Telelogic

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Press Information

For immediate release

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Telelogic acquires the world's no. 1 requirements management solution provider

$115 million deal provides strong US base and extended offer for development of advanced systems

MALMÖ, Sweden—August 8, 2000—Telelogic™ AB (Stockholm Stock Exchange: TLOG), the leading supplier of design, development and testing tools for real-time communication applications, today announced the acquisition of privately-held QSS, Inc. (Quality Systems & Software), the world's leading provider of requirements management solutions. Under the terms of the agreement, the consideration of $115 million will be paid in Telelogic shares. QSS' revenue 1999 was $29.5 million and the company currently employs 230 people.

"Today, we are writing a new chapter for Telelogic," said Anders Lidbeck, President and CEO for Telelogic. "We have been searching for the right company to expand our geographic coverage in the U.S. for some time now and in parallel have been planning to extend our product offering. QSS is a great answer to both of these objectives, being a U.S.-based global market leader for requirements management systems with 60% of its business in the U.S. QSS also has a solid technical background and good understanding of the real-time market. This is very important in our ambition to be the partner of choice for companies and engineers developing advanced software."

"Strategically, this acquisition will greatly extend market opportunities and resources and introduce new relationships in emerging markets for requirements management products and software development solutions," said Tom Dent, President and CEO of QSS. "Telelogic has a leading brand, the products, the global network and most importantly, we share a common view of strategic product development. This will create an even more compelling organization that will benefit both our customers and employees."

Strengthened market position

QSS, with its Fortune 1000 customer base, is the leading supplier in the requirement management market in telecom and other real-time segments like aerospace, automotive and defense. QSS helped define the requirements management category and they continue to ensure a smooth development cycle that reduces risk and time to market for many enterprise-wide organizations managing mission-critical initiatives such as e-business, e-commerce and enterprise-wide strategic planning.

QSS' solutions successfully manage requirements in a variety of advanced system development projects, including business applications. As a result, the acquisition provides a platform for Telelogic to extend the reach of its development solution to other advanced business applications, including e-business and e-commerce system development projects, and expand into new vertical markets such as financial services.

Complementary products

Telelogic develops and markets advanced software tools and components that cover all phases of the development process: analysis, design, implementation and testing. The Telelogic Tau family of products has a firmly established basis supporting industry standards such as UML, SDL and TTCN. In addition, Telelogic's software components are based on today's global standards such as IMT-2000, Bluetooth and UMTS.

QSS develops and markets the DOORS® Enterprise Requirements Suite, the market-leading product for identifying, capturing, tracking, managing and analyzing business requirements. DOORS is used at the beginning and throughout the software development lifecycle to enable collaboration and validation across an organization or enterprise. The QSS product family links easily with the Telelogic products to develop and test applications.

The acquisition will make it possible to offer new and existing customers and partners a tightly integrated solution for requirements management and software development tools for existing and emerging markets. The product offerings will provide a comprehensive and end-to-end solution for the software development process.

Increased U.S. presence

Based on this agreement, Telelogic more than doubles its U.S. sales capacity. QSS employs more than 100 people in the U.S. and Canada, mainly involved in sales and professional services. The company also has 130 employees in Europe, with sales and professional services companies in the UK, France and Germany and product development staff concentrated in Edinburgh, Scotland.

Future strategy

Telelogic will continue to dominate the real-time market with a focus on the leading communication suppliers. Strengthened by this acquisition, Telelogic will be able to actively build strategic

partnerships with key customers in new areas such as finance and e-businesses. The acquisition also creates increased opportunities in markets for advanced system development outside the real-time industry. In these market segments, Telelogic will lead with DOORS/ERS and thereby create a platform for future expansion with a robust, combined offering.

Financial effects
QSS' revenue for 1999 was $29.5 million, a 35% growth compared to 1998. After cost for integration and goodwill, the acquisition will have a negative impact on Telelogic's full year results for 2000.

Telelogic anticipates the consolidation of QSS to be completed by September 1, 2000.

Financial terms
The consideration of $115 million will be paid through a new equity issue of a maximum of 14.7 million Telelogic shares, representing 12.2% of the fully diluted stock. The sellers have committed to hold on to 8.3 million Telelogic shares for a period of 9 to 12 months.

The acquisition is conditioned by approval from the American anti-trust authority, Hart-Scott-Rodino

About Quality Systems & Software, Inc. (www.qssinc.com)
Quality Systems & Software (QSS) is the world's leading provider of enterprise-wide requirements management solutions for the development of products and systems. QSS develops, distributes and supports the DOORS Enterprise Requirements Suite (DOORS/ERS), the first enterprise-wide requirements management suite for every type of user. It is designed to capture, link, trace, analyze and manage a wide range of diverse textual and graphical information to ensure a project's compliance to specified requirements and standards. DOORS/ERS is comprised of DOORS®, the world's leading requirements management tool, DOORSnet™, that brings the functionality of DOORS to distributed work teams via the Internet, and an entry-level tool, DOORSrequireIT, that brings the benefits of Requirements Management to users who prefer to work in MS® Word.

Other offerings include QSS' business solutions, strategic applications and services for visionary managers that use requirements management principles to link business objectives to global enterprise initiatives and roadmaps. Combining established principles and business methodologies with Internet-based access and portals, these powerful solutions will help guide business critical initiatives to success throughout an enterprise. All of the QSS solutions are complemented by an experienced and highly-trained team that focuses on requirements management process, application consulting, training and worldwide customer support.

Over 50,000 users at more than 1,000 companies and agencies rely on DOORS to help them manage project requirements for corporate/commercial software development, engineering, manufacturing and government. QSS' solutions can help companies and other organizations successfully manage mission-critical initiatives such as e-business, e-commerce, enterprise resource planning, customer resource management and supply chain management. Telecommunications, utilities, medical devices, financial services, aerospace and automotive are just some of the industries that currently use QSS' requirements management tools to manage costs, improve processes and speed products and systems to market.

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Founded in 1992, QSS has corporate headquarters in Mt. Arlington, New Jersey, and international headquarters in Oxford, England. The company currently employs more than 230 people. The Standish Group rated QSS the worldwide leader in the requirements management tools market. For more information about QSS, please visit www.qssinc.com.

About Telelogic

Telelogic is established in twelve countries under its own name, and a further 20 countries through distributors. It leads the market in development environments for technical software, especially in real-time applications. By offering high quality graphical development tools and related services, Telelogic makes the development of software more rapid, less labor intensive, and more reliable.

The company has a global client base, including all the top 10 communication suppliers such as Alcatel, Cisco, Ericsson, Fujitsu, Hewlett-Packard, Lucent, Motorola, NEC, Nokia, Nortel Networks and Siemens, as well as a number of leading suppliers within automotive and aerospace.

The software market is moving towards more visual programming methods, and Telelogic leads in the production of the next generation of development tools, in this area. Telelogic is now well prepared to deliver rapid and complete solutions for the complex challenges faced by the real-time industry. For more information about Telelogic, please visit www.telelogic.com.

Acquisition information

More information about Telelogic and QSS, including acquisition details and business integration activities, can be found at www.telelogic.com.

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