



News Release

Contacts:

Anders Lidbeck
President & CEO
Phone: +46 40 174700

Fredrik Sjöholm
Director Investor Relations
Phone: +46 40 650 65 22
E-mail: fredrik.sjoholm@telelogic.com

Telelogic Reports Second Quarter 2002 Results

- Company Maintains Profitability for Third Consecutive Quarter With Improved Earnings and Strong License Sales -

MALMÖ, Sweden – July 18, 2002 – Telelogic (Stockholm Exchange: TLOG), the leading global provider of solutions for advanced systems and software development, today announced financial results for the second quarter 2002, ending June 30.

Revenue for Q202 amounted to US\$29.9 million (SEK 290 million), a decrease of 21 percent (SEK 28 percent) from US\$37.8 million (SEK 400 million) in Q201. Compared with the previous quarter and excluding exchange rate effects, revenue increased 2.7 percent, from US\$27.8 million (SEK 292 million).

On a consecutive basis, new license sales increased 17 percent from Q102. Compared to the same quarter 2001, sales of new licenses and maintenance agreements fell 12 percent. Telelogic has rightsized its services business during the first six months and lowered the number of consultants by 17 percent. Services revenue during the quarter decreased 22 percent compared with Q102.

Following strong license sales and a continued successful reduction of overall costs by 8 percent compared with the previous quarter, the company reported a positive operating profit for the third consecutive quarter. Excluding goodwill amortization and costs for restructuring, earnings totaled US\$0.9 million (SEK 9.0 million). This corresponds to an operating margin excluding restructuring costs and goodwill amortization of 3.1 percent. The cash flow for the quarter was US\$-0.6 (SEK -6.3 million), resulting in a positive cash flow for the first half-year of US\$5.6 million (SEK 54.6 million). Liquid funds totaled US\$19.0 million (SEK 175.4 million) at quarter end.

“Even in a tough global market economy, we have again delivered positive results and are continuing to reduce our cost base and improve productivity,” said Anders Lidbeck, President and CEO of Telelogic. “We are sequentially growing our new license business in all regions and we are broadening our market focus beyond telecom. We are now achieving growing license revenues outside the telecom sector compared to the last quarter. This could only be achieved because of the strong commitment and dedication of our unparalleled staff.”

Telelogic’s U.S. operations continued to improve with revenues increasing 3 percent, excluding exchange rate effects, compared with last quarter. For the third consecutive quarter U.S. operations delivered 40 percent contribution margins. The Asian operations also showed improvement with an 18 percent revenue increase over the first quarter. This is partly due to a broader customer focus towards key accounts in the consumer electronics and military/aerospace



industries. In Europe demand remains weak, resulting in a slight drop in revenues in Germany and the Nordic region compared with Q102.

“Despite market conditions, we remain committed without question to maintaining our technology leadership position. This was evident in the second quarter with the successful launch of Telelogic Tau®/Tester™ and Telelogic Synergy™ with ActiveCM™,” continued Lidbeck. “Tau/Tester is Telelogic’s first automated software testing tool with the sophistication and robust functionality of the latest development tools, while Synergy is the industry’s first transparent change and configuration management tool. These innovative and unique products will further strengthen our competitive position as well as open up new opportunities in other growth markets.”

Note: The results presented are based on Swedish Accounting Principles. This report has not been subject to special review by Telelogic’s auditors. During the quarter, there has been no modification of the accounting principles.

For additional information and the detailed quarterly report, please refer to:

www.telelogic.com/investor

Safe Harbor Statement

The foregoing, including the discussion regarding the company's future prospects, contains certain forward-looking statements that involve risks and uncertainties, including uncertainties associated with economic conditions in the high-tech industry, particularly in the principal industry sectors served by the company, changes in customer requirements, the ability of the company to assimilate acquired businesses and to achieve the anticipated benefits of such acquisitions, competition and technological change. The company's actual results of operations may differ significantly from those contemplated by such forward-looking statements as a result of these and other factors, including factors set forth in the company's 2001 Annual Report.

About Telelogic

Founded in 1983, Telelogic® (www.telelogic.com) is the leading global provider of solutions for advanced systems and software development. The company's automated application lifecycle solution includes integrated best-in-class software and professional services for requirements management, change and configuration management, development, testing, and documentation. Telelogic enables organizations to improve quality and predictability, while reducing time-to-market and overall costs in systems and software development. Built on an open architecture that ensures interoperability with other leading third-party solutions, Telelogic's products are based on international standardized languages and notations. Telelogic participates in 3GPP and OMG to create future communication technologies and visual software development languages.

Headquartered in Malmö, Sweden, with U.S. headquarters in Irvine, California, the company has more than 900 employees worldwide. Customers include Airbus, Alcatel, BMW, Boeing, BT, DaimlerChrysler, Deutsche Bank, Ericsson, Lockheed Martin, Lucent Technologies, Motorola, NEC, Nokia, Philips and Siemens.

###

Telelogic, Telelogic DOORS, and Telelogic Tau are the registered trademarks of Telelogic AB. Telelogic Synergy and Tau/Tester are trademarks of Telelogic AB. All other trademarks are the properties of respective holders.



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

Income Statement in Summary

	Apr-Jun 2002	Apr-Jun 2001	Jan-Jun 2002	Jan-Jun 2001	2001	2000
Licensing and maintenance revenues	224.8	254.1	433.6	492.5	970.5	569.6
Consulting and other revenues	65.2	145.9	148.4	282.5	524.5	311.6
Net sales	290.0	400.0	582.0	775.0	1,495.0	881.2
Licensing and maintenance expenses	-22.1	-30.8	-44.2	-59.1	-113.0	-57.5
Consulting and other expenses	-61.9	-95.8	-133.4	-186.3	-351.0	-196.5
Gross income	206.0	273.4	404.4	529.6	1,031.0	627.2
Sales expenses	-123.2	-225.9	-245.5	-428.9	-739.7	-362.8
Administrative expenses	-29.2	-48.4	-59.8	-96.0	-168.0	-92.2
Product development expenses	-44.6	-73.0	-88.9	-143.2	-260.9	-171.5
Operating income excl. restructuring costs and goodwill amortization	9.0	-73.9	10.2	-138.5	-137.6	0.7
Restructuring costs	-8.0	0.0	-30.0	0.0	-120.0	0.0
Goodwill amortizations during the year	-5.0	-31.3	-10.4	-61.1	-126.3	-50.4
Goodwill write-down	0.0	0.0	0.0	0.0	-1,737.6	0.0
Operating income incl. goodwill amortization	-4.0	-105.2	-30.2	-199.6	-2,121.6	-49.7
Net financial income/expense	0.8	0.8	-1.1	1.3	-2.0	8.1
Net income after financial items	-3.2	-104.4	-31.3	-198.3	-2,123.6	-41.6
Tax	0.0	18.1	0.0	38.0	72.4	-7.1
Income after tax	-3.2	-86.3	-31.3	-160.3	-2,051.2	-48.7

Operating Key Ratios

	Apr-Jun 2002	Apr-Jun 2001	Jan-Jun 2002	Jan-Jun 2001	2001	2000
Revenue change (%)	-28	185	-25	219	70	177
Licensing and maintenance revenues	-12	230	-12	245	70	171
Consulting and other revenues	-55	130	-47	182	68	189
Gross margin (%)	71.0	68.4	69.5	68.3	69.0	71.2
Gross margin licensing and maintenance revenues	90.2	87.9	89.8	88.0	88.4	89.9
Gross margin consulting and other revenues	5.1	34.3	10.1	34.1	33.1	36.9
Indirect expenses in % of revenue	67.9	86.8	67.7	86.2	78.2	71.1
Sales expenses in % of revenue	42.5	56.5	42.2	55.3	49.5	41.2
Administrative expenses in % of revenue	10.1	12.1	10.3	12.4	11.2	10.5
Product devel. expenses in % of revenue	15.4	18.3	15.3	18.5	17.5	19.5
Operating margin excl. restructuring costs and goodwill (%)	3.1	-18.5	1.8	-17.9	-9.2	0.1
No. of employees at end of period	916	1,375	916	1,375	1,010	1,260



Financial Key Ratios

	Apr-Jun 2002	Apr-Jun 2001	Jan-Jun 2002	Jan-Jun 2001	2001	2000
Income after tax per share before dilution (SEK)	-0.03	-0.64	-0.17	-1.19	-13.82	-0.45
Income after tax per share after dilution (SEK)	-0.02	-0.62	-0.15	-1.15	-12.39	-0.43
Average number of shares during the period, before dilution (million)	199.0	135.3	196.0	135.2	148.5	107.3
Average number of shares during the period, after dilution (million)	214.6	140.3	211.3	140.2	165.5	113.0
Cash & Bank (SEK million)	175.4	89.8	175.4	89.8	128.4	240.8
Equity/assets ratio (%)	58.8	77.4	58.8	77.4	49.5	76.0
Equity per share (SEK)	3.6	17.8	3.7	17.8	4.8	21.8
Market price at end of period (SEK)	6.60	16.00	6.60	16.00	8.30	52.50
Market value at end of period (SEK million)	1,320	2,165	1,320	2,165	1,572	6,582

Balance Sheet in Summary

	30 Jun , 2002	30 Jun, 2001	31 Dec, 2001	31 Dec, 2000
Goodwill	266.8	2,105.1	301.3	1,951.1
Source code rights	5.7	8.6	7.1	8.8
Capitalized development expenditure	114.0	32.8	75.0	0.0
Tangible fixed assets	84.0	147.1	124.9	133.8
Financial fixed assets	181.6	139.0	183.5	102.0
Accounts receivable	307.5	472.1	486.3	537.6
Other current receivables	90.7	119.2	139.3	101.0
Cash & bank	175.4	89.8	128.4	240.8
Total assets	1,225.7	3,113.7	1,445.8	3,075.1
Equity, Note 1	720.1	2,410.0	716.2	2,337.2
Provisions	13.4	0.0	18.3	34.3
Interest-bearing long-term liabilities	50.2	54.2	58.0	4.4
Non-interest-bearing long-term liabilities	9.0	58.8	78.7	67.1
Interest-bearing current liabilities	0.5	0.0	2.1	0.0
Accounts payable	29.1	56.0	46.8	79.7
Accrued expenses and prepaid income	351.7	448.7	411.6	448.7
Other non-interest-bearing current liabilities	51.7	86.0	114.1	103.7
Total liabilities and equity	1,225.7	3,113.7	1,445.8	3,075.1



Cash Flow Analysis in Summary

	Jan-Jun 2002	Jan-Jun 2001	Jan-Dec 2001	Jan-Dec 2000
Cash flow from current operations	87.1	-109.4	-219.4	-146.8
Investment activities	-40.4	-98.7	-160.7	-648.6
Financing activities	7.9	48.3	257.2	1,004.2
Cash flow during the period	54.6	-159.8	-122.9	208.8
Liquid funds at beginning of period	128.4	240.8	240.8	30.9
Exchange rate difference in liquid funds	-7.6	8.8	10.5	1.1
Liquid funds at end of period	175.4	89.8	128.4	240.8

NOTE 1 Equity, The Group

	No of shares Jan-Jun, 2002	MSEK Jan-Jun, 2002	MSEK Jan-Jun, 2001	MSEK 2001
Opening balance	189,406,634	716.1	2,337.2	2,337.2
New equity issues	10,612,444	65.8		195.1
New equity issues in progress				24.1
Exchange rate difference		-30.5	233.2	210.9
Income for the year		-31.3	-160.3	-2,051.2
Closing balance	200,019,078	720.1	2,410.0	716.1