Interim Report
April - June
2001

Telelogic April - June 2001:

- Continued strong growth despite market slump
  185% in growth for the quarter
- Business factors continued weak
  USA substantially under plan
- Group agreement with leading telecom company
  Integrated product range gives cross sales
- Continued strong position in 3G
  Component deal with leading Japanese telecom company
- Program initiated to adapt business activities to market slump
  Focus on profitable markets and optimization of product development and support

"This document is essentially a translation of Swedish language original thereof.
In the event of any discrepancies between this translation and the original Swedish document,
the latter shall be deemed correct."

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Weakened Market Climate
The second quarter was another with strong growth. Revenue amounted to SEK M 400. Compared with the same period the previous year, revenue increased by 185 % including the effects of the acquisitions last year. The sales of new licenses increased by 230% and sales of services increased by 130% compared with the corresponding quarter of the previous year.

New license sales represent 64% of total sales, which is an increase from 55% compared with the second quarter of the year 2000. The long-term objective for license sales is 65% of total sales on a full year basis.

Despite strong growth, the sales volume was somewhat lower than planned. The slump on the world market, which was noted in the first quarter, has become worse. The previous dip on the American market has become deeper and has spread to Europe, although to a less degree. This development is not predicted to improve during the second half year, which means that growth for Telelogic in the USA and Europe is estimated to be less than planned. Also Asia is experiencing an economic slump, but owing to its niche position, Telelogic has continued to show strong growth in the region with the exception of Australia. Organic growth in Asia is still above 100%. The new subsidiaries in China, India and Korea are expected to develop according to plan and contribute to a positive development.

The shaky market has led Telelogic's clients to use greater caution. Not only have a number of clients' development projects been postponed, but in some cases, the projects have been stopped and terminated. Extensive cutbacks have caused clients to re-examine their development processes and methods to a greater extent. Automating these and improving efficiency will be decisive for future competitive ability. In both the long- and short-term, this will generate a continued strong demand for Telelogic's solutions. Continued automation of development processes creates the underlying growth on the market, which was predicted by the financial analysis institute VDC to be 21.6% per year up to the year 2005**.**

Earnings
Telelogic's earnings excluding goodwill depreciation for the second quarter amounted to SEK M –73.9. This is equivalent to an operating margin of –18.5%, which is somewhat improved compared with the previous year. The gross margin is at the same level as for the first quarter.

The weakened market conditions, mainly in the USA, together with a weaker Swedish currency have increased the cost of sales in relation to revenue to 56.5%, compared with 49.6% for the corresponding quarter of the previous year. Telelogic therefore adjusts the sales force at the beginning of the third quarter to the current sales volumes.

The expenditures for product development have during the quarter decreased to 18.3% of revenue compared with 27.2% during the corresponding period of the previous year. The expenditures for product development can be spread over a larger number of sold units, but the relative decreased costs are also a result of the fact that Telelogic during the second quarter has activated product development projects in the balance sheet according to the new rules that become compulsory from next year. Telelogic expects that the product development costs relative to revenue will continue to decrease as economies of scale are achieved.

Expenditures for administration have decreased to 12.1% compared with 12.4% for the corresponding period of the previous year. This development is expected to continue in line with the integration of the acquisitions.

Corporate Agreements with Leading Telecom Companies

Telelogic can, today, offer a complete platform of solutions to improve the efficiency of advanced software development. This has been made possible through acquisitions in recent years and strong organic growth. The result of this investment is beginning to be discerned. During the quarter, a corporate agreement was signed with Ericsson and another leading Nordic telecom company. These agreements give the clients the opportunity to implement Telelogic's complete solutions in each of their global organizations. These two deals are good examples of cross sales, which result from an integrated product range.

At the end of the reported period, Telelogic won the largest single contract ever. A leading European telecom company has given Telelogic total responsibility for further developing a GSM project. The value of the order amounts to SEK M 50.

3G Development Continues

3G development continues with Telelogic's clients, despite delays in start up. Telelogic is not dependent on the success of 3G for the end user, but rather on how many projects the major telecom companies have underway. During the quarter, a major German telecom company invested in Telelogic Tau for its 3G development. The component business segment is going according to plan with a major 3G project in Japan. During the quarter, collaboration with one of these clients was intensified as additional orders were made for work pertaining to 3G components.

As 3G development progresses the need for advanced testing increases. Telelogic has signed an agreement with Nokia for the development of tools for the next generation of test language, TTCN 3. This standard will contain improved functionality for testing 3G equipment, and will also offer the opportunity for testing other advanced software.

Success in New Client Segments

Telelogic has continued to note an increase in interest from clients in segments outside telecom. Despite the current chilly market climate, the aerospace industry has done well. Sales to this segment have increased by more than 50% organically compared with the previous quarter. Telelogic's dip in sales in the USA has been reflected in the sales segment. The American sales division has a lower share of telecom and a higher share in the financial and consumer electronics sectors than other parts of Telelogic. For the Company as a whole, this means a marginal improvement in sales in telecom while sales in, above all, the financial sector have dropped in the second quarter.

European development is still good in the finance sector where, among others, a leading European bank has made a substantial investment in Telelogic's configuration tool, Telelogic Synergy, during the quarter.

Action Program Initiated

To adapt business activities to the weak market and the increase in uncertainty, Telelogic has initiated an extensive action program. The general instability of the market has not meant that the number of prospects has been reduced. However, decisions are today made higher up in the organizations, which postpones projects. For Telelogic's part, this means longer sales cycles and a weakened ability to predict future sales.

Telelogic has previously reorganized its business activities as the result of two major acquisitions carried out in the autumn 2000. This process has now been accelerated by slimming staff by 280 people.

The American organization will be reduced by approx. 20%. In Europe, sales will focus on the markets, which generate the highest profits. In the Nordic countries, primarily consulting services will be reduced to ensure a long-term satisfactory balance between sales of new licenses and services. In Asia, the cutbacks will primarily be in Australia, where business activities have been influenced by cutbacks in the major telecom companies. The rest of Asia will continue to develop positively.

Telelogic will intensify its focus on core products and will create a stronger integration between these by joining previous product divisions to form product units. Consequently, the integration of Telelogic Tau with the other acquired product families, Telelogic DOORS and Telelogic Synergy has been hastened. The support organization will be made more effective through a global concentration to a few units in Europe and the USA.

During the quarter, a minor product outside the core area, Knowledge Synergy, has been discontinued.

Staff in the product organization is estimated to be slimmed down by 74 people from previous 288 people. By focusing development resources on the Company's core products, it is estimated that cutbacks will have a limited effect on the development of future product generations.

At the end of the quarter, the number of employees amounted to 1375 people. After the announced cutbacks, the staff is estimated to amount to a total of 1100 people.

With the actions that have now been planned and implemented, Telelogic is estimated to begin the year 2002 with a positive cash flow, which will make possible positive earnings, even at a low growth rate. With an integrated product division and a strong sales organization, Telelogic will be well equipped for continued growth and profits.

Financial Position
Investments in the first half year amounted to SEK M 98.7, of which SEK M 34.8 are referable to tangible fixed assets primarily in IT infrastructure. SEK M 32.8 are related to activated product development and SEK M 31.1 are costs primarily related to the Continuus acquisition.

The cash flow for current operations the first half-year amounted to SEK M –109.4. Loans have been increased during the year by SEK M 48.3. Liquid funds, as of June 30, amounted to SEK M 89.8. There is an unutilized check overdraft facility of SEK M 79.3. The equity ratio amounts to 77.4%.

Accounting Principles
Telelogic has decided to apply the new principles for activating development projects that become compulsory from 2002. For the second quarter, costs amounted to SEK M 22.4, and were primarily related to new development of the product Telelogic Tau, which is estimated to be launched on the market next year. Also the costs for this project during the first quarter, which amounted to SEK M 10.4, have been activated. The Income Statement and the Balance Sheet for the first quarter have been adjusted in accordance with this new accounting principle.

New Stock Issue
The Board of Directors have decided that Telelogic shall conduct a new stock issue equivalent to approximately SEK M 250, to provide a stable and satisfying base of working capital for the future development of the Company. The issue, which will be conducted with preferential rights for the existing stockholders of the Company, will be wholly or partially guaranteed. At the reporting date, guarantees totaling 58% (SEK M 150) of the issue have been secured by owners representing 26% of the capital stock. The issue is planned to be carried out during the third quarter.

Outlook for 2001
Business factors have continued to worsen during the second quarter and Telelogic estimates that this development will not improve during the second half year. This negative financial development and continued uncertainty which characterizes the Company's market, means that Telelogic has decided to develop the Company with greater caution in the second half year 2001.

This means that Telelogic is targeting to increase revenue for the year 2001 by 80 - 100% compared with the year 2000, instead of, as previously announced, by more than 100%. Telelogic has also adjusted its objective for the operating margin to be zero before goodwill depreciation and one time costs associated with restructuring of SEK M 100.

The seasonal variations, which Telelogic has shown in previous years, are estimated to continue. Therefore, the earnings for the third quarter, as in previous years, are expected to be negative, while the fourth quarter is expected to be positive.

Malmö, Sweden
July 17, 2001
The Board of Directors

This report has not been subject to special review by Telelogic's auditors.

TELELOGIC'S RANGE OF PRODUCTS

Telelogic offers three product families, which together create an overall solution for more effective advanced software development.

Telelogic DOORS – includes solutions for compiling, structuring, handling and following-up specifications. Thereby, the user ensures that the development project is in agreement with the set specifications and standards so that the desired results can be delivered to the customer.

Telelogic Tau – gives the client visual solutions for analysis, design, implementation and testing. By combining the potential for early simulations and testing of the software as well as automatic code generation, it is possible to ensure a cost-effective and faster development process.

Telelogic Synergy – offers advanced support for management of changes, different versions of source code and other documents belonging to the developed software. Moreover, the collaboration between different development teams working on the same project is made more effective.

Telelogic's solutions are especially adapted for development of large, advanced and complex systems in which development is often done by a geographically widespread team.

Telelogic

Financial Information

Dates for financial information:

- Interim Report, Jul-Sep: October 17, 2001
- Financial Statement for 2001: January 24, 2002

All amounts shown are in millions of Swedish kronor (SEK million) unless otherwise stated.

Income Statement in Summary

	Apr-June 2001	Apr-June 2000	Jan-June 2001	Jan-June 2000	2000	1999
Licensing and maintenance revenues	254.1	77.0	492.5	142.8	569.6	210.4
Consulting and other revenues	145.9	63.5	282.5	100.2	311.6	108.0
Net sales	**400.0**	**140.5**	**775.0**	**243.0**	**881.2**	**318.4**
Licensing and maintenance expenses	-30.8	-9.4	-59.1	-18.7	-57.5	-24.5
Consulting and other expenses	-95.8	-35.1	-186.3	-58.4	-196.5	-61.5
Gross income	**273.4**	**96.0**	**529.6**	**165.9**	**627.2**	**232.4**
Sales expenses	-225.9	-69.7	-428.9	-126.4	-362.8	-137.4
Administrative expenses	-48.4	-17.4	-96.0	-30.5	-92.2	-34.8
Product development expenses	-73.0	-38.2	-143.2	-66.0	-171.5	-53.3
Operating income excl. goodwill depreciation	**-73.9**	**-29.3**	**-138.5**	**-57.0**	**0.7**	**6.9**
Goodwill depreciation	-31.3	-7.5	-61.1	-11.3	-50.4	-4.7
Operating income incl. goodwill depreciation	**-105.2**	**-36.8**	**-199.6**	**-68.3**	**-49.7**	**2.2**
Net financial income/expense	0.8	2.0	1.3	3.7	8.1	0.5
Net income after financial items	**-104.4**	**-34.8**	**-198.3**	**-64.6**	**-41.6**	**2.7**
Tax	18.1	8.0	38.0	16.0	-7.1	-2.6
Income after tax	**-86.3**	**-26.8**	**-160.3**	**-48.6**	**-48.7**	**0.1**

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Operating Key Ratios

	Apr-June 2001	Apr-June 2000	Jan-June 2001	Jan-June 2000	2000	1999
Revenue increase (%)	**185**	**120**	**219**	**109**	**177**	**78**
Licensing and maintenance revenues	230	100	245	92	171	56
Consulting and other revenues	130	149	182	139	189	147
Gross margin (%)	**68,4**	**68.3**	**68.3**	**68.3**	**71.2**	**73.0**
Gross margin licensing and maintenance revenues	87.9	87.8	88.0	86.9	89.9	88.4
Gross margin consulting and other revenues	34.3	44.7	34.1	41.7	36.9	43.1
Fixed expenses in % of revenue	**86.8**	**89.2**	**86.2**	**91.7**	**71.1**	**70.8**
Sales expenses in % of revenue	56.5	49.6	55.3	52.0	41.2	43.2
Administrative expenses in % of revenue	12.1	12.4	12.4	12.6	10.5	10.9
Product devel. expenses in % of revenue	18.3	27.2	18.5	27.2	19.5	16.7
Operating margin excl. goodwill (%)	**-18.5**	**-20.9**	**-17.9**	**-23.5**	**0.1**	**2.2**
No. of employees at end of period	1,375	646	1,375	646	1,260	450

Financial Key Rations

	Apr-June 2001	Apr-June 2000	Jan-June 2001	Jan-June 2000	2000	1999
Income after tax per share before dilution (SEK)	**-0.64**	**-0.25**	**-1.18**	**-0.45**	**-0.39**	**0.00**
Income after tax per share after dilution (SEK)	**-0.62**	**-0.23**	**-1.14**	**-0.42**	**-0.37**	**0.00**
No. of shares at end of period before dilution (million)	135.3	107.7	135.3	107.7	125.4	81.2
No. of shares at end of period after dilution (million)	140.3	115.8	140.3	115.8	132.0	97.5
Cash & Bank (SEK million)	**89.8**	**329.9**	**89.8**	**329.9**	**240.8**	**30.9**
Equity/assets ratio (%)	**77.4**	**71.9**	**77.4**	**71.9**	**76.0**	**23.2**
Equity per share (SEK)	17.80	7.00	17.80	7.00	18.60	1.30
Market price at end of period (SEK)	16.00	64.50	16.00	64.50	52.50	45.00
Market value at end of period (SEK million)	2,165	6,947	2,165	6,947	6,582	3,654

All amounts shown are in millions of Swedish kronor (SEK million) unless otherwise stated.

Balance Sheet in Summary

	June 30 2001	June 30 2000	Dec 31 2000	Dec 31 1999
Goodwill	2,105.1	358.2	1,951.1	173.8
Source code rights	8.6	10.0	8.8	11.3
Capitalized development expenditure	32.8	0.0	0.0	0.0
Tangible fixed assets	147.1	38.1	133.8	29.1
Financial fixed assets	139.0	73.7	102.0	57.7
Accounts receivable	472.1	187.3	537.6	144.7
Other current receivables	119.2	55.8	101.0	23.2
Cash & bank	89.8	329.9	240.8	30.9
Total assets	**3,113.7**	**1,053.0**	**3,075.1**	**470.7**
Equity, Note 1	2,410.0	757.0	2,337.2	109.0
Provisions	0.0	5.0	34.3	7.8
Interest-bearing long-term liabilities	54.2	14.0	4.4	6.5
Non-interest-bearing long-term liabilities	58.8	0.0	67.1	172.6
Interest-bearing current liabilities	0.0	0.0	0.0	20.0
Accounts payable	56.0	35.1	79.7	26.5
Accrued expenses and prepaid income	448.7	113.6	448.7	91.6
Other non-interest-bearing current liabilities	86.0	128.3	103.7	36.7
Total liabilities and equity	**3,113.7**	**1,053.0**	**3,075.1**	**470.7**

Cash Flow Analysis in Summary

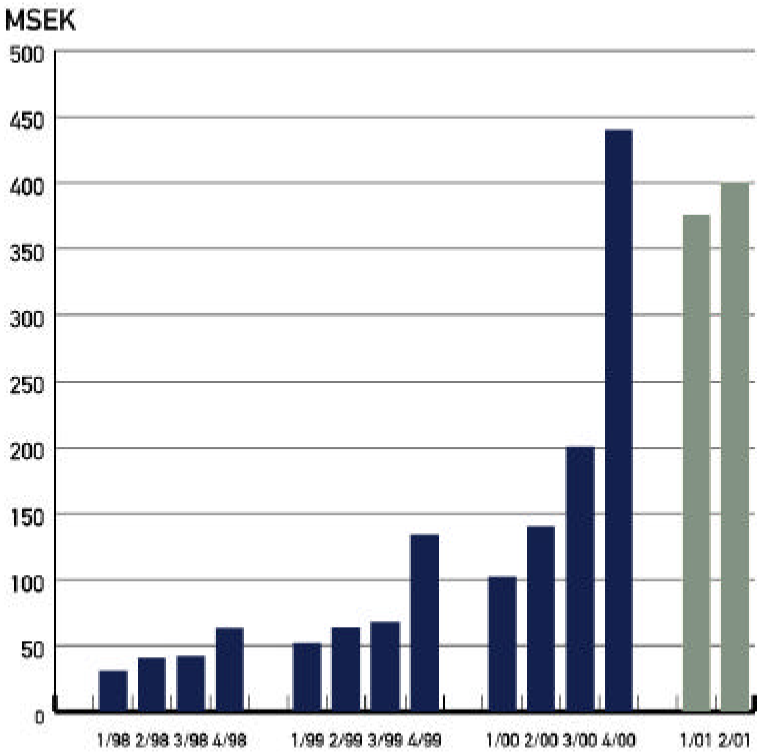
	Jan-June 2001	Jan-June 2000	Jan-Dec 2000	Jan-Dec 1999
Cash flow from current operations	-109.4	-44.9	-146.8	-1.8
Investment activities	-98.7	-187.6	-648.6	-56.4
Financing activities	48.3	531.0	1,004.2	79.6
Changes in liquid funds	**-159.8**	**298.5**	**208.8**	**21.4**
Liquid funds at beginning of period	240.8	30.9	30.9	9.7
Exchange rate difference in liquid funds	8.8	0.5	1.1	-0.2
Liquid funds at end of period	89.8	329.9	240.8	30.9

All amounts shown are in millions of Swedish kronor (SEK million) unless otherwise stated.

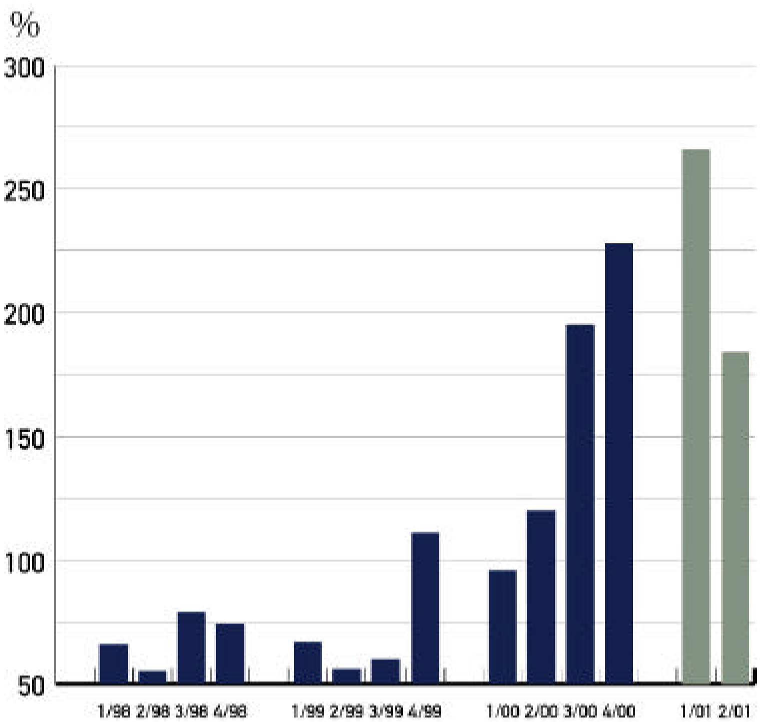
NOTE 1 Equity, The Group

	No. of shares	Share capital	Restricted reserves	New issues underway	Non-restricted equity	Total
Opening balance as of Jan 1 2001	**125,364,964**	**1.3**	**2,031.9**	**426.4**	**-122.4**	**2,337.2**
New issues	9,975,000	0.1	426.3	-426.4		**0**
Residual item			-66.1		66.1	**0**
Exchange rate difference			125.2		108.0	**233.2**
Income for the year					-160.3	**-160.3**
Closing balance as of June 30 2001	**135,339,964**	**1.4**	**2,517.2**	**0.0**	**-108.6**	**2,410.0**

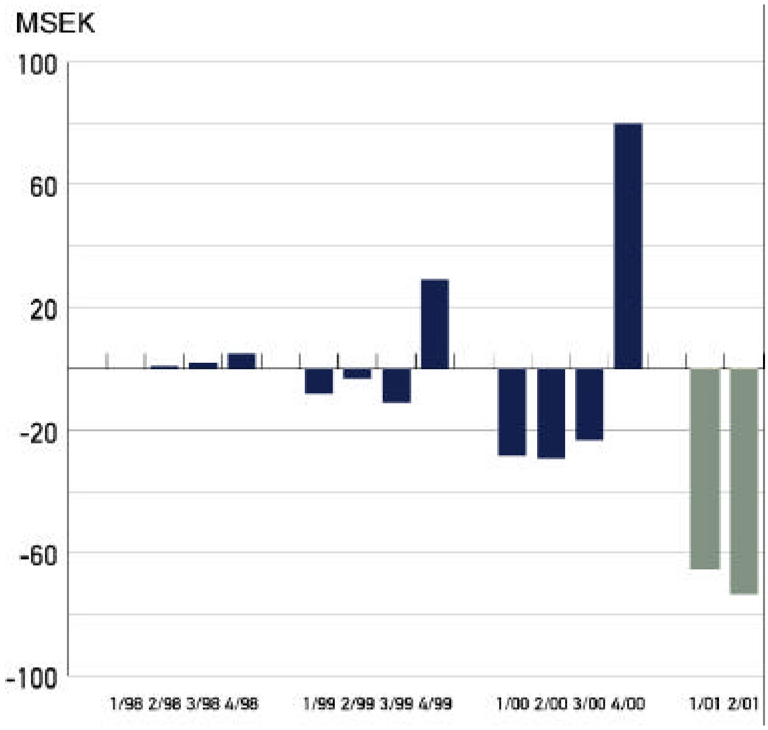
REVENUE/QUARTER



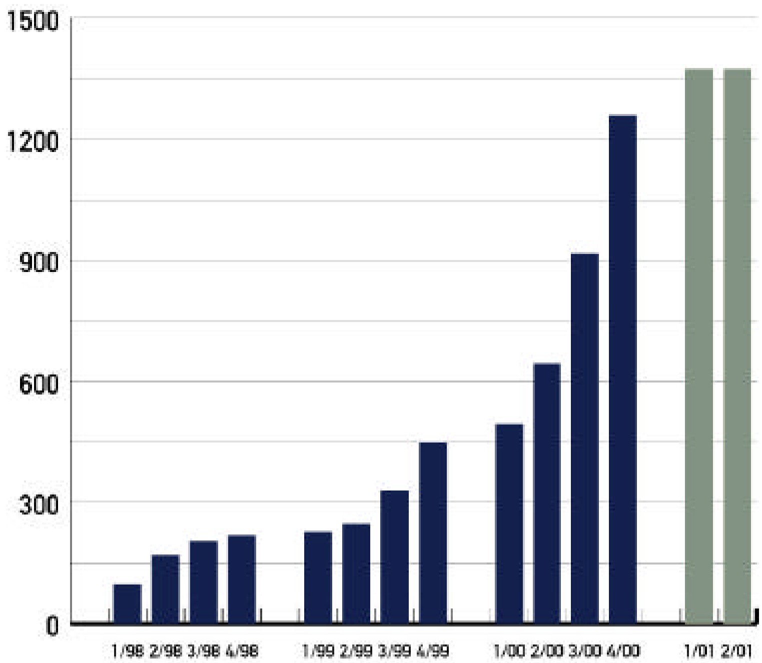
GROWTH/QUARTER



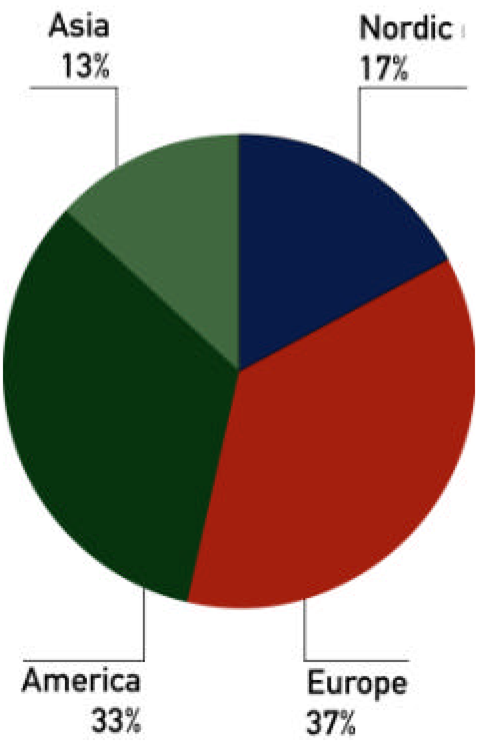
OPERATING INCOME EXCLUDING GOODWILL



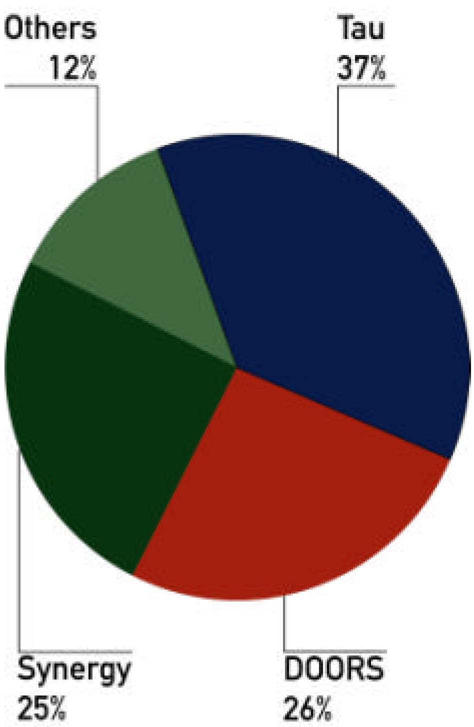
NUMBER OF EMPLOYEES



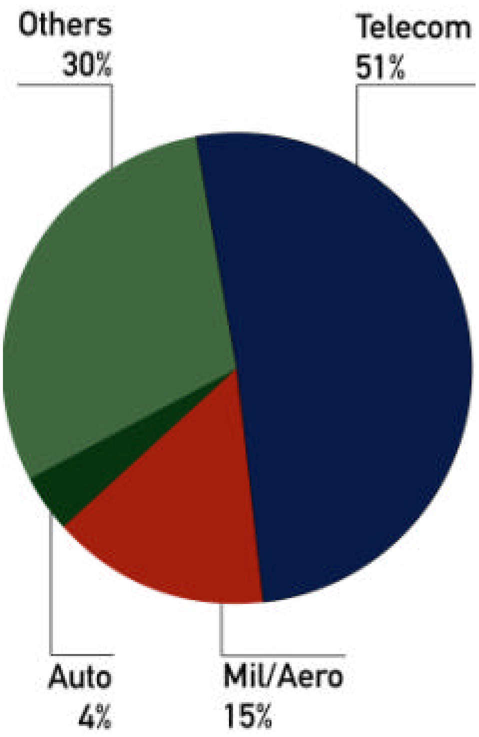
REVENUE/REGION (Apr-Jun)



REVENUE/PRODUCT (Apr-Jun)



REVENUE/SEGMENT (Apr-Jun)



SHARE PRICE DEVELOPMENT

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