

Interim report January – March 2003

- Earnings net of financial items were up SEK 10.0 million compared with last year.
- Earnings net of financial items totalled SEK -7.4 million (-17.4m). For the first quarter of 2003, Frango reported a loss, in line with normal seasonal trends.
- The improvement in earnings is attributable to cost savings programmes completed by Frango, aimed at ensuring the company's return to profitability for the full year.
- Operating expenses were reduced by 14 per cent, or SEK 10.6 million.
- Revenues for the first quarter totalled SEK 56.5 million (57.4m).
- Revenues from licence sales for Frango's main proprietary products for statutory consolidation continued to show strong growth, rising by 35 per cent.
- Contracts for Frango Controller were signed with CEZ a.s. in the Czech Republic, Alliance UniChem Services Ltd in the UK and SIG Holding AG in Switzerland, among others.

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 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 first quarter of 2003

Licence agreements for Frango Controller were signed with CEZ a.s. in the Czech Republic, Alliance UniChem Services Ltd in the UK and SIG Holding AG in Switzerland, among others.

Sales trends and earnings

January – March 2003

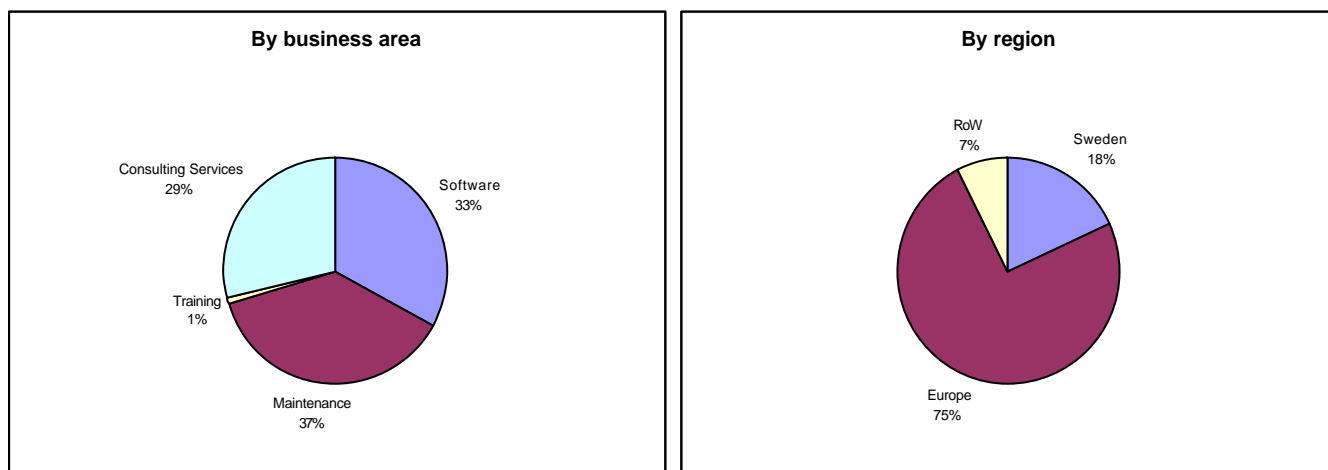
The beginning of 2003 has been characterised by a continuing trend of poor economic growth and political unrest. This has given rise to more cautious attitudes and had an adverse effect on investment trends in software among international corporations. Although a number of product evaluations are ongoing in Frango's markets, these tend to be drawn out or quite simply be postponed. Revenues from licence sales for Frango's main proprietary products for statutory consolidation, Frango Consolidator and Frango Controller, continued to show strong



growth, rising by 35 per cent. Sales of Frango Advisor have got off to a slow start. Overall, licence sales in the first quarter were 2 per cent up on last year. Sales revenues for the first quarter are traditionally lower due to seasonal factors and often result in a loss for the first three months of the year. Further cost-cutting measures, coupled with the cost savings programme carried out during the third quarter of 2002 have helped bring cost levels down considerably compared with last year. Despite a slight reduction in sales overall, this improved earnings by an estimated SEK 10.0 million compared with last year. For the first quarter of 2003, Frango reported a loss, in line with normal seasonal trends.

Pending a recovery in licence sales, efforts in 2003 will concentrate on encouraging existing customers to upgrade to Frango Controller. Frango has also taken action to expand the scope of its partnership strategy. These initiatives will continue to stimulate an increase in licence sales. Although current forecasts suggest that market growth will be poor in 2003, the cost savings measures implemented, together with the continued development of Frango Controller and the company's formal co-operation agreements, will enable Frango to return to profitability.

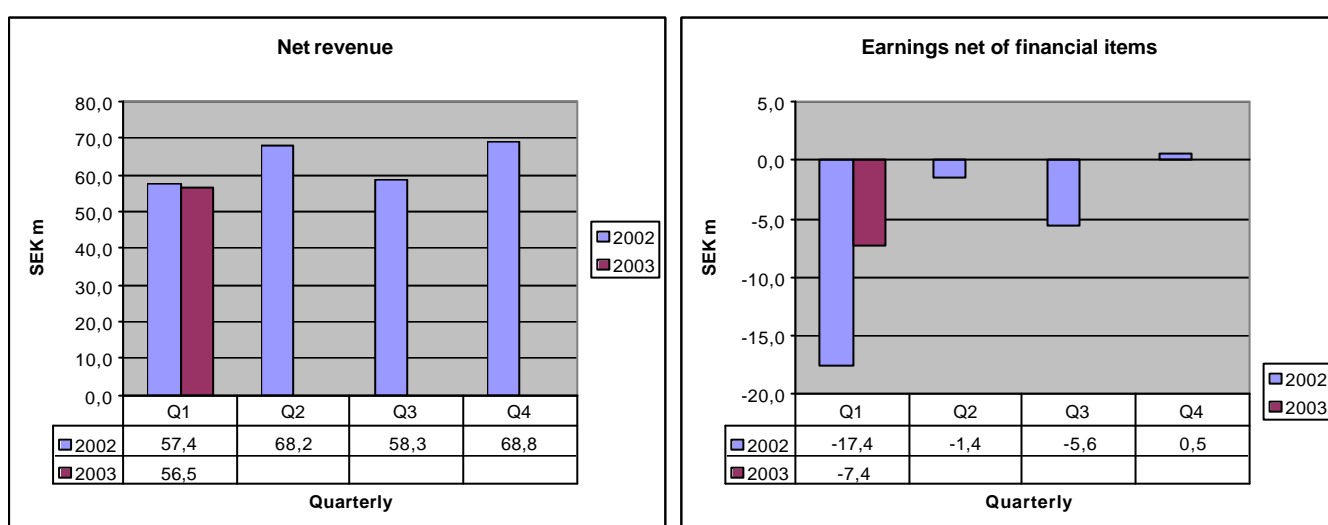
Net revenues January - March 2003



Revenues for the first quarter of 2003 totalled SEK 56.5 million (57.4m), a decline of 1 per cent. Revenue from software licences rose by 2 per cent to SEK 18.7 million (18.3m). Revenues from maintenance continue to show strong growth and amounted to SEK 21.1 million (16.6m), an increase of 28 per cent. As the result of poor licence sales at the end of last year, revenues from consulting services have fallen compared to 2002, and amounted to SEK 16.4 million (21.5m). Revenues from training were also lower. In Frango's main market, Europe, overall sales rose by 2 per cent. For Europe, Frango's sales of software and maintenance, the category defined by IDC as BPM (Financial and business performance management, see the Market section), rose by 14 per cent from SEK 31.7 million to SEK 36.3 million. This can be compared with IDC's forecast of 9 per cent for 2003. The proportion of revenues attributable to new licences during the period was 33 per cent, to be compared with 32 per cent for 2002. Customers outside Sweden accounted for 82 per cent (77%) of overall revenues.

Earnings net of financial items totalled SEK -7.4 million, to be compared with SEK -17.4 million for the previous year. A stronger krona has produced negative exchange rate differences of SEK -1.4 million (-2.0m). Depreciation was up SEK 0.9 million on the previous year's level.

Operating expenses were down compared with the corresponding period of the previous year, from SEK 74.4 million to SEK 63.8 million. Personnel expenses fell by SEK 2.8 million compared with the first quarter of 2002, a reduction of 6 per cent, and other external operating expenses fell by SEK 9.6 million, down 34 per cent. Of overall operating expenses, a total of SEK 1.7 million (2.5m), 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.



Rolling 12 months

Based on the developments noted during a rolling twelve-month cycle, April 2002 to March 2003, revenue amounted to SEK 251.8 million, to be compared with SEK 252.6 million for the full year 2002.

Earnings net of financial items calculated on a rolling twelve-month basis amounted to SEK -13.9 million, marking an improvement of SEK 10.0 million compared with the full year 2002, when earnings amounted to SEK -23.9 million. As shown in the table below, total operating expenses amounted to SEK 265.3 million, to be compared with SEK 275.9 million for the full year 2002. This corresponds to a cost reduction of SEK 10.6 million. Adjusted for non-recurring costs, overall operating expenses totalled SEK 257 million. Completed and ongoing cost-saving measures will reduce cost levels further.

	3 months 2003	3 months 2002	Change in %	Rolling 12 months	Full year 2002	Change in %
Operating expenses						
Other external expenses	-17 431	-26 402	-34,0%	-79 786	-88 756	-10,1%
Personnel expenses	-42 668	-45 482	-6,2%	-165 958	-168 773	-1,7%
Depreciation of fixed assets	-4 007	-3 064	30,8%	-13 840	-12 897	7,3%
Adjusted operating expenses	-64 106	-74 949	-14,5%	-259 584	-270 427	-4,0%
Exchange rate differences	-1 419	-2 014	-29,5%	-4 897	-5 492	-10,8%
Non-recurring costs				-8 186	-8 186	
Capitalised devt. expenditure software	1 710	2 530	-32,4%	7 359	8 178	-10,0%
Operating expenses net	-63 815	-74 433	-14,3%	-265 309	-275 926	-3,8%

Product development

Frango markets and sells two proprietary consolidation systems: Frango Consolidator and Frango Controller. The overall development and maintenance expenditure for the period January – March 2003 amounted to SEK 7.4 million (9.5m), including development expenditure of SEK 1.7 million (2.5m) that has been capitalised in the balance sheet. The reduction in development expenditure in relation to the previous year has been achieved by reducing the use of external consulting services. The development expenditure that has been capitalised in the balance sheet is primarily related to the development of Frango Controller for Oracle. Continued development efforts will focus on improving further the functionality of Frango Controller. During the period January 2001 to March 2003, a total of SEK 23.8 million (16.5m) relating to the development of new products has been capitalised in the balance sheet. Depreciation began in December 2001 and depreciation of SEK 1.6 million (1.2m) 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 body IDC has defined Frango's market as part of Financial and business performance management (BPM). This market 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 the IDC, this market will be worth USD 352 million in 2003. This includes revenues from software and maintenance. The market in Western Europe represents approximately one-third of the global market for BPM.

The market for BPM continues to be characterised by more cautious attitudes and investment trends in software have been adversely affected by the slow rate of economic development and current political climate. Although a number of product evaluations are ongoing in Frango's markets, this sluggishness has led to longer sales cycles and the delay or postponement of orders. Market growth has been virtually non-existent and even been negative in certain markets in 2002. IDC has described 2002 as the worst year ever for the IT sector.

IDC's forecast for 2003 suggests a growth of 9 per cent for Frango's market segment. 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 reported high rates 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 accounts 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 223 (228). At the end of March, the number of employees was 234, to be compared with 240 last year. The number of employees has risen by eight since the turn of the year, following the takeover of Cap Gemini Ernst & Young's software division in Germany, PC-Konsol, which was completed on 1 January.

Liquidity, investments and financial position

The company's financial position is satisfactory. The cash flow for the period was negative, in line with seasonal trends, as the result of lower sales revenues during the first quarter. The cash flow was SEK -8.0 million (-1.6m). The Group's liquid funds at the end of the period amounted to SEK 26.2 million (31.7m). Including short-term investments, liquid assets amounted to SEK 28.5 million (34.6m). 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 March, this facility had not been used. The equity ratio at the end of March was 37 per cent (41%). Investments for the period amounted to SEK 9.6 million (4.2m), of which investments in intangible assets accounted for SEK 8.6 million (2.5m). This increase follows the acquisition of the software rights for PC-Konsol in Germany. Shareholders' equity at the end of the period amounted to SEK 57.2 million (69.6m). The reduction in shareholders' equity of SEK 5.2 million since the turn of the year is reflected in the earnings for the period, SEK -5.6 million, and positive translation differences of SEK 0.4 million.

Parent Company

Parent Company revenues amounted to SEK 18.0 million (12.5m), including intra-group invoicing of SEK 15.8 million (12.5m). Earnings net of financial items amounted to SEK -0.8 million (-11.8m). Investments for the period amounted to SEK 7.3 million (1.1m). The Parent Company's liquid assets at the end of the period, including short-term investments, amounted to SEK 1.9 million (3.6m).

Developments in the share price

The quarter has been characterised by a low turnover and falling share prices. The poor liquidity of the share has contributed to a low valuation. During 2003, a total of 111,399 shares (454,183) shares have been traded, representing a turnover of SEK 3.2 million (38.0m). This corresponds to an average share price of around SEK 29 (84). The highest share price noted during the year was on 14 January, when the share closed at SEK 38 and the lowest share price was on 11 March, when the share closed at SEK 21.10. On 31 March, the Frango share closed at SEK 21.60. Frango's market capitalisation at the end of March was SEK 99 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 last year were significantly affected by the weak and uncertain economic climate. The beginning of this year has also been characterised by more cautious attitudes and a diminished tendency to invest in software. The first quarter, which is traditionally less dynamic due to seasonal factors, does not give a clear indication of the earnings trend for the year as a whole. The poor development trend last year justified a number of cost-saving measures. These measures have continued and have clearly made an impact on first quarter earnings. The Group's cost levels, calculated on the basis of a full year, have been adjusted to ensure that Frango will return to profitability, even in the absence of any growth in 2003.

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. In view of the general economic trends and current political unrest, the market situation for 2003 remains uncertain.

Accounting principles

These accounts have been prepared in accordance with recommendations issued by the Swedish Financial Accounting Standards Council (Redovisningsrådet), including those recommendations that became applicable as of 1 January 2003. This interim report has been prepared in accordance with the council's recommendation pertaining to interim reports, RR 20. As regards RR 25, the council's recommendation pertaining to reporting on segments, the view of Frango is that the company's entire operations constitute a single line of business.

Frango's business areas and revenues are inextricably linked and share similar risks and opportunities, effectively making it impossible to identify separate segments for accounting purposes. For information on the accounting principles applied and definitions of key ratios, please see Frango's Annual Report 2002, pages 23 and 18 respectively.

Auditing

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

Release of next financial report

The interim report for the second quarter of 2003 will be published on 11 July 2003.

Stockholm, 11 April 2003

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Consolidated Income Statement

SEK '000	3 months 2003	3 months 2002	Change in %	Rolling 12 months	Full year 2002
Software	18 691	18 338	1,9%	99 535	99 182
Maintenance	21 103	16 555	27,5%	69 913	65 365
Consulting Services	16 391	21 460	-23,6%	75 539	80 609
Training	364	1 005	-63,8%	6 839	7 480
Net revenue	56 548	57 357	-1,4%	251 827	252 636
Operating expenses					
Other external expenses	-18 850	-28 416	-33,7%	-87 969	-97 535
Personnel expenses	-42 668	-45 482	-6,2%	-170 858	-173 672
Capitalised devt. expenditure software	1 710	2 530		7 359	8 178
Depreciation of fixed assets	-4 007	-3 064	30,8%	-13 840	-12 897
Operating earnings	-7 267	-17 076		-13 481	-23 290
<i>Operating margin</i>	-13%	-30%		-5%	-9%
Interest income and other financial items	33	58		242	267
Interest expenses and other financial items	-132	-419		-634	-921
Net interest income	-98	-360		-393	-655
Earnings net of financial items	-7 365	-17 436		-13 874	-23 944
<i>Profit margin</i>	-13%	-30%		-6%	-9%
Tax on net earnings	1 796	4 177		954	3 334
Minority share of net earnings	1	6		-4	1
Net earnings	-5 568	-13 254		-12 923	-20 609
Earnings per share, SEK	-1,22	-2,90		-2,83	-4,51
Earnings per share after full dilution, SEK	-1,22	-2,90		-2,83	-4,51

Consolidated Balance Sheet

SEK '000	31 March 2003	31 March 2002	31 March 2002
Assets			
Intangible fixed assets	22 560	14 955	16 450
Tangible fixed assets	10 400	14 725	11 086
Financial fixed assets	10 243	-	8 475
Total fixed assets	43 203	29 680	36 011
Accounts receivable	57 639	55 180	57 678
Other current assets excl. liquid funds	25 349	48 804	22 408
Short-term investments	2 280	2 871	3 403
Cash and bank balances	26 243	31 734	33 699
Total current assets	111 511	138 588	117 188
Total assets	154 715	168 269	153 199
Shareholders' equity, provisions and liabilities			
Shareholders' equity	57 189	69 550	62 393
Minority shares	6	5	10
Provisions, interest-bearing	2 715	2 754	3 413
Provisions, non-interest bearing	4 676	5 717	4 648
Interest-bearing liabilities	337	335	409
Current liabilities	89 791	89 906	82 327
Total shareholders' equity, provisions and liabilities	154 715	168 269	153 199

Results by quarter

SEK '000s	2001				2002				2003
	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1
Software	18 692	37 545	26 317	40 185	18 338	31 392	20 476	28 977	18 691
Maintenance	10 973	12 101	13 084	14 867	16 555	15 500	16 396	16 914	21 103
Consulting Services	16 454	19 085	21 971	26 457	21 460	18 374	19 872	20 902	16 391
Training	1 542	2 829	3 561	2 353	1 005	2 916	1 575	1 984	364
Net revenue	47 660	71 560	64 933	83 862	57 357	68 183	58 319	68 777	56 548
% of total net sales for the year	18%	27%	24%	31%	23%	27%	23%	27%	
Revenue change in %	71%	43%	20%	30%	20%	-5%	-10%	-18%	-1%
Operating expenses									
Other external expenses	-15 660	-20 591	-21 332	-30 720	-28 416	-26 354	-17 018	-25 746	-18 850
Personnel expenses	-39 631	-38 773	-43 800	-48 732	-45 482	-43 903	-43 964	-40 324	-42 668
Capitalised devt. expenditure software	5 806	5 565	756	1 835	2 530	3 586	713	1 350	1 710
Depreciation of fixed assets	-1 538	-1 768	-1 952	-2 345	-3 064	-3 080	-3 401	-3 351	-4 007
Operating earnings	-3 362	15 994	-1 395	3 900	-17 076	-1 568	-5 351	705	-7 267
Net interest income	83	-269	-128	134	-360	149	-244	-199	-98
Earnings net of financial items	-3 280	15 725	-1 523	4 034	-17 436	-1 419	-5 595	506	-7 365
<i>Profit margin %</i>	-6,9%	22,0%	-2,3%	4,8%	-30,4%	-2,1%	-9,6%	0,7%	-13,0%
Tax on net earnings	918	-4 237	113	-193	4 177	248	593	-1 682	1 796
Minority share of net earnings	0	0	-1	-1	6	-2	-1	-1	1
Net earnings	-2 362	11 487	-1 411	3 841	-13 254	-1 173	-5 004	-1 178	-5 568

Cash flow	3 months	3 months	Full year
	2003	2002	2002
Earnings net of financial items	-7 365	-17 436	-23 944
Depreciation, provisions, capital gains etc	4 631	3 382	20 756
Tax paid	57	-465	-1 997
Change in tax liabilities/receivables	-1 055	1 944	2 960
Change in working capital	5 292	15 212	16 339
Cash flow from operations	1 560	2 636	14 114
Investment operations	-9 472	-4 176	-11 948
Financing operations	-75	-46	29
Cash flow	-7 987	-1 586	2 195

Financial ratios	3 months	3 months	Rolling	Full year
	2003	2002	12 months	2002
Capital employed, SEK m	60,2	72,6	60,2	66,2
Equity ratio, %	37%	41%	37%	41%
Return on capital employed, %			-20%	-30%
Return on total capital, %			-8%	-14%
Return on equity, %			-20%	-28%
Average number of permanent employees	223	228		226
Number of employees	234	240		226

Per share data

Earnings per share, SEK	-1,22	-2,90	-2,83	-4,51
Earnings after full dilution, SEK	-1,22	-2,90	-2,83	-4,51
Shareholders' equity, SEK	12,53	15,24	12,53	13,67
Shareholders' equity after full dilution, SEK	12,53	18,41	12,53	13,67
Share price, SEK	21,60	80,00		33,00
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	566000	566000	566000
Average number of shares and outstanding options	5131000	5131000	5131000	5131000