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| **FOR IMMEDIATE RELEASE** | **14 SEPTEMBER 2001** |

# SOPHEON PLC

## INTERIM RESULTS AND BUSINESS REVIEW OF FIRST HALF OF 2001

Sopheon, the international provider of information and knowledge solutions, announces its unaudited interim results for the six months ended 30 June 2001.

**Highlights :**

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| Turnover : | £6.1m (2000 : £3.1m). |
| LBITDA : | £5.7m (2000 : £2.4m) |
| Period end cash of £8.1m. | . |

- Acquired profitable operating division of Frankfurt based Aventis Research and Technologies, securing a substantial footprint in Germany and in the key life sciences market. Including this new subsidiary, pro forma revenues for the first half of 2001 were £9.1m and LBITDA £5.5m.
- Sopheon and Orbital Software Holdings plc have announced today that they are in preliminary discussions concerning a share merger of the two companies.
- Raised approximately £6m during the period, through convertible loan with management participation and an acquisition. Maintaining sufficient funds to support operations is a continuing priority.
- Accolade released on schedule and starting to contribute to revenue, with initial commitments secured in all our key geographical markets including Pennzoil-Quaker State and Vodafone. Sales pipeline is building. We expect conversion to gather pace and improve revenue and margin profile, however lengthening purchasing cycles could impact the timing of this transition in our business.
- Strategic agreement with Arthur D. Little, a global consultancy firm with a strong R&D and technology focus; program with Hewlett Packard, a leading solutions provider worldwide; and agreements with an international mix of six other providers of integration and implementation services and business process solutions.
- Strategic alliances secured for our online research portals with nine leading science and technology portals including Northern Light and BioSpace.

**Sopheon's Chairman Barry Mence said:**

*"During a period of difficult market conditions, Sopheon has made good progress. So far this year we have released and achieved early sales of our new flagship product, 'Accolade', taken on a division of Aventis in Germany, strengthened our balance sheet and developed several important business relationships. We believe that together these steps provide a foundation upon which to build further growth, and profitability. "*

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**FOR FURTHER INFORMATION CONTACT:**

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| **Barry Mence, Chairman** | **Sopheon plc** | **Tel : + 44 (0) 1483-883000** |
| **Arif Karimjee, CFO** | **Sopheon plc** | **Tel : + 44 (0) 1483-883000** |
| **Steve Liebmann** | **Buchanan Communications** | **Tel : + 44 (0) 20-7466-5000** |
| **Barbara Jansen** | **Citigate First Financial** | **Tel : + 31 (0) 205-754-080** |


## CHAIRMAN'S STATEMENT

## INTRODUCTION

During 2001, Sopheon has continued to make excellent progress in combining its key business components comprising software, information management solutions and expert services to create integrated product and service offerings targeted at clearly identified markets. This strategy builds on the traditional services and corporate relationships of our US business and the software and services experience of our European operations, enhanced by the new partner relationships forged over the past year. Accolade is our first integrated offering and is designed to enable user organisations, such as large R&D departments, to improve collaboration and information sharing across their worldwide operations, thereby speeding up product development efforts and increasing growth and profitability. Announced in the latter part of 2000, with the beta shipping in March of this year, it has been well received in the market with initial revenues contributing to the results now reported. We are proud to have made this progress in a marketplace, which as has been widely reported, has been an extremely difficult one.

## RESULTS AND FINANCE

Consolidated turnover totalled £6.1m (2000: £3.1m). Our attention has been focused on delivering our combined strategy around Accolade in particular. Accordingly, we have limited our efforts to drive independent growth from our traditional component businesses. Nevertheless, these areas have continued to provide a base for turnover in the very tough climate that has affected our industry since the middle of last year. Our information management business, with its good client retention rates, provided just over 70% of the total revenues in the period, consistent with the second half of 2000. We would expect this proportion to fall as Accolade sales volumes start to increase. Including our German business, which currently has a similar proportion of information management revenues, gives pro forma combined revenue of £9.1m.

We have continued to invest in marketing, sales and product development to maintain focus on delivering our strategic objectives, in particular the launch of Accolade. Accordingly, LBITDA was £5.7m for the period (2000 : £2.4m). After providing for £6.1m for amortisation of goodwill (2000 : £1.4m), the loss before and after tax was £12.6m (2000 : £3.4m) and the loss per share was 32.5p (2000 : 9.9p). Careful attention has been paid to controlling our cost base with headcount reducing from 265 to 230 over the period, excluding our new German acquisition with its 52 employees.

In June, the Company issued £2.6m of convertible unsecured loan stock to a group of investors. This included £750,000 from members of the board and the senior management team, demonstrating their confidence in Sopheon’s future. This, together with the acquisition of Aventis Research and Technologies (see below) which strengthened our overall cash reserves by some £3.4m, resulted in cash balances of £8.1m at 30 June 2001.

## MERGER TALKS WITH ORBITAL

We have announced today that Sopheon and Orbital Software Holdings plc are in preliminary discussions concerning a share merger of the two companies. We are not able to comment further on the potential transaction in this interim announcement due to regulatory reasons. Further announcements will be made in due course.

## OTHER CORPORATE DEVELOPMENTS

The acquisition of a profitable operating division of Aventis Research and Technologies based in Frankfurt was completed on 29 June 2001. It brought an experienced team of people with a skill mix and business vision very well aligned with our own, as well as a corporate relationship with one of the world’s leading pharmaceutical groups. It has significantly enhanced the depth and reach of Sopheon’s position in mainland Europe and will extend our customer base in the key life sciences market.

We have recently established an American Depositary Receipt (ADR) program for Sopheon's shares. Sponsored by the Bank of New York, this enables U.S. investors to trade Sopheon shares in the over-the-counter market. Last year's merger with Teltech has given Sopheon important visibility in the U.S. marketplace and a significant number of U.S. shareholders, including many of our staff.

**OPERATIONAL REVIEW**

Embodied by our recently launched Accolade solution, our automated version of the widely used Stage-Gate™ product development process, we have continued to emphasise migrating our strategy to an integrated software-services-content model directed at specific business processes.

In January we announced the addition of portfolio management, process benchmarking and new-product diagnostic modules to the Accolade suite, and proceeded with the beta release of the solution in March, right on schedule. An Oracle version was released in July and marketing, design and definition work are underway for the next full release scheduled for Q4. Several focused marketing initiatives are generating leads that include blue-chip prospects on both sides of the Atlantic. These activities include a series of successful seminars in New Product Development (NPD), direct marketing campaigns, attendance at trade shows and co-operation with R&D Magazine in the USA as exclusive sponsor of the 'Innovator of the Year' award. The response to Accolade has been very positive. Early successes with global players include Pennzoil-Quaker State and, most recently, Vodafone, which has chosen Accolade for NPD automation.

Good examples of new assignments announced in the first half year for our traditional business areas include supporting Seagram Spirits and Wine Group's launch of a Web-based virtual workplace, deployment of an information research portal to facilitate access to critical business and technical intelligence by professionals at Armstrong World Industries, and our implementation of an Internal Expert Network (see below) for Hartford Technology Services Company.

**BUSINESS PARTNERSHIPS**

We announced a strategic agreement with Arthur D. Little and a program with Hewlett-Packard under which they will use their international reach and best-of-class process expertise and technology to partner with us, introducing and implementing Sopheon's Accolade solution. We announced the launch of Sopheon's via ("valued industry alliance") Program, an initiative that will link the company to technology-solution consultants, implementers and resellers throughout the world. It focuses on the marketing and implementation of Accolade; Teltech.com, our award-winning Web-based research portal for technical and business professionals; and the Internal Expert Network, our solution that helps workers within an organization who have questions to easily find colleagues with answers.

Sopheon has signed and announced agreements with an international mix of six other providers of business process solutions and services. They are DRM Associates and Yet2.com in the USA, Integrated Development Consulting (IDC) in the UK, MiQ and Human Connection in the Netherlands, and Innovation Management U3 in Denmark. All our new partners bring skills, experience and a customer base in new product development, content delivery or business process improvement and are therefore well suited to Sopheon's viaProgram objectives. In addition to the viaProgram, Sopheon signed strategic expert referral alliances with nine leading science and technology portals: yet2.com, eFunda, EnviroXchange, Northern Light, ChemIndustry, FabricatorMarket, PharmiWeb, GlobalSpec and BioSpace.

## BOARD

At the start of the year we were pleased to welcome Dr. Bernard Al, former CEO of Wolters Kluwer Netherlands, as a non-executive director, underlining our commitment to the content dimension of our business.

## OUTLOOK

Sopheon's combined business including our new German subsidiary has turned in pro forma revenue of £9.1m during the first half of 2001, averaging approximately £1.5m per month of which just over 70% represented revenues from our information management solutions business. The sales pipeline for Accolade has built well in the first half of the year and we anticipate that our initial customers should provide valuable references. However, the overall slowdown in the IT sector has lengthened purchasing cycles, and while we expect that conversion of the pipeline will gather pace and, in turn, improve the revenue profile and reduce the level of losses, the timing of this transition is uncertain.

We are determined to focus on, invest in and implement our combined software-services-content business model which, we believe, will offer persuasive returns on investment and enhanced competitive advantage to our customers. This determination will further focus our growth strategies around the Accolade solution, and will accelerate our emphasis on cost management and on opportunities for rationalization and refinement of our business.

As set out above, we are working hard to improve sales and margins, and to continue to control and reduce our cost base while preserving our strategic direction. We also recognize the need to take further steps, building on those taken in the first half of this year, to ensure sufficient cash reserves are available to support operations through to the point of profitability. The board is actively pursuing alternatives to continue with this process and will update shareholders as appropriate.

We have announced today that Sopheon and Orbital Software Holdings plc are in preliminary discussions concerning a share merger of the two companies.

We believe that the market for the automation of knowledge intensive business processes, like new product development, is set for substantial growth. We look to the future with the confidence that Sopheon, with its existing strength in the provision of information management solutions, is developing the right new products, and is pursuing the right strategies, to benefit from this exciting opportunity.

**Barry Mence**
**CHAIRMAN**

14 September 2001

## GROUP PROFIT AND LOSS ACCOUNT FOR THE 6 MONTHS TO 30 JUNE 2001 (UNAUDITED)

| | *6 months to 30 June 2001 £'000* | *6 months to 30 June 2000 £'000* | *Restated 6 months to 30 June 1999 £'000* |
|---|---|---|---|
| **Turnover** | **6,068** | **3,098** | **506** |
| Cost of sales | (4,272) | (1,922) | (390) |
| **Gross profit** | **1,796** | **1,176** | **116** |
| Administrative, research and development and distribution expenses | (8,323) | (3,583) | (709) |
| **Operating loss before amortisation of goodwill** | **(6,527)** | **(2,407)** | **(593)** |
| Amortisation of goodwill | (6,140) | (1,414) | (8) |
| **Operating loss** | **(12,667)** | **(3,821)** | **(601)** |
| Bank interest receivable | 186 | 513 | 12 |
| Interest payable and similar charges | (84) | (79) | (68) |
| **Loss on ordinary activities before and after taxation** | **(12,565)** | **(3,387)** | **(657)** |
| Loss per share- basic and diluted | (32.5p) | (9.9p) | (3.4p) |
| **Loss on an EBITDA basis** | **(5,667)** | **(2,407)** | **(649)** |

## STATEMENT OF RECOGNISED GAINS AND LOSSES (UNAUDITED)

| | *6 months to 30 June 2001 £'000* | *6 months to 30 June 2000 £'000* | *Restated 6 months to 30 June 1999 £'000* |
|---|---|---|---|
| **Loss for the financial period** | **(12,565)** | **(3,387)** | **(657)** |
| Exchange difference on retranslation of net assets of subsidiary undertakings | 16 | 59 | (80) |
| **Total recognised gains and losses relating to the period** | **(12,549)** | **(3,328)** | **(737)** |
| Prior year adjustment | - | - | (373) |
| **Total gains and losses recognised since annual report** | **(12,549)** | **(3,328)** | **(1,110)** |

## GROUP BALANCE SHEET AS AT 30 JUNE 2001 (UNAUDITED)

| | *As at 30 June 2001 £'000* | *As at 31 Dec 2000 £'000* | *As at 30 June 2000 £'000* |
|---|---|---|---|
| **Fixed assets** | | | |

| | | | |
|---|---|---|---|
| Goodwill | 24,669 | 31,205 | 6,968 |
| Tangible assets | 2,383 | 2,387 | 598 |
| | **27,052** | **33,592** | **7,566** |
| **Current assets** | | | |
| Debtors | 3,020 | 4,610 | 3,306 |
| Cash and short term deposits | 8,074 | 7,925 | 23,296 |
| | **11,094** | **12,535** | **26,602** |
| **Creditors** : falling due within one year | **6,869** | **7,809** | **3,810** |
| **Net current assets** | **4,225** | **4,726** | **22,792** |
| **Total assets less current liabilities** | **31,277** | **38,318** | **30,358** |
| **Creditors:** falling due after more than one year | 3,034 | 22 | 40 |
| | **28,243** | **38,296** | **30,318** |
| **Capital and reserves** | | | |
| Called up share capital | 4,990 | 4,816 | 4,648 |
| Shares to be issued | 1,084 | 630 | 10 |
| Share premium account/ merger reserve | 53,128 | 51,260 | 37,969 |
| Other reserve | 2,417 | 2,417 | - |
| Profit and loss account | (33,376) | (20,827) | (12,309) |
| **Shareholders' funds (all equity interests)** | **28,243** | **38,296** | **30,318** |

## STATEMENT OF CASH FLOWS FOR THE 6 MONTHS TO 30 JUNE 2001 (UNAUDITED)

| | *6 months to 30 June 2001 £'000* | *6 months to 30 June 2000 £'000* |
|---|---|---|
| **Net cash outflow from operating activities** | **(5,621)** | **(4,197)** |
| Return on investment and servicing of finance | 102 | 433 |
| Capital expenditure and financial investment | (269) | (837) |
| Cash acquired with subsidiary company | 1,828 | - |
| Management of liquid resources | 2,058 | (15,500) |
| Financing | 4,090 | 20,146 |
| **Increase in cash excluding short term deposits** | **2,188** | **45** |
| (Decrease) / increase in short term deposits | (2,058) | 15,500 |
| **Increase in cash including short term deposits** | **130** | **15,545** |

## NOTES

***Earnings per share***

The calculation of basic loss per ordinary share is based on a loss of £12,565,000 (2000 £3,387,000 and 1999 £657,000 as adjusted), and 38,687,059 (2000: 34,097,689 and 1999: 19,081,962) ordinary shares, being the weighted average number of ordinary shares in issue during the period. The effect of all potential ordinary shares is antidilutive in 1999 and 2000 and 2001.

***LBITDA***

LBITDA represents loss before interest, tax, depreciation and amortisation and also excludes non-recurring equity-based costs incurred in connection with acquisitions.

***Prior year adjustment***

Historically, development expenditure incurred for specific products was capitalised when its future recoverability could reasonably have been regarded as assured, and amortised in line with the expected future sales from the related product, to a maximum of 5 years. Following the acquisition of Appliednet Limited in 1999 and subsequent harmonisation of group accounting policies, all such expenditure is now written off as incurred. The effect of changing this policy has been reflected by way of a prior year adjustment to the 1998 financial statements of the group.

***Interim Report***

The Interim Report will be posted to shareholders in due course and will also be available from Sopheon's registered office at Stirling House, Surrey Research Park, Guildford, Surrey GU2 7RF and from the Company's website: www.sopheon.com.

***Financial information***

The financial information set out above does not constitute the Company's statutory accounts as defined in section 240 of the UK Companies Act 1985 and is unaudited. Statutory accounts for the years ended 31 December 1999 and 2000 have been delivered to the registrar of companies and an unqualified audit opinion was issued thereon.

***Cautionary Statement***

Sopheon has made forward-looking statements in this press release, including statements about the benefits of our products and services; our acquisitions and the potential merger; financial results; product development plans; the potential benefits of business relationships with third parties and business strategies. These statements about future events are subject to risks and uncertainties that could cause Sopheon's actual results to differ materially from those that might be inferred from the forward-looking statements. Sopheon can make no assurance that any forward-looking statements will prove correct. Descriptions of some of the key risk factors that could negatively affect Sopheon's future performance are contained in Sopheon's Form 20 - F Annual Report, on file with the U.S. Securities and Exchange Commission.

***Further information***

The attention of member firms of Amsterdam, London and the NASD is drawn to certain UK dealing disclosure requirements with the announcement today of a possible merger of Sopheon and Orbital Software Holdings plc ("Orbital"). The announcement made today of preliminary merger discussions commences an offer period ("the Offer Period") in accordance with the City Code on Takeovers and Mergers ("the Code") which is published and administered by the Panel on Takeovers and Mergers ("the Panel") and deemed to commence at the time when an announcement is made of a proposed or possible offer, with or without terms. Sopheon has equity securities traded on the Amsterdam Stock Exchange, London Stock Exchange and through an ADR programme in the United States.

The disclosure requirements referred to above are set out in more detail in Rule 8.3 of the Code. In particular Rule 8.3 requires public disclosure of dealings in relevant securities during the Offer Period by persons who own or control, or who would as a result of any transaction own or control, 1 per cent. or more of any class of relevant securities. Relevant securities include Sopheon and Orbital securities (including options and derivatives) and instruments convertible into Sopheon and Orbital securities, respectively. This requirement will apply until the end of the Offer Period.

Disclosure should be made on an appropriate form no later than 12 noon London time on the business day following the date of the dealing transaction. These disclosures should be sent to the Company Announcements Office of the London Stock Exchange (fax number: +44 (0)20 7588 6057) and to the Panel's Monitoring Section (fax number: +44 (0)20 7256 9386 or email monitoring@disclosure.org.uk). The Panel requests that member firms advise those of their clients who wish to deal in the relevant securities of Sopheon and/or Orbital, whether in London, Amsterdam or the United States, that they may be affected by these requirements. If there is any doubt as to their application, the Panel should be consulted (telephone number: +44 (0)20 7638 0129, fax number: + 44 (0)20 7638 1554). Copies of appropriate disclosure forms may be obtained from the Panel's website www.thetakeoverpanel.org.uk.

This announcement does not constitute an offer or an invitation to acquire or dispose of shares or securities.

Additional Notice to US Holders of Orbital securities: A share offer by Sopheon for Orbital, if made, would involve an offer for the securities of a Non-US company. Any such offer would be subject to disclosure requirements of the United Kingdom, which are different from those of the United States. Financial statements included in the offer document, if any, would likely have been prepared in accordance with foreign accounting standards that may not be comparable to the financial statements of United States companies.

It may be difficult for you to enforce your rights and any claim you may have arising under the US federal securities laws, since the issuer is located in a foreign country, and some or all of its officers and directors may be residents of a foreign country. You may not be able to sue a foreign company or its officers or directors in a foreign court for violations of the US Securities laws. It may be difficult to compel a foreign company and its affiliates to subject themselves to a US court's judgement.