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Year-end report for the 2002 financial year

Fourth quarter

- Earnings net of financial items for the fourth quarter amounted to SEK 0.5 million (4.0m).
- Revenues for the fourth quarter totalled SEK 68.8 million (83.9m).
- Contracts for Frango Controller were signed with Hunter Douglas in the Netherlands, the Wood Group, RMC and Thorn in the UK and with Swisscom in Switzerland, among others.
- The company reported a positive cash flow for the quarter, SEK 14.6 million (-1,5m).

Twelve months

- Earnings net of financial items amounted to SEK -23.9 million (15.0m) for the reporting period. The decline in earnings is primarily attributable to weaker market conditions for software. The decline year on year can also be attributed to differences in exchange losses of SEK 8.2 million, the net effect of higher development expenses in the income statement, which was SEK 7.8 million higher than last year and a SEK 5.3 million increase in depreciation.
- Revenues for the year totalled SEK 252.6 million (268.0m).
- The company reported a positive cash flow for the full year, SEK 2.2 million (-9.7m).
- The average number of employees for the period was 226 (209). At the end of December, the number of employees was 226 (234).
- The equity ratio at the end of the year was 41 per cent (47%).

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 period October – December 2002

At the beginning of December, Frango entered into a strategic alliance with Cap Gemini Ernst & Young (CGE&Y) in Germany. As a result of this agreement, Frango will acquire Cap Gemini Ernst & Young's software division, PC-Konsol, in Germany. Meanwhile, CGE&Y will invite its customer base in Central Europe, comprising around 200 companies, to upgrade to

Frango's products for financial control and statutory consolidation. The agreement also means that CGE&Y will become a "Preferred Partner" of Frango and vice versa. Ownership rights to the software division PC-Konsol were transferred to Frango on 1 January 2003.

During the quarter, contracts for Frango Controller were signed with Hunter Douglas in the Netherlands, the Wood Group, RMC and Thorn in the UK and with Swisscom in Switzerland, among others.

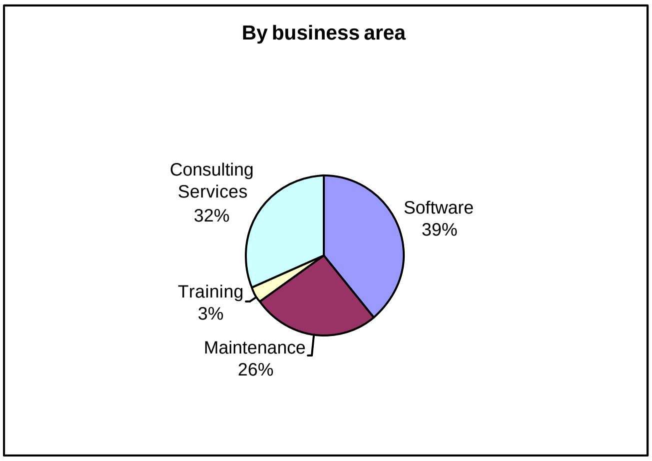
Sales trends and earnings

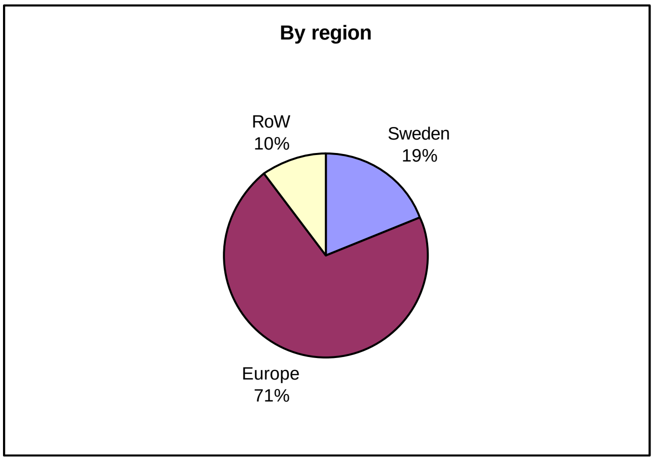
January – December 2002

Market conditions in 2002 have been weaker than anticipated and growth and earnings were disappointing. It is the first time Frango has reported a loss in its sixteen-year history. The year has been characterised by more cautious attitudes and investment trends in software have been adversely affected by the slow rate of economic development. Nor has the fourth quarter, traditionally a strong period, shown any indications of a turnaround. The trend of postponing investments has been a clear one.

Some foundations have nevertheless been laid for 2003. The international launch of Frango Controller has been well received in evaluation processes. In addition to several prestigious new contracts, a number of installations are being carried out for existing customers. All of these will become important reference customers. Frango has also taken action to expand the scope of its partner strategy. As a result of these efforts, a number of important distribution and co-operation agreements were signed during the year and the benefits of these are expected to start to show in 2003. Cost-savings programmes have been implemented during the year. Although current forecasts suggest that market growth will be poor in 2003, the cost savings programme implemented, together with the continued development of Frango Controller and the company's formal co-operation agreements will enable Frango to return to profitability.

Net revenue January – December 2002



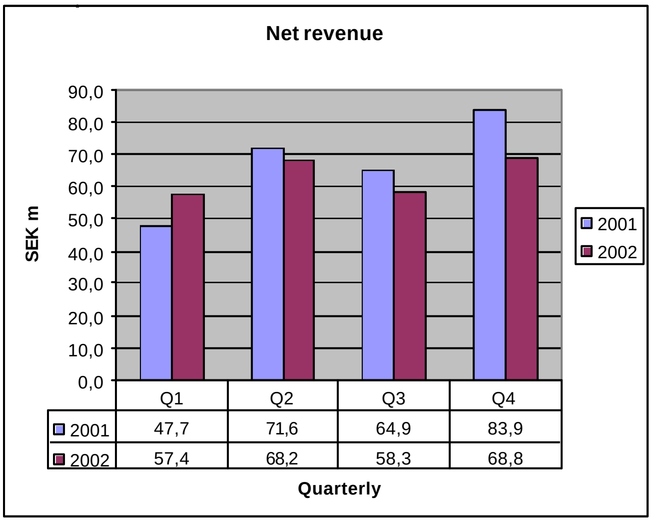


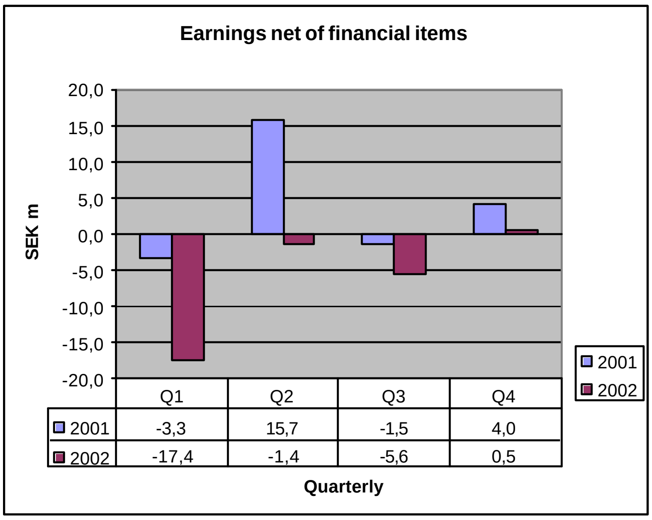
Revenues for 2002 totalled SEK 252.6 million (268.0m), a decline of 6 per cent. This decline is attributable entirely to the business in Asia, which has shrunk by 50 per cent compared to the previous year. Frango's main market, Europe, has grown by 3 per cent. For Europe, Frango's sales of software and maintenance, the category defined by the international organisation IDC as BPM ("Financial and business performance management" – see the Market section), rose by 7 per cent from SEK 138.6 million to SEK 147.8 million. The proportion of revenues attributable to new licences during the period was 39 per cent, compared with 46 per cent for 2001. Customers outside Sweden accounted for 81 per cent (82) of overall revenues. Revenues from software licences were SEK 23.6 million lower than the previous year and amounted to SEK 99.2 million (122.7m). Most of this reduction is attributable to the decline in Asia. Revenues for maintenance continued to show strong growth, rising by 28 per cent. Revenues from consulting services were down 4 per cent.

Earnings net of financial items totalled SEK -23.9 million, to be compared with SEK 15.0 million for the previous year. The decline is primarily attributable to the fall in licence sales, which to a certain extent also has an impact on revenues from consulting services. Further, most of the reported losses were incurred during the first quarter of the year. Completion costs, coupled with additional marketing and internal training costs incurred in relation to the product launches, have been charged to the income statement. A stronger krona has produced negative exchange rate differences of SEK -5.5 million. The situation last year was the opposite, resulting in positive exchange rate differences of SEK 2.7 million. The net effect of development expenses on the income statement was SEK 7.8 million higher than last year. Depreciation was up SEK 5.3 million on the previous year's level.

The poor start to the year, coupled with the weak demand for software, necessitated the implementation of a cost savings programme during the year. During the period May – September, the company reduced the number of employees by around 30 people, corresponding to 12 per cent of its workforce. The reduction in personnel will generate annual savings of SEK 18.5 million, and the full benefits of this measure were already noticeable in fourth quarter figures. Further cutbacks will continue to be carried out in the weak Asian market.

Operating expenses rose compared with the corresponding period of the previous year, from SEK 252.9 million to SEK 275.9 million. Of overall operating expenses, a total of SEK 8.2 million (14.0m), attributable to the development of new products, 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. Expenses rose by SEK 23 million compared to the previous year, and this increase was entirely attributable to costs incurred during the first half of the year. Expenses have since been reduced. Tax for the year has been affected by a reappraisal of the written-down value of the losses carried forward. This reappraisal has affected the tax expenses reported for the fourth quarter.





Operating expenses	12 months 2002	12 months 2001	Change in %	Q4 2002	Q4 2	Change in %
Other external expenses	-88 756	-89 014	-0,3%	-20 678	-27 508	-24,8%
Personnel expenses	-168 773	-166 935	1,1%	-40 324	-44 732	-9,9%
Depreciation of fixed assets	-12 897	-7 602	69,7%	-3 351	-2 345	42,9%
Adjusted operating expenses	**-270 427**	**-263 551**	**2,6%**	**-64 353**	**-74 585**	**-13,7%**
Exchange rate differences	-5 492	2 712		-1 782	-1 212	
Non-recurring costs	-8 186	-6 000		-3 286	-6 000	
Capitalised devt. expenditure software	8 178	13 961	-41,4%	1 350	1 835	-26,4%
Operating expenses net	**-275 926**	**-252 878**	**9,1%**	**-68 071**	**-79 962**	**-14,9%**

October–December 2002

Sales revenues during the period October – December 2002 were down compared with the corresponding period last year, from SEK 83.9 million to SEK 68.8 million. This is primarily attributable to a fall in revenues from licence sales, although revenues from consulting and training services were also on the decline. Revenues from maintenance continued to improve, rising by 14 per cent. The proportion of revenues attributable to new licences during the fourth quarter was 42 per cent, compared with 48 per cent for the fourth quarter of 2001. The economy showed no signs of improvement during the quarter. On the contrary, the trend seemed to be the reverse, and this was particularly clear in December. Traditionally, many orders are booked in December prior to the year-end. On this occasion, many projects have been postponed. Despite the positive reception of Frango Controller, the company is still at the stage where sales of new licences for Frango Controller do not yet compensate for the decline in sales for Frango Consolidator.

Earnings net of financial items amounted to SEK 0.5 million, compared with SEK 4.0 million for the fourth quarter of 2001. Total operating expenses, including non-recurring items, were down 15 per cent compared to the previous year. Some increase has been noted compared to the third quarter, due to higher volumes. The income statement for the fourth quarter has been charged with non-recurring costs amounting to SEK 3.3 million. These concern the write-down of accounts receivable.

Product development

The company's new software, Frango Controller, was launched internationally during the second quarter of 2002. Overall, the product has taken more than two years to develop. An earlier version of Frango software, Frango Consolidator, has continued to be developed separately. This means that the company can now offer customers two consolidation systems: Frango Consolidator and Frango Controller. The overall development and maintenance expenses for the period January – December 2002 amounted to around SEK 37 million (35m), including development expenses of SEK 8.2 million (14.0m) that have been capitalised in the balance sheet. These development expenses are related to the development of web-based add-ons to Frango Controller, to manual and online help expenses for Frango Controller and to expenses related to the international version of Frango Controller. Continued development efforts will focus on improving further the functionality of Frango Controller. Throughout 2001 and 2002, a total of SEK 22.1 million (14.0m) relating to the development of new products has been capitalised in the balance sheet. Depreciation has already begun and depreciation of SEK 5.3 million (0.4m) has been charged to the net earnings for the period.

Market

Frango specialises in the field of corporate financial control for organisations and groups. The international investigative organisation IDC has defined Frango's market as part of Financial and business performance management (BPM). This, in turn, is one of three sub-segments within "Analytic applications (AA)". Products belonging to the BPM category include applications for budgeting and planning, statutory consolidation, a "balanced scorecard", activity-based costing and business intelligence. Frango's main market is western Europe. According to an estimate from IDC, this market will be worth USD 352 million in 2003. This includes revenues from software and maintenance. This represents approximately one-third of the global market for BPM.

The market for business systems has been sluggish throughout the year. The market for BPM has been characterised by more cautious attitudes, thus affecting the will to invest in software. This has led to longer sales cycles, the delay or postponement of more orders and a greater degree of uncertainty when assessing the frequency of orders concluded and the timing thereof.

Market growth has been virtually non-existent and even been negative in certain markets in 2002.

For Frango’s market segments, IDC forecasts a growth rate of 9 per cent for 2003. Around 40 per cent of the company's potential target groups have yet to invest in adequate systems for group reporting. For many of these companies, such systems will be necessary to fulfil the requirements of new international accounting standards (IAS) within the EU that will come into effect from 2005 onwards. In the European market, there have been signs of increasing activity to evaluate group controlling systems in preparation for the transition to IAS in 2005.

Frango has historically achieved a strong rate of growth. During the past five-year period, the average rate of revenue growth per year on licence sales and maintenance services has been 37 per cent. This positive trend for Frango has been driven by the following factors:

- The increasing trend towards internationalisation seen in recent years, which has made the preparation of consolidated financial statements and financial reporting far more complex.
- The rapid development and progress of financial markets, which has demanded improvements in corporate transparency and reporting speed.
- The legal requirements for statutory consolidation, which have become increasingly extensive and detailed and are being introduced in a growing number of countries.
- Technological developments, which have called for investments in new systems.

It is expected that these underlying business drivers will continue to prevail, even in the longer-term perspective.

Employees

The average number of employees during the period was 226 (209). At the end of December, the number of employees was 226, to be compared with 234 last year. Since the beginning of May, the number of employees has been reduced by 30 people, which will result in a reduction in personnel expenses.

Liquidity, investments and financial position

The company’s financial position is satisfactory. Despite the loss, the company reported a positive cash flow for the year, SEK 2.2 million (-9.7m). The Group’s liquid funds at the end of the period amounted to SEK 33.7 million (28.6m). Including short-term investments, liquid assets amounted to SEK 37.1 million (36.6m). The company reported a positive cash flow for the fourth quarter, SEK 14.6 million. Liquid funds have thus returned to the levels reported at the beginning of 2002. As in the past, business activities have been financed with funds generated internally and shareholders' equity. The Group has no bank loans. The company has a bank overdraft facility of SEK 10 million. At the end of December, this facility had not been used. The equity ratio at the end of December was 41 per cent (47%). Investments for the period amounted to SEK 12.4 million (25.2m), including SEK 8.2 million (14.0m) relating to capitalised development expenditure for software. The purchase of computers and peripheral equipment accounted for most of the remaining expenditure. These investments, however, accounted for SEK 6.9 million less than similar investments made during the previous year. Shareholders' equity at the end of the period amounted to SEK 62.4 million (83.6m). The reduction in shareholders' equity – SEK 21.2 million since the turn of the year – is the result of a SEK -20.6 million net loss for the period and negative translation differences of SEK -0.6 million.

Parent Company

Parent Company revenues amounted to SEK 67.3 million (67.0m), including intra-group invoicing of SEK 67.3 million (65.2m). Earnings net of financial items amounted to SEK -25.4 million (-5.9m). Investments for the period amounted to SEK 1.7 million (4.5m). The Parent Company's liquid funds at the end of the period, including short-term investments, amounted to SEK 5.7 million (5.1m).

Developments in the share price

The year has been characterised by a low turnover and falling share prices. During 2002, a total of 1,273,804 shares (2,602,097) have been traded, representing a turnover of SEK 71.3 million (248.0m). This corresponds to an average share price of around SEK 56 (95). The highest closing price noted for the share during the period was on 3 and 4 January, when the share closed at SEK 97 and the lowest closing price noted for the share was on 1 October, when the share closed at SEK 21. A total of 400,380 shares were traded in the fourth quarter (1,611,895), representing a turnover of SEK 13.5 million (130.8m), which corresponds to an average share price of SEK 34 (81). On 30 December, the Frango share closed at SEK 33. Frango's market capitalisation at the end of the year was SEK 151 million. The share was listed on the 'O' list of Stockholmsbörsen on 23 April 1999. The initial share price was SEK 62. Institutional investors account for around 30 per cent of shareholdings. Approximately 66 per cent of the total number of shares are today in market circulation.

Prospects

Earnings for the past twelve months have been significantly affected by the weak and uncertain economic climate. The weak start to the year justified a number of cost-saving measures. As a result of these measures, some non-recurring costs have been charged to third quarter earnings. The measures will help reduce cost levels, which, if calculated on the basis of a full year, would correspond to SEK 18.5 million in personnel expenses alone. Additional cost reductions of around SEK 3 million can be added to this figure. The overall effect of the cost reductions implemented has benefited fourth quarter earnings.

In the longer term, a recovery in demand is expected for the company's products. This will contribute to growth and improved profitability. Frango's clear focus on its core business, supplying systems for group financial control, has ensured that the company has a strong market position. IDC's forecast for 2003 suggests a growth of 9 per cent for Frango's main market, western Europe.

Accounting principles

The accounts have been prepared in accordance with the recommendations issued by the Swedish Financial Accounting Standards Council (Redovisningsrådet) and this year-end report has been prepared in accordance with the council's recommendation pertaining to interim reports, RR 20. For information on the accounting principles applied and definitions of key ratios, please see Frango's Annual Report 2001, page 37 and page 27 respectively.

Annual Report

The Annual Report will be published at the end of February 2003. It will be available from Frango's offices or may be ordered by e-mail ir@frango.com or by visiting www.frango.com.

Annual General Meeting of shareholders

The Annual General Meeting of shareholders will be held at 5 p.m. on 24 March 2002 at the Elite Palace Hotel, St. Eriksgatan 115 in Stockholm, Sweden.

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 2003 will be published on 11 April 2003.

Stockholm, 22 January 2003

Tom Löfstedt
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Consolidated Income Statement

SEK '000	**12 months 2002**	**12 months 2001**	**Change in %**
Software	99 182	122 739	-19,2%
Maintenance	65 365	51 024	28,1%
Consulting Services	80 609	83 967	-4,0%
Training	7 480	10 284	-27,3%
Net revenue	**252 636**	**268 015**	**-5,7%**
Operating expenses			
Other external expenses	-97 535	-88 302	10,5%
Personnel expenses	-173 672	-170 935	1,6%
Capitalised devt. expenditure software	8 178	13 961	
Depreciation of fixed assets	-12 897	-7 602	69,6%
Operating earnings	**-23 290**	**15 136**	
Operating margin	*-9%*	*6%*	
Interest income and other financial items	267	698	
Interest expenses and other financial items	-921	-878	
Net interest income	-655	-180	
Earnings net of financial items	**-23 944**	**14 957**	
Profit margin	*-9%*	*6%*	
Tax on net earnings	3 334	-3 399	
Minority share of net earnings	1	-2	
Net earnings	**-20 609**	**11 555**	
Earnings per share, SEK	-4,51	2,53	
Earnings per share after full dilution, SEK	-4,02	2,32	

Consolidated Balance Sheet

SEK '000	**31 December 2002**	**31 December 2001**
Assets		
Intangible fixed assets	16 450	13 577
Tangible fixed assets	11 086	15 438
Financial fixed assets	8 475	-
Total fixed assets	**36 011**	**29 015**
Accounts receivable	57 678	73 570
Other current assets excl. liquid funds	22 408	39 469
Short-term investments	3 403	8 017
Cash and bank balances	33 699	28 558
Total current assets	**117 188**	**149 613**
Total assets	**153 199**	**178 629**
Shareholders' equity, provisions and liabilities		
Shareholders' equity	**62 393**	**83 577**
Minority shares	10	11
Provisions, interest-bearing	3 413	2 495
Provisions, non-interest bearing	4 648	5 326
Interest-bearing liabilities	409	380
Current liabilities	82 327	86 839
Total shareholders' equity, provisions and liabilities	**153 199**	**178 629**

Results by quarter

	2000				2001				2002			
SEK '000s	**Q 1**	**Q 2**	**Q 3**	**Q 4**	**Q 1**	**Q 2**	**Q 3**	**Q 4**	**Q 1**	**Q 2**	**Q 3**	**Q 4**
Software	10 443	31 606	29 657	35 734	18 692	37 545	26 317	40 185	18 338	31 392	20 476	28 977
Maintenance	6 243	6 969	8 242	9 532	10 973	12 101	13 084	14 867	16 555	15 500	16 396	16 914
Consulting Services	10 365	9 389	13 623	17 219	16 454	19 085	21 971	26 457	21 460	18 374	19 872	20 902
Training	789	1 967	2 752	2 162	1 542	2 829	3 561	2 353	1 005	2 916	1 575	1 984
Net revenue	**27 841**	**49 932**	**54 274**	**64 647**	**47 660**	**71 560**	**64 933**	**83 862**	**57 357**	**68 183**	**58 319**	**68 777**
% of total net sales for the year	*14%*	*25%*	*28%*	*33%*	*18%*	*27%*	*24%*	*31%*	*23%*	*27%*	*23%*	*27%*
Revenue change in %	*31%*	*56%*	*60%*	*52%*	*71%*	*43%*	*20%*	*30%*	*20%*	*-5%*	*-10%*	*-18%*
Operating expenses												
Other external expenses	-12 697	-16 131	-15 366	-20 833	-15 660	-20 591	-21 332	-30 720	-28 416	-26 354	-17 018	-25 746
Personnel expenses	-26 579	-27 800	-29 151	-33 548	-39 631	-38 773	-43 800	-48 732	-45 482	-43 903	-43 964	-40 324
Capitalised devt. expenditure software	0	0	0	0	5 806	5 565	756	1 835	2 530	3 586	713	1 350
Depreciation of fixed assets	-1 115	-1 329	-1 461	-1 705	-1 538	-1 768	-1 952	-2 345	-3 064	-3 080	-3 401	-3 351
Operating earnings	**-12 551**	**4 671**	**8 297**	**8 561**	**-3 362**	**15 994**	**-1 395**	**3 900**	**-17 076**	**-1 568**	**-5 351**	**705**
Net interest income	315	47	-252	-173	83	-269	-128	134	-360	149	-244	-199
Earnings net of financial items	**-12 236**	**4 718**	**8 045**	**8 389**	**-3 280**	**15 725**	**-1 523**	**4 034**	**-17 436**	**-1 419**	**-5 595**	**506**
Profit margin %	*-43,9%*	*9,4%*	*14,8%*	*13,0%*	*-6,9%*	*22,0%*	*-2,3%*	*4,8%*	*-30,4%*	*-2,1%*	*-9,6%*	*0,7%*
Tax on net earnings	3 425	-1 321	-2 252	-1 319	918	-4 237	113	-193	4 177	248	593	-1 682
Minority share of net earnings	0	-4	-1	3	0	0	-1	-1	6	-2	-1	-1
Net earnings	**-8 810**	**3 393**	**5 792**	**7 072**	**-2 362**	**11 487**	**-1 411**	**3 841**	**-13 254**	**-1 173**	**-5 004**	**-1 178**

Cash flow

	12 months 2002	**12 months 2001**
Earnings net of financial items	-23 944	14 957
Depreciation, provisions, capital gains etc	20 756	9 071
Tax paid	-1 997	-2 397
Change in tax liabilities/receivables	2 960	-2 192
Change in working capital	16 339	-3 685
Cash flow from operations	**14 114**	**15 754**
Investment operations	-11 948	-24 460
Financing operations	29	-1 003
Cash flow	**2 195**	**-9 709**

Financial ratios

	12 months 2002	**12 months 2001**
Capital employed, SEK m	66,2	86,5
Equity ratio, %	41%	47%
Return on capital employed, %	-30%	20%
Return on total capital, %	-14%	10%
Return on equity, %	-28%	15%
Average number of permanent employees	226	209
Number of employees	226	234

Per share data

Earnings per share, SEK	-4,51	2,53
Earnings after full dilution, SEK	-4,02	2,32
Shareholders' equity, SEK	13,67	18,31
Shareholders' equity after full dilution, SEK	12,16	16,29
Share price, SEK	33,00	91,50
Dividend, SEK	-	-
Number of shares at the end of the period	4565000	4565000
Average number of shares	4565000	4565000
Number of outstanding options	566000	566000
Average number of shares and outstanding options	5131000	4988000