FOR IMMEDIATE RELEASE 19 March 2002

SOPHEON PLC

PRELIMINARY RESULTS FOR THE YEAR TO 31 DECEMBER 2001
UPDATE AND OUTLOOK ON 2002

Sopheon plc ("Sopheon"), the international provider of software-based solutions and services for knowledge intensive business-process applications, announces its unaudited preliminary results for the year to 31 December 2001 and provides an update and outlook for 2002. Sopheon has operations in the UK, USA, Germany and the Netherlands; its shares are traded on AIM in London and on the Euronext Amsterdam.

HIGHLIGHTS :

- Revenue for the year was £14.0m (2000: £7.8m).
- EBITDA losses for the year were £11.8m (2000: loss of £6.7m) after £1m restructuring and reorganisation expenses.
- Year-end gross cash resources were £13.3m (2000: £7.9m). Net cash was £12.6m (2000 : £6.8m).
- Completed the acquisition in June of Sopheon GmbH from Aventis Research & Technologies, securing a substantial footprint in Germany.
- Completed the acquisition in November of Orbital Software Holdings plc, a fully listed UK knowledge management vendor with complementary products, intellectual property assets and strong balance sheet.
- Accolade, Sopheon's new 'flagship' product released on schedule in first half and now contributing to revenue. Further development, Accolade 3.0 released in December 2001.
- Strengthened cash resources by a total of approximately £16.5m after costs during the period, through acquisitions and convertible loan.
- Annualised cost base reduced by 25% compared to interim reported position for combined group.
- Reorganisation of the business into two global operating divisions, Information Management ("IM") and Business Process Solutions ("BPS").
- Global Valued Industry Alliance ("Via") program launched with several partners signed to support Accolade and Organik offerings.

Chairman, Barry Mence stated :

"The general economic situation has affected revenues. While we have been disappointed with the speed of conversion of our sales pipeline, with some early 2002 wins under our belt, all efforts are now being concentrated on revenue growth and operational excellence to build towards the stated goal of being a profitable and leading provider of software and services to major corporations within the R&D market."

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CHAIRMAN'S STATEMENT

INTRODUCTION

Like the two years that preceded it, 2001 proved very eventful for Sopheon on both corporate and operational fronts. Against a rapidly changing market background, we have continued to make solid progress in building an organisation that combines software with content and expertise to create integrated product and service offerings. During the period, Sopheon has focused its activities increasingly within the market represented by major corporations and their information and process requirements for new product development and R&D.

Group development included two further acquisitions during the year – a division of Aventis Research & Technologies in Germany in June and Orbital Software Holdings plc in the UK in November – deepening our customer base, market reach and our product and technical capabilities.

The process of integrating the businesses acquired over the last two years advanced rapidly in the final quarter of 2001 as the company was reorganized into two complementary global operating divisions: Information Management ("IM"), which focuses on the more traditional research services side of Sopheon's business, including outsourcing; and Business Process Solutions ("BPS") which concentrates on Accolade and Organik sales, more details of which are set out below. We have also retained the Healthcare applications unit in the Netherlands to focus resources on regional opportunities in that sector. The reorganisation included a sharp reduction in the cost base through elimination of duplicated costs and a significant contraction of the workforce.

TRADING BACKGROUND

The general economic downturn affected revenues within certain existing accounts, as well as the development of new opportunities. During the second half of the year we disclosed disruption to trading with certain IM customers and this continued through the final quarter. As ongoing uncertainty drives companies to restructure their operations and supplier relationships, additional pressure is expected on elements of such revenues in North America and Germany in 2002. However, these market conditions also create opportunities for IM services, exemplified by recent outsourcing contracts signed with GE and Alticor, and an outsourcing relationship based on implementation of a custom research portal at Armstrong World Industries announced earlier in the year. Packaged offerings are also being developed in areas such as intellectual property research, which have secured new sales in Germany. Our consultancy and integration teams continued to be awarded bespoke projects, though at a reduced level, as we continued their transition to supporting Sopheon's own products. Accolade, Sopheon's software solution for automating the new product development process, was introduced in the first half of the year. Early acceptance was achieved with new and existing customers during the second half of 2001 in each of the USA, the UK and the Netherlands and, most recently, in Germany through our Aventis relationship.

RESULTS AND FINANCE

Sopheon's consolidated revenues show a 78% increase to £14.0m (2000 : £7.8m). This includes a contribution of £2.8m from our new German subsidiary for the six months from 1 July 2001 and £0.1m from Orbital Software Holdings plc for the six-week period from 16 November 2001. Approximately 74% of the total revenues came from the IM division representing research analyst services, portal subscriptions and information provision; of this, some 90% represents recurring revenue or sales to existing customers. The BPS division, representing software applications and related consultancy services, contributed 26% of revenue during the year.

Consolidated EBITDA losses increased to £11.8m (2000 : £6.7m) reflecting continued high levels of investment in product development, sales and marketing and implementation capabilities. Also included in this total is nearly £1m of redundancy and restructuring costs which were incurred in the final quarter of 2001. Compared with interim information reported by the enlarged group including Sopheon GmbH, and by Orbital, the combined annualised fixed cost base going into 2002 has been reduced by over 25% through elimination of duplicated costs and a significant contraction in the workforce. Despite this backdrop of cost reductions, Sopheon ended the year with an expanded product and technology offering, broader sales and distribution and deeper product development resources.

In accordance with accounting standards, goodwill amortisation was accelerated during the year to reflect the changed market conditions since the acquisitions of AppliedNet in 1999 and Teltech in 2000. This has resulted in a total goodwill charge of £21.4m during the year, comprising £12.3m of regular charges and an exceptional impairment charge of £9.1m, leading to a loss before tax of £34.6m (2000 : £11.9m) and a loss of 76.2p per ordinary share (2000 : 33.4p).

In June, the Company issued £2.6m of convertible unsecured loan stock to a group of investors with £750,000 contributed by members of the board and senior management. Together with the acquisition of Sopheon's new German subsidiary from Aventis Research and Technologies and the acquisition of Orbital Software Holdings plc, this resulted in gross cash resources of £13.3m at 31 December 2001 (2000 : £7.9m) before overdrafts and lines of credit drawn totalling £0.7m (2000 : £1.1m).

BUSINESS DEVELOPMENT AND STRATEGIC REVIEW

Sopheon's vision has always been to develop software applications integrated with specialised content and expert services that help organisations to more effectively manage specific knowledge intensive business processes. It is Sopheon's belief that the lack of content – whether internal or external, documented or tacit - in software applications is responsible for a high percentage of implementations not living up to expectations. While software is always designed to bring new efficiencies to business processes, Sopheon solutions are distinctive - they integrate with content and human expertise that is critical to the business application for which the solutions are intended, enabling users to maximise the knowledge resources at their disposal, and to reduce the time needed to complete critical tasks within a process.

Our original software applications primarily served the healthcare industry, in which we have a continued presence in the Netherlands. Our principal focus has since shifted to the new product development ("NPD") and R&D market. We believe that R&D organisations within technology-driven companies have the greatest need for solutions of the kind we offer. They also represent the historic core customer base within the IM side of the business, which is targeted at vertical industry segments such as consumer goods, high technology, chemicals, pharmaceuticals and foods. Customers find answers to their questions by accessing Sopheon's teams of research analysts, network of external experts and third party content resources through Sopheon's proprietary portals.

Accolade, Sopheon's flagship software solution for new product development, was introduced in the first half of the year. While order volumes were limited in 2001, our initial customers represent an active and supportive reference base on which to build. The beta version of Accolade 3.0, with significantly increased functionality, was released in December. Interest in Accolade continues to develop, attracting comment from analyst firms including Gartner, Giga and IDC, and from publications such as R&D magazine, Fortune and Information Today, proposal requests and paid pilot commitments. These underline the market opportunity and pipeline, but also reflect the more cautious pace of today's purchasing behaviour. Since the start of 2002, we have had two additional orders for Accolade, in the chemicals and medical products industries.

Sopheon's optimism for Accolade is supported by market analysis which suggests that innovation and time-to-market are among the top priorities of today's CEO. Recent studies indicate that for an average firm only 59% of products succeed upon commercialisation. Sopheon has entered into an exclusive partnership with the Product Development Institute ("PDI"), the creators of the Stage-Gate™ product development methodology, used by 60% of technology driven companies in the USA *(source: PDMA report 1997)*, to develop its Accolade solution. Accolade automates the Stage-Gate™ and other NPD process methodologies, helping product development teams terminate bad product ideas sooner, reduce costs, improve time to market, and improve resource allocation and decision making. The solution has already been accepted by market leading companies such as Vodafone; we have been able to demonstrate strong return on investment cases for Accolade, including attractive forecast payback periods generally of less than 12 months. In line with our stated vision, Sopheon's

IM services can be integrated with Accolade to support and inform NPD decisions from concept to launch.

Our acquisition strategy has closely followed our business strategy. In particular, our new German operations represent a solid footprint of IM and IT skills serving R&D intensive corporations, with a mature revenue base in a new geographical market, and the Orbital acquisition has secured well respected technology and development resources, with over 20 deployments to date. Prior to becoming part of the group in late 2001, Orbital Software undertook a review of its development strategy with the assistance of the Chasm Group, a business-strategy consultancy specializing in technology markets. This review confirmed that Orbital should direct its commercial focus toward a specific business problem, identifying R&D as the area most in need of the kind of solutions the combined group now offers. These findings further validated Sopheon's focus on the R&D and NPD sector and the strategic merits of the Orbital transaction. Since the acquisition of Orbital, orders for Organik have continued to come through, including the first Organik sale into an existing Sopheon client, a leader in the pharmaceutical industry, in December.

In mid-2001, we announced the launch of Sopheon's Via ("Valued industry alliance") Program, an initiative to link the company to technology-solution consultants, implementers and resellers throughout the world. It focuses on the marketing and implementation of our software applications. Sopheon has signed and announced agreements with an international mix of global and local providers of business process solutions and services. Our new partners typically 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 Via Program objectives.

Sopheon's direct sales organisation is currently working with 192 prospects for our software products alone. Supporting the promise of a stronger mix of high-margin software revenues, Sopheon's integration and consultancy teams have continued to reduce involvement with third party products and bespoke assignments, and are focusing on being ready to provide support for Accolade and Organik sales and projects. Nevertheless we continue to secure high profile one-off assignments such as the Oxford English Dictionary CD-ROM development announced in January 2002.

PRODUCTS AND IPR

Accolade 3.0 was released in December 2001, with a range of additional features based on findings from a stringent market-verification process involving research on user requirements among more than 60 current and prospective Accolade clients. Features of the new release include two-way integration with Microsoft Project, integrated resource planning tools, improved portfolio management reporting and a range of additional collaboration features such as document sharing and version control, virtual meetings, threaded discussions and secure access for external partners.

We were delighted to be awarded a European patent in connection with the software architecture and methodology that lies at the core of Sopheon's proprietary business-process applications. The technology is already built into applications being used by teaching hospitals in the Netherlands to pilot conversion of paper-based medical protocols to electronic documentation.

In addition our technology portfolio has been significantly enhanced by Orbital's patented profiling technology, around which its Organik portal product has been built. Organik was recently selected by the Software & Information Industry Association (SIIA) as a finalist for the 2002 Codie Award for "best Internet-based communication/collaboration product" validating the expertise-sharing platform as an industry-leading software solution for leveraging an organization's intellectual capital within knowledge-intensive business processes. Organik 3.5 has just been released with significant benefits for customer integration and compatibility needs.

Development work is underway to integrate our patented architecture and methodology, and Organik feature functionality into the Accolade product development system, applying it to the process of creating, publishing and re-using content from knowledge bases and communities of interest built up by an organisation during the product development life cycle. In addition, we are implementing tighter integration of our award winning IM research portal within the system to enhance linkage to external content and analysis. Our expectation is for initial versions of this "knowledge-centric" version of Accolade, to be released as version 4.0, around the middle of this year.

Our development teams are now based in two key centres, being Edinburgh for the former Orbital unit and Denver for the existing Sopheon unit. These two centres work in close cooperation with a single product calendar, under a single management structure and with the same high quality standards, which we firmly believe, deliver world-class, enterprise strength software.

BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT TEAM

Last year we divided our group management structure into a Sopheon plc Board with at least half its directors being non-executive, and an executive management board responsible for operations.

At the completion of the acquisition of Orbital we were pleased to welcome Andrew Davis, one of Orbital's former non-executives, to the Sopheon plc Board taking the total number of non-executives to four compared with three executive directors. The main focus of Andy's transitional role is to support the integration of the Orbital people, products and infrastructure. It is planned to further strengthen our board during 2002.

Since the reorganisation, the executive management board has reduced in size. Andy Michuda, our CEO, has taken day-to-day responsibility for driving our BPS division through to meeting the challenging business objectives we have set for the current year. In addition to the executive directors, the management board comprises Jack Johnson (president of the IM business), Chris Hawver (chief marketing officer), Huub Rutten (leader of our Healthcare unit) and Paul Heller (chief technology officer).

OUTLOOK

2001 has been another year of considerable progress in a very difficult market. The two completed acquisitions have brought increased commercial reach, complementary intellectual property and a strengthened balance sheet. While we have been disappointed with the speed of conversion of our sales pipeline, in spite of economic conditions, we remain convinced that our Accolade and Organik products, and our outsourcing propositions for research and information services, can become solutions of choice within the R&D divisions of major corporations.

We are determined to focus on, invest in and implement our business model, which we believe, will offer persuasive returns on investment and enhanced competitive advantage to our customers. This determination is coupled with a drive to increase significantly the proportion of group revenues derived from BPS during 2002. Our cash resources going into 2002 give us a foundation with which to implement our business plan, which has the objective of becoming cashflow generative going into 2003. In conjunction with setting this challenging target, we continue to maintain a tight grip on costs.

I believe that Sopheon is an integrated and focused business well positioned to capitalise on its strengths going forward. With some early 2002 wins under our belt, all efforts are now being concentrated on revenue growth and operational excellence to build towards the stated goal of being a profitable and leading provider of software and services to major corporations within the R&D market.

Barry Mence **19 March 2002**
EXECUTIVE CHAIRMAN

SOPHEON PLC
GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR TO 31 DECEMBER 2001 (UNAUDITED)

	2001 *£'000*	*2000* *£'000*
Turnover	**13,963**	**7,763**
Cost of sales	(10,186)	(5,402)
Gross profit	**3,777**	**2,361**
Administrative, sales and marketing expenses	(14,136)	(6,363)
Research and development costs	(3,010)	(3,243)
Operating loss before amortisation of goodwill	**(13,369)**	**(7,245)**
Amortisation of goodwill	(21,431)	(5,561)
Operating loss	**(34,800)**	**(12,806)**
Bank interest receivable	373	950
Interest payable and similar charges	(204)	(89)
Loss on ordinary activities before and after taxation	**(34,631)**	**(11,945)**
Loss per share-basic and diluted	(76.2p)	(33.4p)
Loss on an EBITDA basis	**(11,757)**	**(6,655)**

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (UNAUDITED)

	2001 *£'000*	*2000* *£'000*
Loss for the financial year	**(34,631)**	**(11,945)**
Exchange difference on retranslation of net assets of subsidiary undertakings	31	100
Total recognised gains and losses relating to the year	**(34,600)**	**(11,845)**

SOPHEON PLC
GROUP BALANCE SHEET AS AT 31 DECEMBER 2001
(UNAUDITED)

	2001	*2000*
	£'000	*£'000*
Fixed assets		
Goodwill	10,893	31,205
Tangible assets	2,159	2,387
	13,052	**33,592**
Current assets		
Debtors	3,593	4,610
Cash and short term deposits	13,343	7,925
	16,936	**12,535**
Creditors: amounts falling due within one year	**8,584**	**7,809**
Net current assets	**8,352**	**4,726**
Total assets less current liabilities	**21,404**	**38,318**
Creditors: amounts falling due after more than one year	3,039	22
	18,365	**38,296**
Capital and reserves		
Called up share capital	4,116	4,816
Share premium account and merger reserve	63,756	51,260
Other reserves	5,920	3,047
Profit and loss account	(55,427)	(20,827)
Shareholders' funds (all equity interests)	**18,365**	**38,296**

GROUP STATEMENT OF CASH FLOWS FOR THE YEAR TO 31 DECEMBER 2001
(UNAUDITED)

	2001	*2000*
	£'000	*£'000*
Net cash outflow from operating activities	**(11,224)**	**(8,763)**
Return on investment and servicing of finance	169	861
Capital expenditure and financial investment	(201)	(954)
Acquisitions	13,037	(12,281)
Management of liquid resources	(3,512)	(267)
Financing	4,083	20,184
Increase/ (decrease) in cash	**2,352**	**(1,220)**
Increase in short term deposits	3,512	267
Increase/ (decrease) in cash and liquid resources	**5,864**	**(953)**

NOTES
Principal Accounting Policies

Accounting convention
The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Basis of consolidation
The consolidated accounts include the results of the company and its subsidiary undertakings. The results of Sopheon GmbH and those of Orbital Software Holdings plc have been included using the acquisition method of accounting, since the date of acquisition on 30 June 2001 and 15 November 2001 respectively.

Tangible fixed assets
Tangible fixed assets are stated at historical cost, less accumulated depreciation. The costs of developing of portals used to deliver products and services are capitalised as tangible fixed assets in line with UITF29. Tangible fixed assets are depreciated on a straight line basis at rates ranging from 20% to 33% per annum on cost over their expected useful lives.

Research and development
Research and development expenditure is written off as incurred. The cost of registering patents and trademarks are written off as incurred. Subsidies received from the European Eureka funding programme are credited to the profit and loss account over the period to which they relate.

Goodwill
Goodwill arising on consolidation is capitalised and amortised on a straight line basis over its estimated useful economic life, currently estimated at 3 years depending on circumstances. Goodwill is reviewed for impairment at the end of the first full financial year after acquisition and in other periods if events or changes in circumstances indicate that carrying values may not be recoverable. If a subsidiary, associate or business is subsequently sold or closed, any goodwill arising on acquisition that has not been amortised is taken into account in determining the profit or loss on sale or closure.

Foreign currencies
Company: Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward exchange contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences are taken to the profit and loss account.

Group: The assets and liabilities of the subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. The profit and loss account is translated at the average rate of exchange. The exchange differences arising on the re-translation of subsidiary undertakings are, together with differences arising on the translation of long term intra-group funding loans which are not intended to be repaid in the foreseeable future, taken directly to reserves. All other differences are taken to the profit and loss account.

Long term contracts
Profit on long term contracts is taken as the work is carried out if the outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Revenues derived from variations on contracts are recognised only when the customer has accepted them. Full provision is made for losses on all contracts in the year in which they are first foreseen.

Pensions
Sopheon contributes to the personal pension arrangements of employees, the costs of which are charged in the profit and loss account as incurred.

Leasing
Assets held under finance leases, which are leases where substantially all risks and rewards of ownership of the assets have passed to the group are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under financial leases are included as liabilities in the balance sheet. The interest element of the rental obligations are charged to the profit and loss account over the period of the lease and represent a constant proportion of the balance of capital repayments outstanding. Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Turnover

Turnover (excluding valued added tax) represents the amounts derived from the group's principal activities which comprise £3,654,000 from the design, development, production and marketing of knowledge management software products together with associated implementation and consultancy services and £10,309,000 from the provision of information and research services. Sopheon has operations in three geographical markets, the Netherlands, the United Kingdom and the United States of America.

Earnings per share

The calculation of basic loss per ordinary share is based on a loss of £34,631,000 (2000 – loss of £11,945,000), and 45,471,220 (2000 - 35,732,477) ordinary shares, being the weighted average number of ordinary shares in issue during the period. The effect of all potential ordinary shares is antidilutive.

Acquisition of Sopheon GmbH

On 29 June 2001 the Group completed the acquisition of Sopheon GmbH. Sopheon GmbH was incorporated to acquire the Technology and Information Services Division of Aventis Research & Technologies GmbH & Co KG. The consideration for the acquisition comprised 822,598 ordinary shares of Sopheon plc as well as attributable costs of £80,000. In addition deferred consideration estimated at £465,000 is payable in the form of Sopheon shares if Sopheon GmbH meets certain profit targets. The market value of Sopheon shares on the date of completion was 58.5p and accordingly the total cost recorded in respect of the acquisition was £1,026,000 and the negative goodwill recorded on acquisition was £332,000.

Acquisition of Orbital Software Holdings plc

On 22 October 2001 the Group announced an agreed share offer for the whole of the share capital of Orbital, on the basis of eight Sopheon shares for every nine Orbital shares.. The offer was declared wholly unconditional on 15 November 2001. The consideration for the acquisition comprised 40,016,715 ordinary shares of Sopheon plc, as well as attributable costs of £931,000. In addition holders of Orbital in-the-money share options accepted proposals whereby such options were exchanged for 660,066 Sopheon share options at 6.193p per share. The market value of Sopheon shares on the date of completion was 30p and accordingly the total cost recorded in respect of the acquisition was £13,096,000 and the goodwill recorded on acquisition was £1,509,000.

Creditors

Creditors within one year include overdrafts and lines of credit totalling £709,000 at 31 December 2001 (2000 - £1,127,000) and deferred revenues of £1,713,000 (2000 - £2,436,000).

Annual Report

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 for the years ended 31 December 2001 or 2000, and is unaudited. Statutory accounts for 2000 have been delivered to the registrar of companies and an unqualified audit opinion was issued thereon. The statutory accounts for 2001 will be delivered to the registrar of companies following the Company's annual general meeting. The Annual Report and Accounts will be posted to shareholders in due course and thereafter will be available from the Company's registered office at Stirling House, Surrey Research Park, Guildford, Surrey GU2 5RF.

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.