



This Offer is not being made nor will any tender of shares be accepted from or on behalf of holders in any jurisdiction in which the making of the Offer or the acceptance of any tender of shares therein would not be made in compliance with laws of such jurisdiction. The Offer is not being made, directly or indirectly, in or into Australia, Canada, Japan or South Africa. The Offer is being treated in the United States as one to which the "Tier II" exemption mentioned in Rule 14d-1(d) under the U.S. Securities Exchange Act of 1934 is applicable. The press release has been published in Swedish and English. In the event that there are any differences between the language versions, the Swedish version shall prevail.

Press release
June 11, 2007

IBM Announces a Recommended Cash Offer of SEK 21 per Share in Telelogic

International Business Machines Corporation ("IBM"), through its indirect wholly-owned subsidiary Goldcup D 2933 AB (with a proposed change of name to Watchtower AB) ("Watchtower"), a Swedish private limited liability company, today announces a recommended public cash offer to the holders of all issued and outstanding shares in Telelogic AB (publ) ("Telelogic"), to tender all Telelogic shares to Watchtower (the "Offer"). Telelogic is listed on the Stockholm Stock Exchange (Stockholmsbörsen), under the symbol TLOG.

Summary

- The offer price is SEK 21 in cash for each Telelogic share (the "Offer Price")
- The total value of the Offer amounts to approximately SEK 5.2 billion¹
- The Offer Price represents a premium to the average closing share price prior to and including May 31, 2007 of 42% for the prior 120 trading-day period, 39% for the prior 60 trading-day period and 25% for the prior 20 trading-day period and represents a premium of 21% to the closing share price on May 31, 2007²
- Telelogic's Board of Directors unanimously recommends shareholders to accept the Offer³
- The acceptance period for the Offer is expected to begin in the week beginning on July 2, 2007 and expire in the week beginning on July 30, 2007. Settlement of the Offer is expected to begin approximately one week after the expiry of the acceptance period
- A press conference will be held at Operaterrassen, Stockholm today at 13.00 (CET). Details are set out below in this press release

¹ Based on 247,179,481 shares outstanding.

² May 31, 2007 was the last day of trading prior to market speculation regarding a potential public offer for Telelogic.

³ Due to conflicts of interest, the CEO of Telelogic, Anders Lidbeck, has not participated in Telelogic's Board of Directors' deliberations and resolutions regarding the Offer.

Dr. Danny Sabbah, General Manager, Rational Software of IBM, said: *"Software is becoming ubiquitous, from telephones, to cars, to airplanes, to the expanded use of electronics in the automotive industry to increase safety and performance. The acquisition of Telelogic will help our clients drive efficient and effective software development processes that are vital to product delivery."*

Anders Lidbeck, President and CEO of Telelogic, said: *"This transaction creates potential for offering our customers further support in developing and implementing complex systems across the globe. Our combined customer base will now be able to leverage a full powerful end-to-end set of products and services. For our employees, the transaction has potential to create new, interesting opportunities worldwide in a leading IT company."*

Background to and reasons for the Offer

Telelogic is a leading provider of software development solutions with more than 8,000 customers worldwide, primarily in the aerospace and defense, telecommunications and electronics industries. Telelogic products help organizations define, model, build, test, deliver and govern the development of complex systems, including real-time and embedded software systems. For example, a consumer electronics company could use IBM and Telelogic technologies to design an intelligent home network that controls the entertainment devices, security systems, appliances and lighting. An automotive manufacturer would use IBM and Telelogic solutions to build and deliver software that runs the navigation systems in vehicles.

Together, IBM, Telelogic, and our business partners, will accelerate our customers' ability to develop high-quality complex systems. Clients will benefit from the combined technologies and services of both companies, providing them a wider range of software and system development capabilities from which to build complex systems. Our business partners will be able to leverage an extended enterprise lifecycle systems solutions and Telelogic partners will benefit from access to IBM's world class ecosystem and programs. Telelogic will have access to IBM's worldwide channels allowing for expansion and extension to a wide array of customers. IBM plans to preserve client investment in both Telelogic and IBM products, providing customers with increased choice and flexibility throughout the entire software development lifecycle.

Telelogic will over-time become part of the Rational Software division of IBM, reporting to Dr. Danny Sabbah, General Manager of IBM Rational Software.

In connection with the preparation of the Offer, IBM has conducted due diligence on Telelogic.

The Offer

Watchtower is offering SEK 21 in cash for each Telelogic share. Pursuant to an exemption from the Swedish Securities Council (Ruling 2007:21), the Offer is not being made in respect of the warrants held by Telelogic's subsidiary Telelogic Options AB and certain other options held by employees.

No commission will be charged in connection with the Offer.

The Offer Price represents:

- a premium of 42% relative to the average closing share price of the Telelogic share on the Stockholm Stock Exchange for the 120 trading-day period up to and including May 31, 2007;
- a premium of 39% relative to the average closing share price of the Telelogic share on the Stockholm Stock Exchange for the 60 trading-day period up to and including May 31, 2007;
- a premium of 25% relative to the average closing share price of the Telelogic share on the Stockholm Stock Exchange for the 20 trading-day period up to and including May 31, 2007; and
- a premium of 21% to the closing share price of the Telelogic share on the Stockholm Stock Exchange of SEK 17.3 on May 31, 2007.

May 31, 2007 was the last day of trading prior to market speculation regarding a potential public offer for Telelogic.

The total value of the Offer amounts to approximately SEK 5.2 billion (based on 247,179,481 shares outstanding).

Neither IBM nor Watchtower currently owns or controls any Telelogic shares or warrants. Neither IBM nor Watchtower have acquired any Telelogic shares or warrants during the last six months preceding the day the Offer was launched.

The Offer is not subject to any financing conditions and will be financed using existing credit facilities and available cash on hand at IBM and Watchtower.

Agreement with Telelogic

On June 11, 2007, Watchtower and Telelogic entered into an Offer Agreement. The Offer Agreement includes, amongst other things, the following key terms and conditions:

- Telelogic's board has agreed to recommend the Offer and, if a higher competing offer for Telelogic is announced, continue to recommend the Offer, provided that (i) Watchtower by no later than the fifth business day following the announcement of the higher competing offer increases the Offer Price to a level that is equal to or greater than the offer consideration under the competing offer; (ii) the terms of the Offer are otherwise substantially equal to those contained in the competing offer; and (iii) Telelogic's board does not otherwise reasonably consider that it would be in breach of or that it would be clearly inappropriate in light of its duties under applicable laws and regulations;
- Telelogic has agreed to reimburse Watchtower for its costs, fees and expenses incurred in connection with the Offer up to a maximum amount of SEK 51,907,691 if Telelogic's board withdraws or adversely modifies its recommendation of the Offer and in the event of certain breaches of the agreement. The obligation to reimburse is conditional on not being contrary to applicable laws and on the Swedish Securities Council, on submission by Watchtower, determining that the fee would not violate the Stockholm Stock Exchange's Rules regarding Public Takeover Offers on the Stock Market, the Swedish Act on Public Takeover Offers on the Stock Market or good practice on the Swedish Securities Market. Furthermore, Telelogic would not be obliged to reimburse if the

Telelogic board recommends a higher competing offer, provided that (i) Telelogic has not breached certain provisions in the agreement; (ii) the Telelogic board does not become obliged to recommend a revised offer by Watchtower as set forth in the first bullet point above; and (iii) the higher competing offer or any other higher competing offer is not completed within six months of the announcement of the higher competing offer;

- Telelogic has undertaken, subject to conditions set out in the agreement, not to solicit any third party to make a public offer for Telelogic;
- Telelogic has undertaken, to the extent permissible under applicable laws and regulations, not to take any actions that are liable to frustrate the Offer or propose such actions to the general meeting of Telelogic, unless such action is proposed to the general meeting by Telelogic shareholders representing at least 10% of the share capital and the action is approved by the general meeting;
- Telelogic has agreed to make an offer to the holders of Telelogic employee options to waive their rights under the options in exchange for cash consideration, such offer to be conditional on the Offer being declared unconditional at an acceptance level above two-thirds on a fully diluted basis;
- Telelogic has undertaken to operate its business in the ordinary course and not to engage in transactions or take actions outside the ordinary course of business;
- Telelogic has made certain representations, including representations concerning the capital structure of Telelogic and the title to Telelogic subsidiaries;
- Telelogic has also agreed to take certain actions in order to facilitate completion of the Offer, such as cooperating with Watchtower in the preparation of the offer document and the filing of the offer document to the Swedish Financial Supervisory Authority, as well as to give Watchtower the assistance necessary to prepare and file applications for regulatory approvals; and
- Watchtower has agreed, subject to conditions set out in the agreement, not to solicit or entice away any key employee of the Telelogic group.

The Offer Agreement in its entirety will be set out in the offer document.⁴

Undertakings to accept the Offer

Watchtower has received conditional undertakings from members of the Telelogic Board, holding in aggregate approximately 0.5% of shares and voting rights in Telelogic, to accept the Offer and tender all of their Telelogic shares in accordance with the Offer. These undertakings would lapse in the event that a third party announces a public offer to acquire all outstanding shares in Telelogic at a price per share that is higher than the price per share under the Offer. However, if Watchtower announces a revised Offer and such revised Offer receives the Telelogic board's recommendation, the acceptance undertakings would become binding again.

⁴ Pursuant to an exemption from the Swedish Securities Council (Ruling 2007:22), the offer document will not contain appendices to this agreement.

Conditions to the Offer

Completion of the Offer is conditional upon:

1. the Offer being accepted to such an extent that Watchtower becomes the owner of more than 90% of the total number of shares in Telelogic on a fully diluted basis;
2. no other party announcing an offer to acquire shares in Telelogic on terms that are more favourable to the shareholders in Telelogic than the Offer;
3. with respect to the Offer and the acquisition of Telelogic, receipt of all necessary regulatory, governmental or similar clearances, approvals and decisions, including from competition authorities, in each case on terms which, in Watchtower's opinion, are acceptable;
4. neither the Offer nor the acquisition of Telelogic being wholly or partly prevented or materially adversely affected by any legislation or other regulation, court decision, public authority decision or similar circumstance, which is actual or could reasonably be anticipated, outside the control of Watchtower and which Watchtower could not reasonably have foreseen at the time of the announcement of the Offer;
5. no information made public by Telelogic or disclosed by Telelogic to IBM or Watchtower being materially inaccurate, incomplete or misleading, and Telelogic not having failed to make public any information that should have been made public by it;
6. there being no circumstances, which Watchtower did not have knowledge about at the time of the announcement of the Offer, having occurred that have a material adverse effect upon Telelogic's sales, results, liquidity, assets or equity; and
7. Telelogic not taking any measures that are liable to impair the prerequisites for making the Offer or its implementation.

Watchtower reserves the right to withdraw the Offer made in the event that it is clear that any of the above conditions is not fulfilled or cannot be fulfilled. However, with regard to conditions 3-7, such withdrawal will only be made provided that the non-fulfillment of such condition is of material importance to Watchtower's acquisition of shares in Telelogic.

Watchtower reserves the right to waive, in whole or in part, one or more of the conditions above including, with respect to condition 1 above, to complete the Offer at a lower level of acceptance.

Watchtower reserves the right to adjust the Offer Price should Telelogic pay any dividend or make any other value transfer (*värdeöverföring*) prior to settlement of the Offer. In the case of a cash dividend or other cash value transfer, the Offer Price will be reduced by the same amount as paid out or transferred per share. In the case of value transfer in kind, the reduction of the Offer Price shall equal the market value of what has been transferred. Watchtower reserves the right to determine whether this adjustment mechanism or condition 7 of the Offer above will be invoked.

Recommendation from Telelogic's Board of Directors

The Board of Directors of Telelogic unanimously recommends that the holders of Telelogic shares accept the Offer.⁵

⁵ Due to conflicts of interest, the CEO of Telelogic, Anders Lidbeck, has not participated in Telelogic's Board of Directors' deliberations and resolutions regarding the Offer.

About IBM and Watchtower

IBM is a globally integrated innovation company, serving the needs of enterprises and institutions worldwide. IBM is incorporated in New York, US and listed on the New York Stock Exchange under the symbol IBM. In 2006, IBM's total revenues amounted to approximately USD 91.4 billion. For more information about IBM, go to www.ibm.com.

Watchtower is a Swedish limited company and is indirectly wholly owned by IBM. Watchtower's corporate identity number is 556730-4018 and its registered office is in the municipality of Stockholm. Watchtower's address is c/o IBM Svenska AB, SE-164 92 Stockholm, Sweden. Watchtower was established on May 24, 2007. Watchtower has never conducted any business and at present does not conduct any business and its sole purpose is to make the Offer and take all actions to finance and complete the Offer and subsequently operate as parent company of Telelogic.

About Telelogic

Telelogic is a global supplier of software solutions to optimize, align, and automate its customers' business processes. Headquartered in Malmö, Sweden, with US headquarters in Irvine, California, Telelogic was founded in 1983, has operations in 22 countries worldwide and has been publicly traded for over 7 years.

Management and employees

IBM has high regard for Telelogic's management team and employees and intends to continue the excellent employee relations that it believes exist at Telelogic.

Telelogic's employees, products and technology are, and will continue to be, very important to a successful development to the business. Following completion of the Offer, IBM and Watchtower intend, together with management, to continuously develop Telelogic's business. IBM intends to continuously develop the management structure of Telelogic in cooperation with management. Organic growth and acquisitions will continue to be a very important part of the strategic development of Telelogic.

Watchtower has through Telelogic offered and will offer relevant key people at Telelogic to be part of a separate bonus plan, a so-called retention arrangement, provided that the Offer is completed at an acceptance level above 50% of all Telelogic shares on a fully diluted basis.⁶ The aim of this arrangement is to encourage these people to remain with Telelogic or IBM following completion of the Offer and during an integration phase thereafter. In connection with the retention arrangement, the relevant key people have been requested to accept certain non-compete and non-solicitation undertakings to IBM. Further information on the retention arrangement will be set out in the offer document that will be published for the purposes of the Offer.

⁶ The Swedish Securities Council has in its ruling 2007:15 issued a statement regarding the described arrangement. The Swedish Securities Council states that the arrangement complies with good practice on the Swedish securities market, provided that the Telelogic board approves the arrangement, the Telelogic shareholders and the securities market are informed of the arrangement and the CEO, Anders Lidbeck, does not participate in the Telelogic board's deliberations and resolution regarding the Offer.

Telelogic has agreed with Watchtower that a separate offer will be made to Telelogic's employee option holders to waive their rights under these options in exchange for cash consideration. This offer will be made by Telelogic and the employee option holders will be informed separately of the details of such offer.

Indicative timetable

Estimated date of announcing the offer document	In the week beginning on July 2, 2007
Estimated start of acceptance period	In the week beginning on July 2, 2007
Estimated end of acceptance period	In the week beginning on July 30, 2007
Estimated date for payment	Approximately one week after the expiry of the acceptance period

Watchtower reserves the right to extend the acceptance period, as well as to postpone the settlement date (payment to shareholders).

The acquisition of Telelogic requires clearance from the relevant competition authorities.

Compulsory acquisition and de-listing

As soon as practicable following Watchtower's acquisition of shares representing more than 90% of the total number of shares in Telelogic, Watchtower intends to initiate a compulsory acquisition procedure of the then outstanding minority shares. In connection hereto, Watchtower intends to have the shares in Telelogic de-listed from the Stockholm Stock Exchange.

Applicable law and disputes

Watchtower has, in accordance with the Swedish Act on Public Takeover Offers on the Stock Market (*lag (2006:451) om offentliga uppköpserbjudanden på aktiemarknaden*), undertaken in relation to the Stockholm Stock Exchange, and hereby undertakes in relation to the holders of Telelogic shares, to comply with the Stockholm Stock Exchange's Rules regarding Public Takeover Offers on the Stock Market (the "Takeover Rules") and the Swedish Securities Council's (*Aktiemarknadsnämnden*) rulings regarding interpretation and application of the Takeover Rules,⁷ and to submit to the sanctions that may be imposed by the Stockholm Stock Exchange upon breach of the Takeover Rules.

The courts of Sweden shall have exclusive jurisdiction over any dispute arising out of or in connection with the Offer and the City Court of Stockholm (Stockholms tingsrätt) shall be the court of first instance. The Offer shall be governed by the substantive laws of Sweden.

This Offer is not being made (nor will any tender of shares be accepted from or on behalf of holders) in any jurisdiction in which the making of the Offer or the acceptance of any tender of shares therein would not be made in compliance with laws of such jurisdiction. The Offer is not being made, directly or indirectly, in or into Australia, Canada, Japan or South Africa. The Offer is being treated in the United States as one to which the "Tier II" exemption mentioned in Rule 14d-1(d) under the U.S. Securities Exchange Act of 1934 is applicable. This press release has been published in Swedish and English. In the event that there are any differences between the language versions, the Swedish version shall prevail.

⁷ This includes its former rulings with respect to the rules on public offers for the acquisition of shares issued by the Swedish Industry and Commerce Stock Exchange Committee, where applicable.

Press conference

A press conference will be held at Operaterrassen, Stockholm today at 13.00 (CET). For more information, please go to www.financialhearings.com.

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Watchtower AB

The Board of Directors

Further information

For further information, see Telelogic's separate press release, which can be found at www.telelogic.com. Relevant material is to be published on IBM's website www.ibm.com/software/rational/welcome/telelogic/.

Forward-looking statements

This press release contains forward-looking statements. These statements are not guarantees of future performance and are subject to inherent risks and uncertainties. Forward-looking statements may be identified by the fact that they do not relate strictly to historical or current facts and include, without limitation, words such as "may", "will", "expects", "believes", "anticipates", "plans", "intends", "estimates", "projects", "forecasts", "seeks", "could", or the negative of such terms, and other variations on such terms or comparable terminology. Forward-looking statements include, but are not limited to, statements about the expected future business of Telelogic resulting from and following the Offer. These statements reflect IBM's and Watchtower's managements' current expectations, based upon information currently available to it and are subject to various assumptions, as well as risks and uncertainties that may be outside of its control. Actual results could differ materially from those expressed or implied in such forward-looking statements. Any such forward-looking statements speak only as of the date on which they are made and IBM and Watchtower shall be under no obligation to (and expressly disclaims any such obligation to) update or alter such forward-looking statements whether as a result of new information, future events or otherwise, except to the extent legally required.