

Interim report January – June 2003

Second quarter

- Earnings net of financial items for the second quarter amounted to SEK 0.5 million (-1.4m), an improvement of SEK 1.9 million.
- Revenues for the second quarter totalled SEK 64.5 million (68.2m).
- Cost-saving measures have helped reduce total operating expenses by SEK 6.4 million, a reduction of 9 per cent compared to last year.

Six months

- Earnings net of financial items were up SEK 12.0 million compared with last year.
- Earnings net of financial items totalled SEK -6.8 million (-18.9m).
- The improvement in earnings is attributable to cost savings programmes completed by Frango that will enable the company to return to profitability for the full year.
- Operating expenses were reduced by 12 per cent, or SEK 16.5 million.
- Revenues for the period amounted to SEK 121.0 million (125.5m). The decline is related solely to the strength of the Swedish krona and its impact on translation rates.

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 period April – June 2003

During the quarter, licence agreements for Frango Controller were signed with a number of customers, including Stabilus GmbH in Germany, International Power plc and Linden Homes Ltd in the UK, Sauer Management AG and Manufacture des Montres Rolex SA in Switzerland and JM AB and Intrum Justitia AB in Sweden.

In May, Frango released a major upgrade of its Frango Controller software. The upgrade added a number of new functions, but also incorporated an important Beta release of Frango Controller, which uses Oracle as a database. This Beta release is currently being tested in a pilot



project together with IKEA. Its launch during the autumn will expand Frango's potential market.

To improve the liquidity of Frango shares, the company signed an agreement with Handelsbanken in June, enabling Handelsbanken to act as a liquidity provider.

The stock option programme that Frango launched for its employees in 1999, comprising 150,000 warrants, expired in June. No shares have been subscribed to, as the issue price of SEK 99 is considerably higher than the current price of Frango shares.

Sales trends and earnings

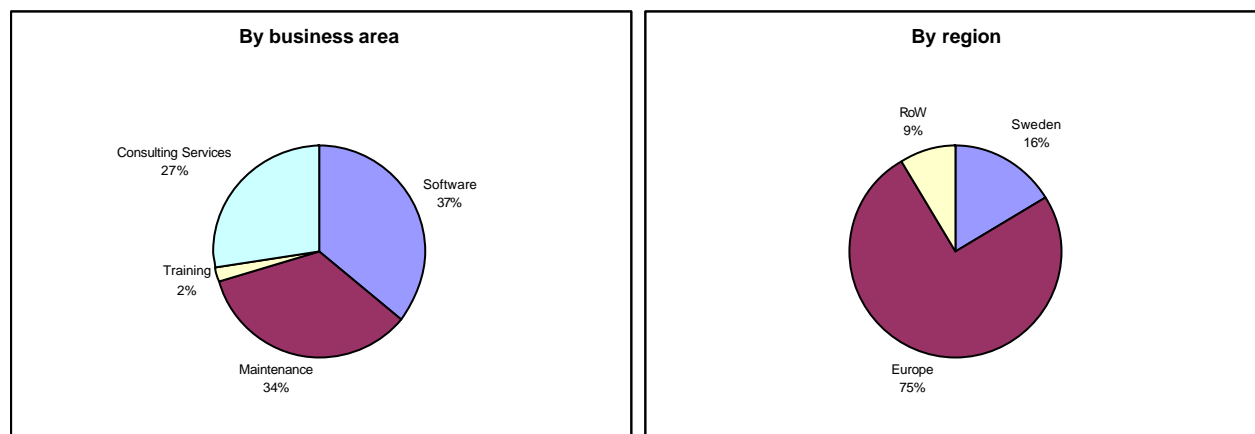
January – June 2003

The first six months of 2003 have been characterised by a continuing trend of poor economic growth and growing political unrest. This has given rise to more cautious attitudes and had an adverse effect on investment trends in software among international corporations. The second quarter has not differed in this respect. However, in the major European markets – the UK, Germany, France and Spain – there has been positive development and growth in the first six months, whilst the Nordic countries have by comparison got off to a slow start. Most of the markets in which Frango operates have shown signs of an increase in software evaluation processes. Consequently, the market conditions for the second half of the year would appear to be more promising than in the second half of 2002. Sales of Frango Controller are continuing to demonstrate the success of the new product, which has been receiving positive reviews in evaluations.

Sales revenues for the first six months are traditionally lower than during the second half of the year due to seasonal factors and often result in a loss for the first half 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 reduction in sales overall, this improved earnings by SEK 12.0 million compared with last year.

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.

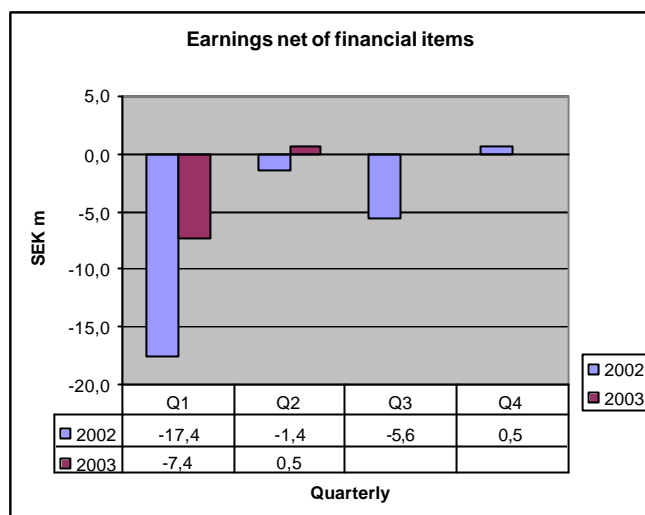
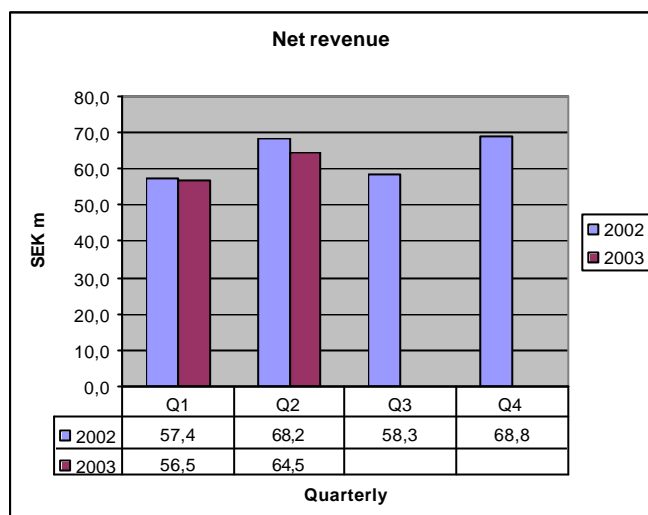
Net revenues January – June 2003



Revenues for the first six months of 2003 totalled SEK 121.0 million (125.5m), a decline of 4 per cent. The decline is attributable to lower translation rates caused by a stronger Swedish krona. This has primarily had an impact on the translation of sterling and Asian currencies. Revenues from software licences were down 12 per cent and amounted to SEK 43.6 million (49.7m). Revenues from maintenance continue to show strong growth and amounted to SEK 41.4 million (32.1m), an increase of 29 per cent. As the result of lower licence sales, revenues from consulting services have fallen compared to 2002, and amounted to SEK 33.3 million (39.8m). Revenues from training were also lower. In Frango's main market, Europe, overall sales rose by 1 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 7 per cent from SEK 71.6 million to SEK 77.0 million. Adjusted for exchange rate movements, this corresponds to an increase of 10 per cent. The proportion of revenues attributable to new licences during the period was 37 per cent, compared with 39 per cent for 2002. Customers outside Sweden accounted for 84 per cent (80%) of overall revenues.

Earnings net of financial items totalled SEK -6.8 million, to be compared with SEK -18.9 million for the previous year. A stronger krona has produced negative exchange rate differences of SEK -2.1 million (-3.8m). Depreciation was up SEK 1.9 million on the previous year's level.

Operating expenses were down compared with the corresponding period of the previous year, from SEK 144.2 million to SEK 127.7 million. Personnel expenses fell by SEK 6.7 million, a reduction of 7 per cent, and other external operating expenses fell by SEK 13.1 million, down 24 per cent. Of overall operating expenses, a total of SEK 4.7 million (6.1m), 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.



April – June 2003

Sales revenues during the period April – June 2003 were down compared with the corresponding period last year, and amounted to SEK 64.5 million (68.2m). This is primarily attributable to a decline in revenues from licence sales compared with last year, although revenues from consulting services were also marginally lower. Revenues from maintenance continue to show strong growth, and rose by 31 per cent. The proportion of revenues attributable to new licences during the second quarter was 39 per cent, compared with 46 per cent for the second quarter of 2002.

Earnings net of financial items amounted to SEK 0.5 million, compared with SEK -1.4 million for the second quarter of 2002. Despite lower revenues, earnings improved by SEK 1.9 million compared with last year following the implementation of cost-saving measures. Total operating expenses fell from SEK 73.3 million to SEK 66.9 million, a reduction of 9 per cent or SEK 6.4 million compared with the corresponding period of the previous year. Personnel expenses were down 9 per cent compared with the previous year, and other external operating expenses were reduced by 13 per cent.

Rolling 12 months

Based on the developments noted during a rolling twelve-month cycle, July 2002 to June 2003, revenues amounted to SEK 248.1 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 -11.9 million, marking an improvement of SEK 12.0 million compared with the full year 2002, when earnings amounted to SEK -23.9 million. As shown in the table below, operating expenses amounted to SEK 259.4 million, to be compared with SEK 275.9 million for the full year 2002. This corresponds to a cost reduction of SEK 16.5 million. Adjusted for non-recurring costs, overall operating expenses totalled SEK 251.2 million. Completed and ongoing cost-saving measures will reduce cost levels further during the rest of the year.

	6 months 2003	6 months 2002	Change in %	Rolling 12 months	Full year 2002	Change in %
Operating expenses						
Other external expenses	-39 574	-50 953	-22,3%	-77 378	-88 756	-12,8%
Personnel expenses	-82 726	-89 385	-7,4%	-162 114	-168 773	-3,9%
Depreciation of fixed assets	-7 999	-6 145	30,2%	-14 751	-12 897	14,4%
Adjusted operating expenses	-130 300	-146 482	-11,0%	-254 244	-270 427	-6,0%
Exchange rate differences	-2 121	-3 818	-44,4%	-3 795	-5 492	-30,9%
Non-recurring costs				-8 186	-8 186	
Capitalised devt. expenditure software	4 749	6 115	-22,4%	6 812	8 178	-16,7%
Operating expenses net	-127 672	-144 184	-11,5%	-259 413	-275 926	-6,0%

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 – June 2003 amounted to around SEK 17 million (20.0m), including development expenditure of SEK 4.7 million (6.1m) 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 related to the development of Frango Controller for Oracle and the addition of new functions. Continued development efforts will focus on improving further the functionality of Frango Controller. During the period January 2001 to June 2003, a total of SEK 26.9 million (20.1m) relating to the development of new products has been capitalised in the balance sheet. Depreciation began in December 2001 and depreciation of SEK 3.3 million (2.3m) 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 IDC, this market will be worth USD 352 million in 2003. This includes revenues from software and maintenance. The European market represents approximately one-third of the global market for BPM.

The market for BPM continues to be characterised by cautious attitudes and investment trends in software have been adversely affected by the slow rate of economic development and the 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. 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 218 (233). At the end of June, the number of employees was 231, to be compared with 244 last year. The number of employees has risen by five 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 -16.5 million (-15.4m), largely due to a build-up of working capital and investments. The increase in investments is a result of the acquisition of the software rights for PC-Konsol in Germany. The Group's liquid funds at the end of the period amounted to SEK 16.7 million (18.2m). Including short-term investments, liquid assets amounted to SEK 19.3 million (19.6m). 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 15 million. At the end of June, the company had used SEK 0.4 million of this facility. The equity ratio at the end of June was 40 per cent (42%). Investments for the period amounted to SEK 13.3 million (8.6m), of which investments in intangible assets accounted for SEK 11.6 million (6.1m). Shareholders' equity at the end of the period amounted to SEK 57.7 million (68.3m). The reduction in shareholders' equity of SEK 4.7 million since the turn of the year is reflected in the earnings for the period, SEK -5.2 million, and positive translation differences of SEK 0.5 million.

Parent Company

Parent Company revenues amounted to SEK 39.5 million (30.3m), including intra-group invoicing of SEK 32.7 million (30.3m). Earnings net of financial items amounted to SEK -3.6 million (-17.2m). Investments for the period amounted to SEK 7.7 million (1.0m). The Parent Company's liquid funds at the end of the period, including short-term investments, amounted to SEK 0.1 million (2.1m). The Parent Company has a bank overdraft facility of SEK 15 million.

Developments in the share price

The quarter has been characterised by a low turnover. A recovery in the share price was noted during the second quarter. The poor liquidity of the share has contributed to a low valuation. To improve the liquidity of Frango shares, the company signed an agreement with Handelsbanken in June, enabling Handelsbanken to act as a liquidity provider. Under this agreement Handelsbanken undertakes to quote prices in at least four trading lots, on either buy or sell side, for Frango's class B shares on the Stockholm Stock Exchange (Stockholmsbörsen). The bid and ask prices set by the liquidity provider at any point in time may not deviate more than four per cent from each other, based on the ask price.

During the first six months of 2003, a total of 246,263 shares (647,547) were traded, with share purchases representing a turnover of SEK 6.8 million (49.5m) for the period. This corresponds to an average share price of around SEK 28 (76). 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 4 April, when the share closed at SEK 21. A total of 134,864 shares were traded in the second quarter (193,364), representing a turnover of SEK 3.6 million (11.5m), which corresponds to an average share price of SEK 27 (59). On 30 June, the Frango share closed at SEK 30. Frango's market capitalisation at the end of June was SEK 137 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 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. As usual, the second quarter has showed signs of a seasonal improvement in relation to the first quarter. Even though there have been indications of increasing activity, the market is still sluggish.

The poor development trend last year justified a number of cost-saving measures. These measures have continued and have clearly made an impact on earnings for the first half of the year. 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.

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 third quarter of 2003 will be published on 14 October 2003.

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Consolidated Income Statement

<i>SEK '000</i>	6 months 2003	6 months 2002	Change in %	Rolling 12 months	Full year 2002
Software	43 620	49 730	-12,3%	93 072	99 182
Maintenance	41 361	32 055	29,0%	74 671	65 365
Consulting Services	33 264	39 835	-16,5%	74 039	80 609
Training	2 799	3 921	-28,6%	6 358	7 480
Net revenue	121 044	125 541	-3,6%	248 140	252 636
Operating expenses					
Other external expenses	-41 695	-54 770	-23,9%	-84 459	-97 535
Personnel expenses	-82 726	-89 385	-7,4%	-167 014	-173 672
Capitalised devt. expenditure software	4 749	6 115		6 811	8 178
Depreciation of fixed assets	-7 999	-6 145	30,2%	-14 751	-12 897
Operating earnings	-6 628	-18 644		-11 274	-23 290
<i>Operating margin</i>	-5%	-15%		-5%	-9%
Interest income and other financial items	98	129		236	267
Interest expenses and other financial items	-305	-340		-887	-921
Net interest income	-207	-211		-650	-655
Earnings net of financial items	-6 834	-18 855		-11 924	-23 944
<i>Profit margin</i>	-6%	-15%		-5%	-9%
Tax on net earnings	1 640	4 424		550	3 334
Minority share of net earnings	2	4		0	1
Net earnings	-5 192	-14 427		-11 374	-20 609
Earnings per share, SEK	-1,14	-3,16		-2,49	-4,51
Earnings per share after full dilution, SEK	-1,14	-3,16		-2,49	-4,51
Average number of shares	4565000	4565000		4565000	4565000

Consolidated Balance Sheet

<i>SEK '000</i>	30 June 2003	30 June 2002	31 December 2002
Assets			
Intangible fixed assets	23 104	17 389	16 450
Tangible fixed assets	9 463	13 318	11 086
Financial fixed assets	10 538	-	8 475
Total fixed assets	43 105	30 707	36 011
Accounts receivable	56 442	65 903	57 678
Other current assets excl. liquid funds	24 698	48 239	22 408
Short-term investments	2 647	1 424	3 403
Cash and bank balances	16 673	18 199	33 699
Total current assets	100 460	133 765	117 188
Total assets	143 565	164 472	153 199
Shareholders' equity, provisions and liabilities			
Shareholders' equity	57 694	68 326	62 393
Minority shares	4	7	10
Provisions, interest-bearing	2 680	2 998	3 413
Provisions, non-interest bearing	5 077	6 388	4 648
Interest-bearing liabilities	682	524	409
Current liabilities	77 427	86 228	82 327
Total shareholders' equity, provisions and liabilities	143 565	164 472	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	Q 2
Software	18 692	37 545	26 317	40 185	18 338	31 392	20 476	28 977	18 691	24 929
Maintenance	10 973	12 101	13 084	14 867	16 555	15 500	16 396	16 914	21 103	20 258
Consulting Services	16 454	19 085	21 971	26 457	21 460	18 374	19 872	20 902	16 391	16 874
Training	1 542	2 829	3 561	2 353	1 005	2 916	1 575	1 984	364	2 435
Net revenue	47 660	71 560	64 933	83 862	57 357	68 183	58 319	68 777	56 548	64 496
% 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%	-5%
Operating expenses										
Other external expenses	-15 660	-20 591	-21 332	-30 720	-28 416	-26 354	-17 018	-25 746	-18 850	-22 845
Personnel expenses	-39 631	-38 773	-43 800	-48 732	-45 482	-43 903	-43 964	-40 324	-42 668	-40 058
Capitalised devt. expenditure software	5 806	5 565	756	1 835	2 530	3 586	713	1 350	1 710	3 038
Depreciation of fixed assets	-1 538	-1 768	-1 952	-2 345	-3 064	-3 080	-3 401	-3 351	-4 007	-3 992
Operating earnings	-3 362	15 994	-1 395	3 900	-17 076	-1 568	-5 351	705	-7 267	639
Net interest income	83	-269	-128	134	-360	149	-244	-199	-98	-108
Earnings net of financial items	-3 280	15 725	-1 523	4 034	-17 436	-1 419	-5 595	506	-7 365	531
Profit margin %	-6.9%	22.0%	-2.3%	4.8%	-30.4%	-2.1%	-9.6%	0.7%	-13.0%	0.8%
Tax on net earnings	918	-4 237	113	-193	4 177	248	593	-1 682	1 796	-156
Minority share of net earnings	0	0	-1	-1	6	-2	-1	-1	1	2
Net earnings	-2 362	11 487	-1 411	3 841	-13 254	-1 173	-5 004	-1 178	-5 568	376

Cash flow	6 months	6 months	Full year
	2003	2002	2002
Earnings net of financial items	-6 834	-18 855	-23 944
Depreciation, provisions, capital gains etc	9 789	10 651	20 756
Tax paid	-124	-734	-1 997
Change in tax liabilities/receivables	-921	1 783	2 960
Change in working capital	-5 561	96	16 339
Cash flow from operations	-3 651	-7 060	14 114
Investment operations	-13 113	-8 436	-11 948
Financing operations	270	143	29
Cash flow	-16 494	-15 352	2 195

Financial ratios	6 months	6 months	Rolling	Full year
	2003	2002	12 months	2002
Capital employed, SEK m	61,1	71,9	61,1	66,2
Equity ratio, %	40%	42%	40%	41%
Return on capital employed, %			-17%	-30%
Return on total capital, %			-7%	-14%
Return on equity, %			-18%	-28%
Average number of permanent employees	218	233		226
Number of employees	231	244		226

Per share data

Earnings per share, SEK	-1,14	-3,16	-2,49	-4,51
Earnings after full dilution, SEK	-1,14	-3,16	-2,49	-4,51
Shareholders' equity, SEK	12,64	14,97	12,64	13,67
Shareholders' equity after full dilution, SEK	12,64	18,15	12,64	13,67
Share price, SEK	30,00	50,50		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	456000	566000	456000	566000
Average number of shares and outstanding options	5076000	4988000	5076000	5131000