Interim report
January-June 2004

framfab

Framfab AB (publ)

- Net revenue for January-June was SEK 169.9 million (132.3), an increase of 28% from the same period of 2003. Net revenue per employee rose to an annual figure of SEK 966 thousand (649). Net revenue for the second quarter amounted to SEK 82.4 million, an increase of 38% from the same period of 2003.

- Earnings after tax totaled SEK 1.7 million (–72.7) for January-June and SEK 1.4 million (–69.3) for the second quarter. Earnings per share came to SEK 0.00 (–0.15) for January-June and SEK 0.00 (-0.14) for the second quarter. Operating earnings excluding amortization of goodwill were SEK 6.1 million (–38.5) in January-June and SEK 2.8 million (-32.9) in the second quarter.

- Cash flow for January-June was SEK 124.6 million (–27.8). Excluding restructuring charges, acquisitions and issues of new shares, cash flow amounted to SEK –0.8 million (–12.8). Excluding issues of new shares, second quarter cash flow was SEK 7.9 million (–1.9). Liquid funds were SEK 180.0 million as of June 30. Excluding capital raised by recent issue of new shares, liquid funds totaled SEK 29.7 million.

- During the second quarter, Framfab carried out an issue of new shares with the right of priority for existing shareholders. The issue was fully subscribed and raised approximately SEK 149 million after underwriting costs. Now Framfab's balance sheet is significantly stronger, the company is much better positioned to play a leading role in the ongoing consolidation of the European Interactive Marketing and Web Consulting sector.

- At the turn of the half-year, Framfab Germany hired 14 employees and took over a number of strategic customer relationships, including Postbank and Audi, from Blue Pier GmbH, which had entered preliminary bankruptcy proceedings.

- Framfab's primary objective for 2004 is to sustain profitability. However, the consulting services market remains difficult to foresee. Despite indications of greater propensity to invest among Framfab's clients, prospects are still uncertain. As a result, Framfab is not making a forecast for either the upcoming quarter or the whole of 2004.

Framfab is a leading European communications specialist in digital media and interactive solutions based on Internet technology. Most of Framfab's customers are large international companies, including 3M, American Express, AXA, Carlsberg Breweries, the Coca-Cola Company, Danske Bank, DuPont, Ericsson, Hydro Texaco, Kellogg's, Kraft Food International, Lloyds TSB, Nike, Nobel Biocare, Philip Morris International, Philips, Postbank, SAAB, Sara Lee Douwe Egberts, Swedish Match, Vodafone, Volvo Car Corporation, Volvo Group and UBS. Framfab operates in Denmark, Germany, the Netherlands, Switzerland, Sweden and the United Kingdom. The company is quoted on the O-list, Attract40 of Stockholmsbörsen (ticker symbol FRAM). For additional information, see www.framfab.com.

A word from the CEO

We set out our strategy at the beginning of the year and have maintained a strong focus on execution: leveraging major accounts, driving profitability through near-shore resourcing, co-operating with our sister company SBI.Razorfish in the US, and selective mergers and acquisitions to provide scale and stability to our business.

Our continued focus on execution allows us to report profitability for the second consecutive quarter. We are on track with our plans and whilst there is more to do, it feels good to see the results of hard work coming through. With three fewer consulting days in Q2 over Q1 our results demonstrate stable revenues and an improvement to our cost structure.

Of particular note are developments in our German business where, as a result of restructuring in the fourth quarter 2003 and dedicated work by our colleagues there, we have been successful in returning the subsidiary to profitability. With both capability and new clients added through a deal in Hamburg, our German subsidiary is gaining momentum. Other subsidiaries continue to make good progress, and five out of six countries were profitable in the second quarter.

Based on our continuing profitability, cash flow from operating activities was positive for the second quarter. In addition, our rights issue completed in June with the successful raise of around SEK 149 million. With a considerably strengthened balance sheet, Framfab is now better positioned to playing a lead role in the ongoing consolidation of the Interactive Marketing and Web Consulting sector.

Steve Callaghan
CEO & President

Market

The market for Framfab's services has started to show more positive development, following a number of years with declining demand, and we believe that demand for our services is now slowly increasing.

Independent researchers including Forrester, estimate that on-line activities and web services will experience stronger growth than more traditional IT and marketing services during the coming four year period. The motivation for increased on-line expenditure is directly linked to the ongoing increase in Internet users, and by the improved effectiveness of on-line advertising. The most significant increase in marketing effectiveness is expected to stem from digital marketing and website and correspondingly the biggest increase in expenditure is anticipated in both these areas. By the end of 2004 the number of European Internet users is expected to reach 221 million, up from 144 million users in 2001.

Framfab holds a strong position on the European market for interactive marketing and internet consulting, and has leading positions in Denmark, Germany, Sweden, and UK. Our recent activity in Germany has strengthened Framfab's position further.

Market consolidation has been observed in the US with recent examples including Digitas announcing their intention to acquire Modem Media, and aQuantive's agreement to acquire Framfab's US partner SBI.Razorfish. According to public statements, aQuantive and SBI.Razorfish will combine to create the largest independent interactive agency in the US. In Europe the consolidation trend is also clear. The benefits of a consolidated market include improved profitability through scaled operations and an improved ability to service clients. Clients are also able to derive economies of scale on the supply side, but also they see better return on investment when contracting with consultants capable of providing more international coverage. Framfab is well positioned and will participate in this consolidation.

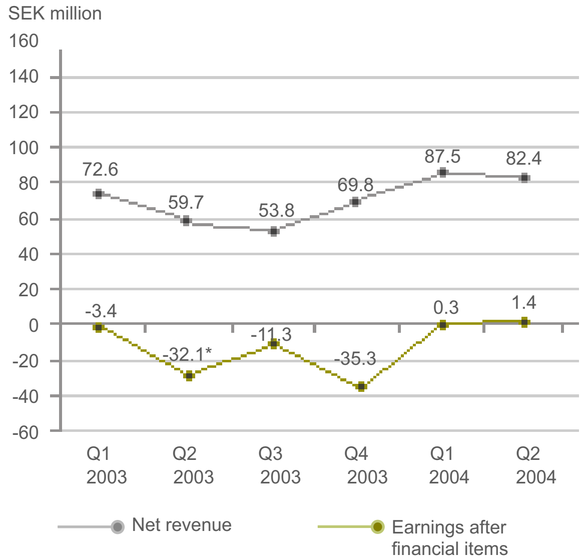
Operations

The Group

Net revenue for the first half of the year was SEK 169.9 million (132.3), an increase of 28% from the same period of 2003. Paregos, which Framfab acquired in January 2004 and is reported as part of Framfab Sweden, contributed SEK 5.3 million to net revenue. Net revenue per employee on an annual basis grew by 49% from the first half of 2003 to SEK 966 thousand (649). Net revenue per employee for the past 12 months rose by 12% from March 31 to SEK 780 thousand. The improvement stemmed from increased capacity utilization within the Group.

Net revenue for the second quarter was SEK 82.4 million (59.7), an increase of 38% from the same period of 2003 and a decrease of SEK 5.1 million from the first quarter. The lower second quarter figure was primarily due to the fewer number of billable days (60, as opposed to 63 in the first quarter). Net revenue per employee on an annual basis grew by 63% from the second quarter of 2003 to SEK 970 thousand (594).

The cooperative marketing agreement with SBI.Razorfish continues to generate benefits. The alliance allowed Framfab and SBI.Razorfish to take advantage of each other's resources and contact networks. A joint team of Framfab and SBI.Razorfish colleagues created an website for Sara Lee's American subsidiary Senseo.



*Excludes loss from divestment of holdings in B2 Bredband AB

Framfab posted a profit for both the first half of the year and the second quarter in Denmark, Germany, Sweden, Switzerland and the United Kingdom. Profitability in the Netherlands remained weak. The measures that have been carried out in the Netherlands are expected to spur profitability growth.

Measures taken in 2003 have reduced costs and improved utilization. In addition, revenue has remained stable. As a result, operating earnings excluding amortization of goodwill rose by SEK 41.3 million from the first six months of 2003 to SEK 11.6 million. Including the parent company and Group adjustments, operating earnings before amortization of goodwill were SEK 6.1 million (–38.5). Amortization of goodwill was SEK 4.3 million (0.0), and operating earnings were SEK 1.8 million (–38.5). Earnings after financial items totaled SEK 1.7 million (–72.7), while earnings after tax came to SEK 1.7 million (–72.7).

Personnel-related costs accounted for 69% (71) of total costs during the first six months. Costs for subcontractors represented 11% (3) of total personnel-related costs. While costs for subcontractors can generally change with less than one month's notice, costs for employees are ordinarily adjustable after four months.

The acquisition of Paregos boosted the number of Group employees by 20. Of the Group's 338 employees at the end of June, 25 had received notices of termination. On July 1, Framfab hired 14 employees from Blue Pier GmbH, Hamburg, which had initiated preliminary bankruptcy proceedings.

Denmark

Framfab Denmark's net revenue was 29% higher than for the first half of 2003. Net revenue decreased from SEK 22.6 million to SEK 19.4 million from the first to second quarter, whereas the operating margin was down from 17% to 9%. The company obtained six new clients during the second quarter. Integration of Framfab's sales effort continued, particularly through the increased involvement of Danish employees in Swedish activities.

Netherlands

Framfab Netherlands reported a substantial loss in 2003. The company took substantial cost effectiveness measures, including a management and staff reduction of approximately 35. The new management team are working hard to achieve profitability through continuous integration with SBIFramfab in London, and through the ongoing implementation of cost measures, including a reduction of number of employees by 10 from the start of the year. The company continues to participate in SBIFramfab London projects, including Sara Lee. Operating earnings remained very weak during the first six months. Net revenue amounted to SEK 3.2 million in the second quarter and SEK 3.3 million in the first quarter, while the operating loss totaled SEK –2.5 million in the second quarter and SEK -3.1 million in the first quarter.

Germany

Cost reductions instituted in the fourth quarter of 2003 have produced the required results. Revenue stabilized at SEK 10.9 million in the second quarter, as opposed to SEK 11.5 million in the first quarter. Second quarter operating earnings improved substantially again to SEK 1.2 million, generating an operating margin of 11%. During the first half of the year, the company obtained new banking, telecom and retail clients, including Bank Linth, VICTORIA Versicherung AG and one of Europe's leading banks.

On June 30, Framfab reached an agreement whereby 14 employees and a number of client relationships, including Postbank and Audi, were taken over as of July 1, from Blue Pier GmbH, Hamburg. While generating greater economies of scale in Germany, the agreement strengthened Framfab's Content Management and engineering operations.

UK

SBIFramfab reported second quarter net revenue of SEK 22.2 million, as opposed to SEK 22.8 million in the first quarter. The operating margin increased to 16%, compared with 10% for the first quarter. The company's strategic partnership with Sara Lee has given rise to a number of new orders for the Ambi Pur, Sanex, and Senseo divisions.

Sweden

Swedish operations performed according to plan and remained profitable. As had been the case previously, the company focused on profitability and client-related skills development. While heightened activity, particularly among newer clients, was in evidence during the first half of the year, the productivity of each individual office improved.

The operating margin was 6% for the second quarter, as opposed to 12% for the first quarter. Net revenue was SEK 26.7 million in the second quarter, compared with SEK 27.3 million in the first quarter. Postponed orders early in the second quarter negatively affected revenue for the Paregos subsidiary, thereby impacting Framfab Sweden's profitability. Excluding Paregos, profitability improved further on a quarterly basis while net revenue remained stable. Paregos' backlog of orders strengthened during the latter half of the quarter to a satisfactory level.

First half of 2004

SEK million	Denmark	Netherlands	Germany	Sweden	UK	Total
External net revenue	42.0	6.5	22.4	54.0	45.0	169.9
Operating earnings	5.7	-5.6	0.8	4.8	5.9	11.6
Operating margin	14%	-86%	4%	9%	13%	7%
Investments	0.0	0.0	0.0	0.3	0.3	0.6
No. of employees*	72	21	46	131	59	329

*at close of the period, not counting Group staff (9)

First half of 2003

SEK million	Denmark	Netherlands	Germany	Sweden	UK	Total
External net revenue	32.5	13.5	30.3	56.0	-	132.3
Operating earnings	5.1	-8.4	-2.9	-23.5	-	-29.7
Operating margin	16%	-62%	-10%	-42%	-	-22%
Investments	0.0	-0.1	0.2	0.0	-	0.1
No. of employees*	60	47	90	182	-	379

*at close of the period, not counting Group staff (9)

Financial Position

Cash flow from operating activities was SEK –19.4 million (–30.9) for the first half of the year and SEK 10.1 million (–2.9) for the second quarter. Restructuring charges taken late in 2003, primarily costs for employees who had received notices of termination, reduced cash flow from operating activities by SEK 17.0 million for the first six months and SEK 5.8 million for the second quarter. Cash flow was SEK 124.6 million (–27.8) for January-June and were affected by a total of net SEK 149.3 million associated with issues of new shares, as well as SEK –6.9 million related to the acquisitions. Cash flow for the second quarter was 158.2 million (-1.9). As of June 30, SEK 9.0 million was accrued in the balance sheet for restructuring, the total cash flow impact of which is expected to be negative in 2004. Liquid funds were SEK 180.0 million as of June 30.

Trade accounts receivable were down by SEK 24.6 million to SEK 40.3 million from December 31 through June 30. Trade accounts receivable decreased from 93% of the latest quarter's revenue on December 31 to 49% on June 30. Including work-in-progress and net advance payments from clients, the corresponding figures were 68% at the end of June and 91% at the end of December. Excluding short-term investments and liquid funds, working capital rose from SEK -55.0 million, including the additional purchase sum of SEK 19,0 million, on December 31 to SEK -11.4 million on June 30. The equity/assets ratio was 75% as of June 30.

Framfab signed an agreement as of January 15, 2004 to acquire Paregos Mediadesign AB. The purchase sum of SEK 9.5 million was paid at the time of the acquisition. Depending primarily on Paregos' financial performance in 2004, the additional purchase sum will range from SEK 0.8 million to SEK 5.5 million. The additional sum will be paid during the first quarter of 2005.

As demand in the markets that Framfab serves gradually improves, the sector is consolidating due to the economies of scale that clients are striving for with suppliers, as well as the potential for a better return on their investment when working with suppliers providing a service offering that is international in scope. Framfab is an active part in that ongoing consolidation and has identified attractive acquisition opportunities. In addition to shares, the cash payment option serves as an advantage when Framfab talks with potential takeover targets. Thus, the company carried out a second quarter issue of new shares, which was fully subscribed for and raised SEK 164.2 million prior to transaction costs.

Share Data

The acquisition of Paregos Mediadesign AB was mainly financed by subscription for 19,348,514 new shares in Framfab AB. A special meeting of Framfab shareholders on January 27, 2004 authorized the transaction and issue of new shares, which was registered with the Swedish Patent and Registration Office (PRV) on February 7, 2004.

The annual general meeting of March 25, 2004 resolved to reduce capital stock by SEK 39,304,746.60 to SEK 39,304,746.60 by approval to lower the share's par value from SEK 0.10 to SEK 0.05. The reduction was registered with the PRV on April 15, 2004.

In accordance with a resolution of the March 25 annual general meeting, Framfab AB floated a debenture loan of no more than SEK 1 consisting of 1,750,000 detachable warrants, for which Framfab Sverige AB is entitled to subscribe, in order to ensure fulfillment of an employee stock option commitment. The board resolved at the same time to award the CEO 1,750,000 employee stock options, of which 1,000,000 may be exercised only on the condition that the company meets certain established earnings targets. Adjusted for the new share issue, each stock option entitles the holder to subscribe for 1.0825 new shares in Framfab AB at the price of SEK 0.69.

The company issued 35,000,000 new shares in May 2004 to pay the outstanding purchase sum for the acquisition of SBIFramfab in London. The issue was registered with the PRV on May 3, 2004.

A special meeting of shareholders on May 10 approved the board's resolution to increase capital stock by no more than SEK 16,421,898 by issuing up to 328,437,972 shares. Shareholders with and without the right of priority subscribed for more than 90% of the shares. The consortium that had underwritten part of the issue subscribed for the remaining shares. The fully subscribed issue raised net SEK 148.7 million.

Earnings after tax were SEK 1.7 million (–72.7) for January-June and SEK 1.4 million (–69.3) for April-June, while earnings per share came to SEK 0.00 (–0.15) in January-June and SEK 0.00 (–0.14) in April-June. Shareholders' equity per share as of June 30 was SEK 0.23 (0.09). As of June 30, the parent company had 1,149,532,904 outstanding shares, of which 328,437,972 were paid subscribed shares in the process of re-registration to shares. The shares were registered with PRV on July 7, 2004.

Parent Company

Net revenue for January-June totaled SEK 4.8 million (4.8), of which SEK 4.8 million (4.8) was for internal invoicing. The loss after financial items was SEK –8.6 million (–55.9). Investments in financial fixed assets totaled SEK 14.7 million (12.6). As of June 30, liquid funds totaled SEK 149.4 million and shareholders' equity in the parent company amounted to SEK 238.6 million, of which SEK 57.5 million was capital stock.

Accounting Policies

This interim report has been prepared in compliance with Recommendation 20 on Interim Reporting issued by the Swedish Financial Accounting Standards Council. Adherence to the recommendations that went into effect as of 2004 has not affected the results or financial position reported for previous periods. The company's accounting policies are otherwise unchanged from the 2003 annual report.

Outlook for 2004

Framfab's primary objective for 2004 is to sustain profitability. However, the consulting services market remains difficult to foresee. Despite indications of greater propensity to invest among Framfab's clients, prospects are still uncertain. As a result, Framfab is not making a forecast for either the upcoming quarter or the whole of 2004.

Upcoming Financial Reports

- The January-September interim report will be released on October 21, 2004.
- The preliminary report of 2004 earnings will be released in January or February 2005.

Stockholm, July 22, 2004

Board of Directors

The company's auditors have not reviewed this report.

For more information, go to www.framfab.com

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Summary of Income Statements

SEK million	Jan-Jun 2004	Jan-Jun 2003	Jan-Dec 2003	Apr-Jun 2004	Apr-Jun 2003
Services Revenue	169.2	131.1	253.0	82.0	59.0
Other operating revenue	0.7	1.2	2.9	0.4	0.7
Net revenue	**169.9**	**132.3**	**255.9**	**82.4**	**59.7**
Costs of operation	-161.6	-165.4	-339.5	-78.6	-89.9
Operations earnings before depreciation and amortization	**8.3**	**-33.1**	**-83.6**	**3.8**	**-30.2**
Depreciation and write-downs of tangible assets	-2.2	-5.4	-8.1	-1.0	-2.7
Amortization and write-down of goodwill	-4.3	-	-1.2	-2.2	-
Operating earnings	**1.8**	**-38.5**	**-92.9**	**0.6**	**-32.9**
Net financial items	-0.1	-34.2	-26.4	0.8	-36.4
Earnings after financial items	**1.7**	**-72.7**	**-119.3**	**1.4**	**-69.3**
Tax	-	-	-0.4	-	-
Earnings for the period	**1.7**	**-72.7**	**-119.7**	**1.4**	**-69.3**
Earnings per share, SEK	**0.00**	**-0.15**	**-0.22**	**0.00**	**-0.14**
Earnings per share after dilution, SEK	**0.00**	**-0.15**	**-0.22**	**0.00**	**-0.14**

Summary of Balance Sheets

SEK million	Jun 30 2004	Dec 31 2003	Jun 30 2003
Assets			
Goodwill	82.8	69.9	-
Tangible assets	5.0	6.1	7.3
Financial fixed assets	10.3	10.2	9.3
Total fixed assets	**98.1**	**86.2**	**16.6**
Trade accounts	40.3	64.9	43.9
Other current assets	31.5	21.6	45.8
Liquid funds	180.0	55.0	21.6
Total current assets	**251.8**	**141.5**	**111.3**
Total assets	**349.9**	**227.7**	**127.9**
Shareholders' equity and liabilities			
Shareholders equity [1]	**263.3**	**83.9**	**47.0**
Long-term interest-bearing liabilities	0.9	0.0	-
Long-term non-interest-bearing liabilities	2.3	2.6	1.0
Short-term interest-bearing liabilities	0.3	0.0	0.8
Short-term non-interest-bearing liabilities	83.1	141.2	79.1
Total liabilities	**86.6**	**143.8**	**80.9**
Total shareholders' equity and liabilities	**349.9**	**227.7**	**127.9**
[1] Shareholders' Equity			
At beginning of the year	83.9	110.7	110.7
Issue of new shares	173.5	104.1	9.4
Translation differences	4.2	-11.2	-0.4
Earnings for the period	1.7	-119.7	-72.7
At end of the period	**263.3**	**83.9**	**47.0**

Contingent liabilities by sureties given in the Group has increased by SEK 2.9 million compared to December 31, 2003 and was SEK 13.9 million on June 30, 2004. In the parent company the contingent liabilities increased by SEK 2.7 million compared to December 31, 2003 and was SEK 9.7 million on June 30, 2004.

The parent company had warranties given to Group companies by SEK 8.2 million on June 30, 2004 compared to SEK 8.2 million on December 31, 2003 .

Summary of Cash Flow Statement

SEK million	Jan-Jun 2004	Jan-Jun 2003	Jan-Dec 2003	Apr-Jun 2004	Apr-Jun 2003
Cash flow from operations	8.2	-30.1	-80.8	3.4	-29.5
Changes in working capital	-27,6	-0.8	25.1	6.7	26.6
Cash flow from operating activities	**-19,4**	**-30.9**	**-55.7**	**10,1**	**-2.9**
Acquisition/divestment of subsidiaries	-4.6	-0.5	-7.2	-0,6	-0.5
Cash flow from other investing activities	-0.6	3.6	16.1	-0.5	1.1
Cash flow before financing	**-24.6**	**-27.8**	**-46.8**	**9.0**	**-2.3**
Cash flow from financing activities	149.2	8.6	53.1	149.2	0.4
Cash flow for the period	**124.6**	**-27.8**	**6.3**	**158.2**	**-1.9**
Liquid funds at beginning of the period	55.0	49.5	49.5	22.2	23.7
Translation differences in liquid funds	0.4	-0.1	-0.8	-0.4	-0.2
Liquid funds at end of the period	**180.0**	**21.6**	**55.0**	**180.0**	**21.6**

Summary by Quarter

SEK million	Q2 2004	Q1 2004	Q4 2003	Q3 2003	Q2 2003	Q1 2003
Net revenue	82.4	87.5	69.8	53.8	59.7	72.6
Operating earnings before depreciation	3.8	4.5	-39.2	-11.3	-30.2	-2.9
Operating earnings	0.6	1.2	-42.0	-12.4	-32.9	-5.6
Earnings after financial items	1.4	0.3	-35.3	-11.3	-69.3	-3.4
Total growth, Q/Q	-6%	25%	30%	-10%	-18%	-7%
No. of employees at end of period	338	362	387	360	379	407

Key Ratios

SEK million	Jan-Jun 2004	Jan-Jun 2003	Jan-Dec 2003	Apr-Jun 2004	Apr-Jun 2003
Change in net revenue	28.5%	-32.4%	-25.3%	38.1%	-32.0%
Operating margin before depreciation of tangible assets	4.9%	-25.0%	-32.7%	4.6%	-50.7%
Operating margin	1.0%	-29.1%	-36.3%	0.7%	-55.1%
Profit margin	1.0%	-55.0%	-46.6%	1.7%	-116.1%
Equity/assets ratio	75.2%	36.8%	36.9%	75.2%	36.8%
Return of capital employed [1]	-38.0%	-63.0%	-95.8%	-38.0%	-63.0%
Return of shareholders' equity [1]	-40.5%	-96.5%	-143.6%	-40.5%	-96.5%
Average No. of employees	352	408	395	340	402
No. of employees at end of the period	338	379	387	338	379
of which, outside Sweden	198	197	247	198	197
Revenue per employee, SEK thousand [2]	966	649	648	970	594
Earnings per employee, SEK thousand [2]	35	-189	-232	33	-328
No. of shares at end of the period	1,149,532,904	504,996,418	711,746,418	1,149,532,904	504,996,418
Average No. of shares	806,131,244	485,289,031	534,205,224	837,660,908	495,895,623
Average No. of shares after dilution	806,223,975	485,810,787	534,400,957	837,822,300	496,279,190
Shareholders' equity per share, SEK	0.23	0.09	0.12	0.23	0.09
Cash flow per average No. of shares, SEK	0.15	-0.06	0.01	0.19	0.00

[1] Rolling 12-months
[2] Annual rate