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Telelogic decides on rights issue of shares and convertible debentures

MALMÖ, July 20, 2001 – The Board of Directors of Telelogic AB (Stockholm Exchange: TLOG) has today, conditional upon approval by an Extraordinary General Meeting of the shareholders, decided on a new issue of shares and convertible debentures with preferential subscription right for Telelogic's shareholders. Shareholders are given a choice to subscribe for either shares or convertible debentures. Telelogic will receive approximately SEK 250 million from the issue, before deduction of issue costs. Shareholders representing 26% of the share capital of Telelogic have signed guarantees and undertakings to subscribe based on subscription rights to a total amount of SEK 150 million. An Extraordinary General Meeting in Telelogic, which is to approve the Board of Directors' decision, will be held on August 9, 2001. The reason for the new issue is to provide a stable and satisfying base of working capital for the future development of the Company.

SUMMARY TERMS AND CONDITIONS FOR THE NEW ISSUE

Shareholders of Telelogic on the record date for the new issue, August 16, 2001, have the right to subscribe for one new share in Telelogic of a nominal amount of SEK 0.01 for every two existing shares held. The subscription price per new share is SEK 3.70. As an alternative, shareholders are given the right to subscribe for one subordinated convertible debenture of a nominal amount of SEK 37 for every twenty existing shares held. The convertible debenture carries an annual interest of 3.50% and matures on December 30, 2005. The convertible debenture is convertible into new shares in Telelogic at a conversion price of SEK 3.75 per share. The value of the two alternatives are estimated to be the same given a market price for the Telelogic share of SEK 7.75. If the new issue is fully subscribed, the Company will



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receive a total of SEK 250.5 million in new funds, before deduction of issue costs¹. Between approximately 66.8 million and 67.7 million new shares will be issued depending on the level of subscription in the two alternatives, assuming all subscription rights are utilised and assuming full conversion, corresponding to an increase in the Company's share capital of between approximately SEK 668,000 and SEK 677,000¹.

The share alternative

- Two (2) existing shares give the right to subscribe for one (1) new share
- Subscription price: SEK 3.70
- Dividend rights: From and including fiscal year 2001
- Maximum number of shares: 67,704,982 shares¹

The convertible alternative

- Twenty (20) existing shares give the right to subscribe for one (1) convertible debenture of a nominal amount of SEK 37
- Subscription price: 100% of the nominal amount of the convertible debentures
- Nominal value of debenture: The nominal value of the debenture amounts to a maximum of SEK 250.5 million¹
- Term: Until December 30, 2005
- Conversion price: SEK 3.75 per share
- Conversion period: October 1, 2001 – December 9, 2005
- Maximum number of shares assuming full conversion: 66,802,246¹
- Repayment: The nominal amount of the convertible debentures is to be repaid on December 30, 2005, insofar as conversion to shares has not already been undertaken
- The convertible debenture loan shall be subordinated



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TIME PLAN FOR THE ISSUE

- Extraordinary General Meeting: August 9, 2001
- Final day for trading in the Telelogic share including right to participate in the new issue: August 13, 2001
- Record date for participation in the new issue: August 16, 2001
- Subscription period: August 21, 2001 – September 11, 2001
- Trading in subscription rights: August 21, 2001 – September 6, 2001
- Payment: Payment shall be made in connection with subscription, at the latest on September 11, 2001
- A prospectus will be made public on or about August 16, 2001, and will be distributed to Telelogic's shareholders as soon as possible thereafter.

UNDERTAKINGS TO SUBSCRIBE AND GUARANTEE

Certain of the Company's shareholders - Kjell Spångberg, Ratos AB, Metroland BV, Lars Ahlman and Anders Lidbeck, CEO of Telelogic – have undertaken to subscribe for their portions of the new issue, corresponding to approximately 26% of the total amount of the new issue. They have also guaranteed additional subscription to such extent that the Company receives a minimum of SEK 150 million from the new issue.

Enskilda Securities AB is the financial advisor to Telelogic in connection with the new issue.

1) The new issue amount and the number of shares that can be issued may increase due to subscription of shares based on the Company's outstanding warrant programmes.

ABOUT TELELOGIC (Stockholm Exchange/TLOG)

Telelogic is a leading global supplier of solutions for advanced software development. By providing integrated best-of-breed products and professional services for the end-to-end software development lifecycle, Telelogic enables organizations to improve quality and predictability, while reducing time-to-market and overall costs. Customers include Airbus, Alcatel, BMW, Boeing, British Telecom, Cisco, DaimlerChrysler, Deutsche Bank, Ericsson, Lockheed Martin, Lucent Technologies, Motorola, NEC, Nokia, Philips and Siemens.



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Telelogic's worldwide presence includes offices in Asia, Australia, Europe and North America. For more information about Telelogic and how it can benefit your development efforts, visit the website at www.telelogic.com

The subscription rights, the shares and convertible debentures offered have not been registered and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold either directly or indirectly into the United States or to U.S. Persons, as such term is defined in Regulation S of the Securities Act, other than to "qualified institutional buyers" in accordance with Rule 144A. The subscription rights, the shares and convertible debentures may further not be offered or sold in Canada or in any other country where participation requires further measures to be undertaken than those stipulated under Swedish law.