31 August 2006

SOPHEON PLC

RESULTS FOR THE 6 MONTHS TO 30 JUNE 2006
BUSINESS REVIEW AND OUTLOOK

Sopheon plc ("Sopheon") the international provider of software and services that improve the return from innovation and product development investments, announces its unaudited interim results for the six months ended 30 June 2006 together with a business review and outlook. These results and the 2005 comparatives are reported under International Financial Reporting Standards (IFRS) as adopted for use in the EU.

HIGHLIGHTS:

- Financial performance reflects over 50% growth in revenue compared to the first half of 2005, with LBITDA approaching breakeven.

- Turnover: £3.0m (2005: £1.9m)
  Loss for the period: £0.2m (2005: £0.9m)
  LBITDA: £0.0m (2005: £0.7m)

- Recurring maintenance revenues are up 40% compared to a year ago, standing at £1.7 million annualized. At the mid year point, revenue visibility for 2006 was already £4.1 million, almost 90% of the total revenues recorded in 2005.

- Further penetration of our established markets in the chemicals, paper and food & beverage industries, in addition to signing major new clients in the consumer packaged goods sector. This includes the signing of Electrolux, our second major sale in Scandinavia. We also closed our first license sales in France and Israel.

- Introduction of Accolade® Accelerators that expand the capabilities of our core Accolade system, and encourage use of the solution by additional user communities both inside and outside of product development.

Sopheon's Chairman, Barry Mence said:
"The underlying fundamentals of our business continued to show great progress in the first half of 2006 leading to significant improvement in our financial results. In our annual report on 2005 we said that we knew what we had to do, and we believed that Sopheon was on the right track. This is as true today as it was then, and we continue to look to the future with optimism."

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About Sopheon
Sopheon (LSE: SPE) is an international provider of software and services that help organizations improve the business impact of product innovation. The Sopheon Accolade® product innovation process and portfolio management system automates gate- or phase-based product development processes and provides strategic decision support that allows companies to increase revenue and profits from new products. Sopheon is listed on the AIM Market of the London Stock Exchange and on the Euronext in the Netherlands. For more information, please visit www.sopheon.com.

CHAIRMAN'S STATEMENT

FINANCIAL

Consolidated revenues for the period amounted to £3 million (2005: £1.9 million) representing growth of over 50%. This performance reflects the successful conversion of major license opportunities, particularly in Europe. Of the total revenues reported in the period, the ratio between license, service and maintenance was 4:3:2 which is broadly consistent with the prior year taken as a whole, but reflects a substantially higher proportion of revenues attributable to license sales than in the first half of 2005.

Gross margin, which is arrived at after charging direct costs such as payroll for client services staff, was 76% for the period, similar to the first half of 2005. We will continue to deploy both internal resources and those of our service partners as appropriate, which will cause some continued small fluctuation in margins depending on the mix.

In spite of the substantial revenue growth tight cost controls have held administrative, sales and R&D overheads to approximately £2.5 million (2005: £2.4 million). As a consequence the loss for the period improved to £0.2 million (2005: £0.9 million). The loss includes interest, depreciation and amortisation costs amounting to approximately £0.2 million. The LBITDA result, which does not include these elements, was close to zero for the first six months of 2006 (2005: £0.7 million).

The results discussed above have been prepared under International Financial Reporting Standards (IFRS) as adopted for use in the EU, further details of which are set out in Note 2 hereto, and in Sopheon's 2005 annual report. In this report, we have restated the 30 June 2005 comparative figures, originally published under UK accounting standards, to reflect the adoption of IFRS.

TRADING

The first half of 2006 has produced good continued development in all aspects of our business. In addition to generating revenues in our established territories, we were pleased to sign our second major Accolade sale in Scandinavia, and to close our first sales in France and Israel. Our teams in the US and Europe have been able to generate almost 50% more implementation and consulting services revenue than in the same period last year, thanks in part to management actions taken in the second half of last year. Our recurring maintenance revenues now stand at £1.7 million annualized compared to £1.2 million in June 2005. The step up in service and maintenance revenues, along with the new license wins booked in the period, have put the overall business on course to significantly improve on 2005. At the mid year point, revenue visibility for 2006 was already £4.1 million, almost 90% of the total revenues recorded in 2005.

We define visibility for a period as being the total of (i) license orders including those which are contracted but conditional on acceptance decisions scheduled during the period; (ii) contracted services business expected to be delivered in the period; and (iii) recurring maintenance streams. Visibility does not include other potential license sales to customers who have commissioned a proof of concept or who have verbally indicated a decision to move forward. We would also underline that our performance in any reporting period can be materially affected by the signature date of individual deals. This factor will be a continuing consideration as we build the business, but one that should be increasingly offset by our growing maintenance base and the high rates of repeat business we are generating from our existing customer base. Over 75 customers have licensed our software, and Accolade is now being used in 56 countries around the world. Responding both to this growth in base and to demand anticipated from new customers, we have continued to strengthen our customer service teams in Europe and North America.

MARKET & PRODUCT

The market for product life cycle management (PLM) applications continues to expand, with analysts forecasting compound annual growth rates ranging from 8% to 14% from 2006 through 2010. More importantly, during the same period, the PLM submarket in which Accolade has been classified (Product Portfolio and Program Management or "PPM") is projected to triple in size. During the first six months of 2006 we furthered our penetration of the chemicals, paper and food & beverage industries, and they remain our principal targets. But we also continued to enjoy major successes with new clients - such as Electrolux and Timex - in consumer packaged goods markets, expanding our sales and marketing efforts to strengthen our focus on manufacturers in that sector.

In our 2005 annual report we noted the formation of an internal organization called RAD (Research & Application Development). The group was chartered to create new software applications built on the Accolade platform that would extend the utility and value of the core offering. The first of those applications have now been completed, and will be formally introduced to the market shortly. The new applications include:

- *Product Roadmapping and Planning Accelerator* - Enables companies to enhance their innovation processes by making it easier to develop and evaluate long-term product plans. Eliminates potential bottlenecks in product releases caused by dependencies among related projects, and helps create contingency plans when a project is in trouble.

- *Stage-Gate® Accelerator* - Allows the adopting organization to put a new innovation process in place more quickly and with less effort. Makes it easier to track process execution and effect continuous improvement. Supports management of a product's complete life, from the time it is conceived as an idea, through its commercialization and until it is retired from the market.

- *Portfolio Management Accelerator* – Provides a process model, including complete "how to" guidelines, for portfolio management. Features best-practice content and reports that aid advanced portfolio planning and decision-making.

The Accelerator offerings are expected to begin contributing to revenues in the fourth quarter. The overall value of these new modules is that they expand Accolade's capabilities, and encourage use of the solution by additional user communities both inside and outside of product development. There are indications that our existing clients will be among the first to want to take advantage of their availability. This is consistent with our strategies for building and growing our client relationships, which accounted for a quarter of non-recurring revenues during 2005. Our work on the Accelerators was conducted in parallel with continued product development on the core Accolade application.

In addition to the new applications being launched, we are evaluating a subscription based sales model for our software, aimed in particular at extending its appeal to mid-market companies. We will report on developments in this area in due course.

Sopheon's partnership activity is building. A recent example was our Accolade sale to Electrolux where we partnered with Arthur D Little. The importance of Sopheon's ongoing relationship with Microsoft was raised to a new level with our recent promotion to the elite status of "managed" partner. This advancement entitles Sopheon to the support of a Microsoft business development manager dedicated to ensuring that we receive maximum business benefit from access to Microsoft's technical, sales and marketing resources.

CORPORATE EVENTS

As previously announced, in June Sopheon filed a certification with the US Securities and Exchange Commission ("SEC") on Form 15, to immediately suspend its duty to file reports under the Securities Act of 1934. Sopheon will realize cost savings by no longer making these filings. Sopheon's ordinary shares are not traded in any US markets, and this change will have no effect on the trading of Sopheon's shares on AIM and Euronext.

In our AGM statement we noted that Andrew Davis, a non-executive director, was retiring from the board of Sopheon as from 30 June 2006, in order to focus on other interests. This brings the overall size of the Sopheon board to six, comprising three executive and three non-executive directors.

OUTLOOK

The underlying fundamentals of our business continued to show great progress in the first half of 2006 leading to significant improvement in our financial results. Our revenue grew over 50% compared to the first half of 2005, and we recorded an LBITDA result that approached breakeven. Our business is starting to show signs of the scale and maturity which we have been striving for since the launch of Accolade. This has twin benefits. First, the stability of our revenue is improved by the growth in recurring maintenance fees, as well as by repeat orders for both incremental license seats and supplemental services. Second, our expanding base of customers – many of which are household names - emphasizes to the market the high value and satisfaction that our solutions bring. Our product development efforts will continue to focus both on extending the features and functionality of Accolade, and on the manner in which it is deployed and used by our customers. With over 75 licensees of our software and with users in 56 countries, we believe that we are the leading vendor in our chosen market segment. Accolade is in our view the only system designed from the outset for the purpose of improving the governance of the innovation process as a whole.

Implementing a system like Accolade is a serious commitment for any organization and this continues to weigh on our sales cycles. However, as our business matures in scale we believe that this area, which has always brought unpredictability to our business, will show improvement. In our annual report on 2005 we said that we knew what we had to do, and we believed that Sopheon was on the right track. This remains as true today as it was then, and we continue to look to the future with optimism.

Barry Mence 31 August 2006
CHAIRMAN

CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2006 (UNAUDITED)

	2006	*2005*
	£'000	*£'000*
Continuing Operations		*as restated*
Revenue	**2,954**	**1,909**
Cost of sales	(709)	(466)
Gross profit	**2,245**	**1,443**
Administrative, research and development, and distribution expenses	2,486	2,352
Operating loss	**(241)**	**(909)**
Finance revenue	19	33
Finance costs	(24)	(42)
Loss before and after taxation	**(246)**	**(918)**
Loss for the period (all attributable to members of the parent company)	**(246)**	**(918)**
Loss per share - basic and diluted (pence)	(0.2p)	(0.7p)
LBITDA	**(27)**	**(684)**

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE SIX MONTHS ENDED 30 JUNE 2006 (UNAUDITED)

	2006	*2005*
	£'000	*£'000*
		as restated
Exchange difference on translation of foreign operations	(76)	2
Net income/(expense) recognized directly in equity	**(76)**	**2**
Loss for the financial period	(246)	(918)
Total recognized income and expense for the period (all attributable to members of the parent company)	**(322)**	**(916)**

CONSOLIDATED BALANCE SHEET AT 30 JUNE 2006 (UNAUDITED)

	2006	*2005*
	£'000	*£'000*
Assets		*as restated*
Non-current assets		
Property, plant and equipment	109	97
Intangible assets	792	729
Non-current receivables	10	10
	911	**836**
Current assets		
Trade and other receivables	1,961	1,132
Cash and cash equivalents	1,537	2,106
	3,498	**3,238**
Total assets	**4,409**	**4,074**
Liabilities		
Current liabilities		
Short term borrowings	94	33
Trade and other payables	2,621	1,989
Total liabilities	**2,715**	**2,022**
Net assets	**1,694**	**2,052**
Equity and reserves		
Share capital	6,674	6,077
Shares to be issued	-	1,364
Other reserves	72,986	72,123
Retained losses and translation reserve	(77,966)	(77,512)
Total equity (all attributable to members of the parent company)	**1,694**	**2,052**

CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2006 (UNAUDITED)

	2006	*2005*
	£'000	*£'000*
		as restated
Operating Activities: loss for the period	**(246)**	**(918)**
Adjustments for non-cash and financial items	237	300
Movements in working capital	136	897
Interest paid	(24)	(42)
Net cash from operating activities	**103**	**237**
Investing activities	(285)	(241)
Financing activities	(251)	994
Net (decrease)/increase in cash and cash equivalents	**(433)**	**990**

NOTES

1. Principal Accounting Policies

Basis of preparation
The interim financial information for all periods has been prepared on the basis of the accounting policies set to be applied in the Group statutory accounts for the period ended 31 December 2006, in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the EU, and Interpretations issued by the International Accounting Standards Board and those parts of the Companies Act 1985 which apply to companies preparing their financial statements under IFRS. The six month figures to 30 June 2006 and 30 June 2005 are un-audited and do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The principal accounting policies are set out below. There is a possibility that the directors may determine that some changes to those policies are required when preparing the full annual financial statements, since the IFRS and IFRIC interpretations that will be applicable and adopted for use in the European Union at 31 December 2006 are not known with certainty at the time of preparing this interim financial information. The policies have been applied consistently to all the periods presented, and on the going concern basis.

Going Concern
In the first half of 2006 the group's revenues from continuing operations grew to £3 million and its LBITDA (loss before interest, tax, depreciation and amortisation) basis fell to £27,000. At the period end the group reported net assets of £1.7 million and gross cash resources of £1.5 million. The group has access to a $1 million (£541,000) bank line of credit with Silicon Valley Bank, which is secured against the trade debtors of Sopheon Corporation Minnesota. At 30 June 2006, $172,000 (£93,000) was drawn against this facility. The facilities with Silicon Valley Bank have been in place since 1999, and are renewable annually in October.

The directors remain positive about the direction, focus and momentum of the business and believe that this, together with the group's existing resources provide it with adequate funding to support its activities through to the point at which they anticipate that trading will become cash generative on a sustained basis. This is in turn dependent on the group continuing to deliver substantial sales growth.

Should this not be the case, Sopheon continues to have access to its equity line of credit facility from GEM Global Yield Fund Limited ("GEM") for an aggregate of €10 million for a term expiring in December 2007. GEM's obligation to subscribe for shares is subject to certain conditions linked to the prevailing trading volumes and prices of Sopheon shares on the Euronext stock exchange. To date Sopheon has made one call on the equity line of credit facility, raising just under €1 million in March 2004, leaving €9 million (£6 million) available.

While uncertainties remain as to the achievement of the expected sales growth and the continued availability of facilities, the directors believe that together, these factors enable the group to continue as a going concern for the foreseeable future. The financial information does not include the adjustments that would be required if the company or group were unable to continue as a going concern.

NOTES

1. Principal Accounting Policies (continued)

Basis of consolidation
The consolidated financial statements include the results of the company and its subsidiary undertakings.

Adoption of International Financial Reporting Standards
The adoption of IFRS has resulted in changes to the group's accounting policies in the following areas that have resulted in restatement of certain amounts previously reported under UK GAAP for the six month period ending 30 June 2005:

(i) Under IFRS2, an option pricing model has been used to work out the fair value of share options granted since November 2002, with this value being charged to the profit and loss account over the expected vesting period and leading to a charge of £75,000 for the first six months of 2005. The equivalent impact on the first six months of 2006 is £35,000; and

(ii) Under IAS 38, certain research and development ("R&D") expenditure must be capitalised and amortised based on detailed technical criteria, rather than automatically charging such costs in the profit and loss account as they arise and this has led to the capitalisation of £256,000 for the first six months of 2005, with amortisation of £178,000 being charged in that period. This change also increased net assets at 30 June 2005 by £729,000. The equivalent impacts for the period to 30 June 2006 are £271,000, £185,000 and £792,000 respectively.

The treatment and reporting of Sopheon's revenues have consistently applied the principles of AICPA SOP 97-2, which is considered to be best practice in the software industry. These principles are consistent with IAS 18 and were therefore not affected by the adoption of IFRS.

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes. Sales of software products are recognised on delivery, and when no significant vendor obligations remain. Revenues from implementation and consultancy services are recognised as the services are performed. Revenues relating to maintenance and post contract support agreements are deferred and recognised over the period of the agreements. Revenues and associated costs under long term contracts are recognised on a percentage basis as the work is completed and any relevant milestones are met, using latest estimates to determine the expected duration and cost of the project.

Property, plant and equipment
Computer equipment and fixtures and fittings are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the costs of assets over their estimated useful lives, using the straight-line method. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, when shorter, over the term of the relevant lease. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Share based payments
The group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the date of grant is expensed on a straight-line basis over the vesting period, based on the group's estimate of the shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. Fair value is measured by the binomial option pricing model. The expected life used in the model had been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

NOTES

1. Principal Accounting Policies (continued)

Research and development
In accordance with IAS 38, development expenditure on internally developed software products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the group is able to sell the product;
- sales of the product will generate future economic benefits; and
- expenditure on the product can be measured reliably

Capitalised development costs are amortised over four years. Development costs not satisfying the above criteria, and expenditure on the research phase of internal projects, are recognised in profit or loss as incurred.

Deferred taxation
Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and it is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, but deferred tax assets are recognised only to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Treatment of foreign currencies for consolidation
For the purpose of presenting consolidated financial statements the assets and liabilities of the group's foreign operations (including comparatives) are expressed in sterling using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at rates approximating to those ruling when the transactions took place. Exchange differences arising (including exchange differences on intra-group loans) are classified as equity and transferred to the group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Retirement benefit costs
Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. The group does not operate any defined benefit retirement benefit plans.

Leasing
Assets held under finance leases are recognised as assets of the group at their fair value at the inception of the lease or, if lower, at the net present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

LBITDA
LBITDA represents loss before charging or crediting interest, tax, depreciation and amortisation.

NOTES

2. Turnover

All of the group's revenue in respect of the periods ended 30 June 2006 and 2005 derived from continuing operations and from the group's single business segment, the design, development and marketing of software products with associated implementation and consultancy services.

3. Earnings per share

The calculation of basic loss per ordinary share is based on a loss of £246,000 (2005 - £918,000), and on 133,350,885 ordinary shares (2005 – 129,189,451 including 11,998,200 ordinary shares representing the weighted average effect of the classification as equity of the group's Interest Free Mandatory Convertible Loan Stock), being the weighted average number of ordinary shares in issue during the year. The loss attributable to ordinary shareholders and the weighted average number of ordinary shares for the purpose of calculating the diluted loss per ordinary share are identical to those used for calculating the basic loss per ordinary share in both 2006 and 2005. This is because the exercise of share options would have the effect of reducing the loss per ordinary share and is therefore not dilutive.

4. Shares to be issued

'Shares to be issued' at 30 June 2005 included £1,364,000 being the outstanding amount of the group's Interest Free Mandatory Convertible Loan Stock (the "Stock"). The terms of the Stock were modified during 2004 such that it was only repayable in cash upon the occurrence of certain events relating to the group's ability to continue in business. Accordingly, no fair value is attributable to the liability component under IAS 32 and the entire amount of the Stock is presented within equity shareholders' funds in the group's balance sheet at 30 June 2005. During the second half of 2005 the whole of the remaining Stock was converted into Sopheon ordinary shares, either pursuant to the exercised of conversion rights or automatically upon maturity on 23 December 2005.

5. Cautionary Statement

Sopheon has made forward-looking statements in this press release, including statements about the market for and benefits of its products and services; 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.

6. Trademarks

Accolade® is a registered trademark of Sopheon.
Stage-Gate® is a registered trademark of the Product Development Institute.

Independent review report to Sopheon plc

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2006 set out on pages 1 to 10. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Our report has been prepared in accordance with the terms of our engagement to assist the company in meeting the requirements of the London Stock Exchange for companies trading securities on the Alternative Investment Market and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed. As disclosed in note 1, the annual financial statements of the company are prepared in accordance with International Financial Reporting Standards as adopted for use in the EU. This interim report has been prepared in accordance with the basis set out in note 1. The accounting policies are consistent with those that the directors intend to use in the next annual financial statements. As explained in note 1, there is a possibility that the directors may determine that some changes to those policies are required when preparing the full annual financial statements, since the IFRS and IFRIC interpretations that will be applicable and adopted for use in the European Union at 31 December 2006 are not known with certainty at the time of preparing this interim financial information.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2006.

Going concern

In arriving at our review conclusion, we have considered the adequacy of the disclosures made in Note 1 regarding the Group's ability to continue as a going concern, including the directors' assessment of the ability of the Group to achieve its forecasts.

BDO Stoy Hayward LLP 31 August 2006
CHARTERED ACCOUNTANTS
LONDON