6**
Tax	-	106.3	3.3	-	42.7
Earnings for the period	**-29.4**	**-1 971.9**	**-2 572.9**	**-23.0**	**-105.9**
Earnings per share, SEK	**-0.06**	**-10.22**	**-7.97**	**-0.05**	**-0.46**
Earnings per share after dilution, SEK	**-0.06**	**-10.22**	**-7.97**	**-0.05**	**-0.46**

Summary of Cash Flow Statement

SEK million	Jan-Jun 2002	Jan-Jun 2001	Jan-Dec 2001	Apr-Jun 2002	Apr-Jun 2001
Cash flow from operations	-26.2	-435.1	-535.8	-19.8	-185.8
Changes in working capital	5.3	124.7	62.8	14.2	71.6
Cash flow from operating activities	**-20.9**	**-310.4**	**-473.0**	**-5.6**	**-114.2**
Acquisition/divestment of subsidiaries	-	166.4	159.7	-	2.1
Cash flow from other investing activities	-2.5	-112.3	-100.2	-1.3	-14.3
Cash flow before financing	**-23.4**	**-256.3**	**-413.5**	**-6.9**	**-126.4**
Cash flow from financing activities	-1.1	281.4	282.2	-0.5	281.7
Cash flow for the period	**-24.5**	**25.1**	**-131.3**	**-7.4**	**155.3**
Liquid funds at beginning of the period	114.5	244.0	244.0	96.4	115.5
Translation differences in liquid funds	-1.0	1.7	1.8	0.0	-
Liquid funds at end of the period	**89.0**	**270.8**	**114.5**	**89.0**	**270.8**

Summary of Balance Sheets

SEK million	Jun 30 2002	Dec 31 2001	Jun 30 2001
Assets			
Goodwill	-	-	428.1
Other intangible fixed assets	-	-	4.7
Tangible assets	17.5	21.5	47.5
Financial fixed assets	50.0	50.0	147.4
Total fixed assets	**67.5**	**71.5**	**627.7**
Trade accounts receivable	61.4	122.7	150.5
Other current assets	49.5	57.1	119.0
Liquid funds	89.0	114.5	270.8
Total current assets	**199.9**	**294.3**	**540.3**
Total assets	**267.4**	**365.8**	**1 168.0**
Shareholders' equity and liabilities			
Shareholders' equity [1]	**141.1**	**173.1**	**801.1**
Interest-bearing liabilities	2.5	3.7	5.5
Long-term non-interest-bearing liabilities	-	11.0	0.0
Short-term non-interest-bearing liabilities	123.8	178.0	361.4
Total liabilities	**126.3**	**192.7**	**366.9**
Total shareholders' equity and liabilities	**267.4**	**365.8**	**1 168.0**

Shareholder's Equity [1]

SEK Million	Jun 30 2002	Dec 31 2001	Jun 30 2001
At beginning of the year	173.1	2 361.9	2 361.9
Issue of new shares	-	374.0	375.0
Translation differences	-2.6	10.1	36.1
Earnings for the period	-29.4	-2 572.9	-1 971.9
At end of the year	**141.1**	**173.1**	**801.1**

Summary of Income Statements by Quarter

SEK Million	Q2 2002	Q1 2002	Q4 2001	Q3 2001	Q2 2001	Q1 2001
Net revenue	87.8	107.9	133.9	114.3	154.5	264.0
Operating earnings after depreciation of tangible assets	-23.7	-8.7	2.8	-86.0	-151.7	-772.4
Operating earnings	-23.7	-8.7	2.8	-515.9	-157.3	-1 545.5
Earnings after financial items	-23.0	-6.4	5.0	-503.0	-148.6	-1 929.6
Total growth, Q/Q	-19%	-19%	17%	-26%	-41%	-17%

Key Ratios

	Jan-Jun 2002	Jan-Jun 2001	Jan-Dec 2001	Apr-Jun 2002	Apr-Jun 2001
Growth in net revenue	-53.2%	-50.2%	-54.6%	-43.2%	-62.5%
Gross margin, EBITDA	-13.9%	-203.1%	-138.1%	-24.5%	-90.8%
Operating margin after depreciation of tangible assets, EBITA	-16.6%	-220.8%	-151.1%	-27.0%	-98.3%
Operating margin, EBIT	-16.6%	-406.9%	-332.4%	-27.0%	-101.9%
Profit margin, EBT	-15.0%	-496.6%	-386.4%	-26.2%	-96.2%
Equity/assets ratio	52.8%	68.6%	47.3%	52.8%	68.6%
Return on capital employed (1)	-174.4%	-156.3%	-257.2%	-66.3%	-156.3%
Return on shareholders' equity (1)	-214.1%	-169.8%	-310.3%	-60.4%	-169.8%
Average no. of employees	610	2 076	1 505	582	1 718
No. of employees at end of the period	563	1 470	692	563	1 470
of which, outside Sweden	304	651	396	304	651
Revenue per employee, SEK thousand (2)	642	403	443	604	360
Earnings per employee, SEK thousand (2)	-106	-890	-670	-163	-353
No. of shares at end of the period	474 682 438	474 682 438	474 682 438	474 682 438	474 682 438
Average no. of shares	474 682 438	192 951 179	322 980 991	474 682 438	229 776 899
Average no. of shares after dilution	474 682 438	203 722 519	333 277 745	474 682 438	240 548 239
Shareholders' equity per share, SEK	0.30	1.69	0.36	0.30	1.69
Earnings per share, SEK	-0.06	-10.22	-7.97	-0.05	-0.46
Earnings per share after dilution, SEK	-0.06	-10.22	-7.97	-0.05	-0.46

1) Rolling 12-month
2) Annual rate

Definitions

Gross margin (EBITDA):
Operating earnings before depreciation and amortization as a percentage of revenue.

Operating margin after depreciation of tangible assets (EBITA):
Operating earnings after depreciation of tangible assets as a percentage of revenue.

Operating margin (EBIT):
Operating earnings as a percentage of revenue.

Profit margin (EBT):
Earnings after financial items as a percentage of revenue.

Equity/assets ratio:
Shareholders' equity including minority interests as a percentage of balance sheet total.

Capital employed:
Balance sheet total less non-interest-bearing liabilities including deferred tax liabilities.

Return on capital employed:
Earnings after financial items plus financial costs, divided by average capital employed.

Return on shareholders' equity:
Earnings after financial items less full tax, divided by average shareholders' equity.

Revenue per employee:
Revenue divided by average number of employees for the period translated to annual rate.

Earnings per employee:
Operating earnings after depreciation of tangible assets, divided by average number of employees for the period translated to annual rate.

Shareholders' equity per share:
Shareholders' equity divided by number of shares outstanding.

Earnings per share:
Earnings for the period after full tax divided by average number of shares.