



Press Information

For immediate release

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Telelogic announces agreement to acquire Continuus – leading challenger in configuration management software

Agreement to Acquire Continuus Further Strengthens Telelogic's Position as leading Supplier of Solutions for Real-time Software Development

MALMÖ, Sweden, October 25, 2000 – Telelogic AB (Stockholm Stock Exchange: TLOG), the world-leading supplier of solutions for real-time software development and requirements management, announced today that it has entered into a definitive merger agreement with Continuus (NASDAQ: CNSW), to acquire all of the outstanding shares of Continuus at a cash price of \$3.46 per share. The transaction has a total value of approximately \$42 million. The directors of both companies have approved the merger agreement. Shareholders representing 36% of the outstanding shares, on a fully diluted basis, have irrevocably committed to tender their shares in the tender offer.

Continuus, headquartered in Irvine, California is a leading supplier of configuration management software to the telecom industry and other real-time segments like aerospace, automotive and defense. Its customers include companies like Nokia, Lucent, BT, BMW, Raytheon and Lockheed Martin. In 1999, Continuus had revenues of \$37.3 million.

“This is an important next step in our ambition to create a fully integrated state-of-the-art development environment. We are creating this by combining the best-of-breed products covering the full software development process.” said Anders Lidbeck, President and CEO at Telelogic. “Continuus also has a strong market presence in the US, a very good understanding of our market and a solid technical background. These are all key for us in our ambition to be the partner of choice for companies and engineers developing advanced system and software.”



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“Strategically, this acquisition will give our configuration management solution the sales channels, marketing focus and critical mass we need.” said John Wark, President and CEO at Continuus. “Telelogic has a leading brand, the products and the global network. The combined entities will create an even stronger organization that will benefit both our employees and customers.”

Under the merger agreement, Telelogic will commence a tender offer for Continuus’s outstanding shares, which will be subject to certain conditions, including at least 51% majority of Continuus’s outstanding shares, on a fully diluted basis, being tendered without withdrawal prior to the expiration of the offer, and clearance of the transaction under applicable antitrust laws and other governmental agencies’ regulations being obtained.

Strengthened market position

Continuus is a leading supplier of configuration management tools to the telecom industry and other real-time segments like aerospace, automotive and defense. Continuus’ customer base include companies like Nokia, Lucent, NEC, BMW, Raytheon and Lockheed Martin.

With the acquisition of QSS in August this year, Telelogic opened up new opportunities in other segments for advanced software development than real-time. Continuus’ solutions have successfully been used in a variety of advanced system development projects, including major wins in the business applications market. As a result, the acquisition provides a strengthened position within these new segments as well.

Complementary products

Telelogic develops and markets advanced software tools and components that cover most phases of the development process: requirements, analysis, design, implementation and testing.

One of the biggest challenges software developers face today, is managing rapid and constant change. Continuus develops and markets the Continuus CM Synergy™, the leading task-based configuration management solution that delivers integrated configuration and change management functions that simplify the process of change. Continuus CM Synergy is designed to help development teams work faster and easier, bringing simplicity and efficiency to developers and managers alike. It accelerates the release management process, maximizes the efficiency of limited development resources that are always in demand, and brings together distributed development teams through Continuus Distributed Change Management (DCM).

The acquisition will make it possible to offer new and existing customers and partners a tightly integrated solution for configuration management, 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.



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Increased U.S. presence

Based on this agreement, Telelogic, once again, more than doubles its U.S. sales capacity. Continuous employs more than 170 people in the U.S. and Canada, mainly involved in sales and professional services. The company also has 83 employees in Europe, with sales and professional services companies in UK, France and Germany, and 6 employees in Australia.

Synergy effects

Telelogic estimates that considerable synergy effects will arise, both regarding revenue and costs. Examples of synergy effects are:

- Increased revenue from cross-selling of products and in geography
- Increased sales power by focusing on core business and core strengths
- Lower recruitment costs
- Lower overhead costs

Future strategy

Telelogic will continue to focus on the real-time market. Strengthened by this acquisition, Telelogic can continue to actively build strategic partnerships with new key customers in this segment. 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 Continuous and DOORS and thereby create a platform for future expansion with a robust, combined offering.

Financial effects

Continuous' revenue for 1999 was \$37.3 million. Telelogic anticipates the consolidation of Continuous to be completed by December 1, 2000.

Telelogic's growth forecast of a 160% for year 2000 remains unchanged. The acquisition is expected to have a minor positive impact on Telelogic's full year results for 2000.

The financing is being arranged by a leading investment bank. Telelogic will issue equity within three months that will dilute current shareholders by approximately 5% to fund the acquisition.

About Continuous Software corporation. (www.Continuous.com)

Continuous Software Corporation is a leading provider of change management solutions for enterprise software development. The Continuous Change Management Suite is the first true integrated change management solution for the enterprise. The products are designed to assist development managers in:

- Implementing an enterprise-wide software change management solution quickly, efficiently and cost effectively
- Meeting corporate/organization dictates for maintaining and/or improving customer service, business processes and financial performance to gain competitive advantage



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- Controlling the development process without interfering with the freedom and creativity of developers
- Effectively managing the time, cost and complexity of development
- Delivering superior products on time, on budget
- Maximizing the return on investment (ROI) to achieve the greatest yield from their change management solution
- Attaining the greatest possible yield from software development initiatives

The Continuous Professional Services Group provides a comprehensive range of technical services to assist your organization in maximizing the value of your Continuous solution. The Continuous professional services team will assist you in the following areas: Implementation, Education and Training, Technical Support and Consulting.

Continuous has developed an impressive roster of clients representing major companies throughout the world across a large number of industries, including companies like Nokia, Ericsson, Motorola, Credit Suisse, BMW, Raytheon, Lockheed Martin etc. The company markets its products through a direct sales force and resellers in North America and Europe. Currently, over 500 organizations and 50,000 developers around the world use Continuous/CM products.

Continuous was founded in 1987. Currently the company has over 260 employees worldwide. The company has been listed on NASDAQ since August 1999.

For more information about Continuous, please visit www.Continuous.com.

About Telelogic

Telelogic is established in thirteen countries under its own name, and in a further 20 countries through distributors. It leads the market in development environments for advanced 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 well prepared to deliver rapid and complete solutions for the complex challenges faced by the real-time industry.



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For more information about Telelogic, please visit www.telelogic.com.

Acquisition information

More information about Telelogic and Continuous can be found at www.telelogic.com.

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