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SOPHEON PLC

(“Sopheon”, the “Group” or the “Company”)

PRELIMINARY AUDITED RESULTS FOR THE YEAR TO 31 DECEMBER 2011

Sopheon plc, the international provider of software and services that help organizations generate more revenues and profits from new products, announces its results for the year ended 31 December 2011 together with an outlook for the current year.

HIGHLIGHTS:

- Revenue for the year was £10.3m (2010: £10.5m). Full year revenue visibility for 2012 already stands above £6.0m, compared to £5.2m at the same time last year.
- EBITDA for the year was £1.5m (2010: £1.5m).
- 54 new and extension license orders secured during the year.
- Customer base contributed 79% (2010: 62%) of non-recurring sales during the year. The recurring revenue base stands at £3.9m (2010: £3.9m).
- Completed technology refresh of core Accolade platform which is now wholly “.net” based.

Barry Mence, Chairman, commented: *“Although our top line results do not demonstrate the growth we had hoped for, we are pleased that EBITDA remains in line with market expectations. We are further encouraged that visibility is already well ahead of last year at more than £6.0m. Looking ahead, our sales pipeline remains very active and includes a number of substantial opportunities from both new and existing customers – including some accounts that signed initial business in 2011 – and which we expect to bear fruit in 2012.”*

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About Sopheon
Sopheon (LSE: SPE) is an international provider of software and services. Sopheon’s solutions structure, align and manage innovation processes to help organizations generate more revenues and profits from new products. Sopheon's solutions are used by industry leaders throughout the world, including BAE Systems, BASF, Corning, Electrolux, Honeywell, Novartis and SABMiller. 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.

Accolade®, Vision Strategist™, Idea Lab™, and Process Manager™ are trademarks of Sopheon plc.
Revenue visibility is defined in Note 7.

CHAIRMAN'S STATEMENT

INTRODUCTION

The past year was one of mixed results for Sopheon. We feel very positive about the advances we have made within our business over time. In 2011, however, these changes did not produce the expected financial growth. Revenues totaled £10.3m, broadly similar to the £10.5m generated in 2010. In fact, if adjustments are made for the effect of exchange rate movements, revenues in 2011 were the same as in 2010. EBITDA of £1.5m was also the same as 2010. Thanks to strict control of costs, and enhanced conversion of development costs into product, we achieved these results despite the expansion of staff in sales, services and development. For the second year in a row, we are also pleased to report a positive bottom line profit after tax of £104,000 (2010: £152,000).

Total license transactions including extension orders were 54 in 2011 (2010: 58). We experienced good growth in services and maintenance revenues, but license income represented only 29 percent of our total income, compared to 37 percent in 2010. Some of this shift in apportionment is explained by new customers making smaller initial investments, and then extending implementation across multiple years. The rest is largely due to higher-than-expected levels of customer extension activity compared to new client acquisition.

From a geographical standpoint, the relative contributions of the US and European markets remained broadly steady at 64 percent and 36 percent respectively. Performance of newer product lines improved in 2011 driven partly by our continued investment in development. Our innovation planning solution, Accolade® Vision Strategist™, and our new-product ideation offering, Accolade Idea Lab™, contributed 11 percent and 5 percent of total revenues, compared to 9 percent and 3 percent respectively in 2010. Income from the sale of our core innovation process support solution, Accolade Process Manager™, accounted for the remainder of the total.

At the date of this report, full-year 2012 revenue visibility incorporating booked revenue, contracted services business and the run rate of recurring contracts stands at more than £6.0m, compared to £5.2m at the same time last year. Revenue visibility is more fully defined in Note 7.

TRADING PERFORMANCE

Sopheon's consolidated turnover in 2011 was £10.3m, compared to £10.5m in 2010 and £8.3m in 2009. Although the average Euro rate remained broadly constant relative to Sterling during 2011, there was a fall in the US Dollar rate which negatively impacted revenues by £200,000. Adjusting for this movement in currency value, revenues were flat year-on-year. Furthermore, the split of total revenues between North American and European territories also remained broadly constant year-on-year.

Total license transactions including extension orders were 54 in 2011 compared to 58 in 2010, a reduction of 7 percent. Accolade Vision Strategist contributed approximately 11 percent of total revenues during 2011 compared to 9 percent in 2010. Our Idea Lab solution contributed 5 percent of revenues compared to 3 percent the year before. Historically, our performance in the fourth quarter has tended to be very strong and provided a substantial boost to overall annual revenues. In 2011, although the third quarter showed substantial growth over the third quarter of 2010, in the final quarter we did not match our record revenues of £3.5m in the fourth quarter of 2010.

BUSINESS MIX

The annualized average growth of the business since the launch of Accolade is 25 percent, but as noted above, the year-on-year performance between 2010 and 2011 was flat. Within this overall picture, maintenance and services revenues delivered increases of 11 percent and 13 percent respectively; however, license revenues fell 25 percent. We believe the pause in license revenue is, in part, symptomatic of the sensitivity of our results to individual sales events. Compounding this issue, we are seeing an evolution of buying patterns whereby customers are increasingly likely to demand extended validation phases, pilot projects and phased license orders as opposed to making substantial one-off orders as in the past. A number of new 2011 customer transactions followed this pattern. The fact that new-account sales are taking more time contributed in 2011 to a greater proportion of revenues being recorded from existing customers. Approximately 79 percent of the value of non-recurring orders in 2011 was derived from our existing customers, compared to 62 percent the year before. We recognize the importance to long-term growth prospects of bringing on new customers. As noted earlier, we believe most of the customer investment cycles started in 2011 will come to fruition in 2012. As was also noted earlier, the strength of demand from our customer base has absorbed much attention from our sales teams, and we have accordingly taken action to reorganize and improve the focus on winning new customers, without compromising our existing customer relationships. The continued growth in add-on business from existing customers underlines both the inherent value of our solutions, and the extended business opportunity for Sopheon from each new customer we sign.

Similar to prior years certain customers reorganized and rationalized in reaction to the economic conditions, resulting in termination of some maintenance contracts. The base of recurring business now stands at £3.9m compared to similar levels coming into 2011 and £3.7m coming into 2010. The majority of this income is represented by maintenance services, but also includes hosting services and license rentals. Overall, in 2011 our business delivered a 29:38:33 ratio of licenses, maintenance, and services respectively compared to 37:34:29 in the previous year.

Overall gross margins have fallen slightly to 73 percent (2010: 75 percent) which can be largely attributed to the relative increase in service compared to license revenues and the associated higher costs. Within this overall picture, we did incur approximately £0.3m of third-party software costs (2010: £0.2m). As we have noted in prior annual reports, we anticipated that license margins will be affected by decisions to embed, rather than build, certain third-party components or methods of working into our software. This is expected to continue going forward. In the services area, higher revenues resulted in a rise in the overall cost of service resources. However, salary costs remained fairly constant as we continued to extend capacity through subcontractors. We expect this balance to shift back towards permanent resources in 2012 and have already made key additional hires in this area. This should have a beneficial impact on services margins.

RESEARCH & DEVELOPMENT EXPENDITURE

Having sustained investment in product development during the course of 2009, we made some reductions coming into 2010. Budgets for development were held through 2010, and then gradually released in the final quarter of the year and early 2011. These expanded development resources have resulted in higher total expenditures in research and development year-over-year. However, as in 2009, these resources were more focused on specific product releases which enhanced the level of investment in capitalized development costs. Accordingly, headline research and development expenditures reported in the income statement fell to £2.2m, compared to £2.4m in 2010. This apparent reduction of £0.2m (2010: £0.2m increase) is attributable to the net impact of capitalization, amortization and impairment charges associated with research and development. The amount of 2011 research and development expenditure that met the criteria of IAS38 for capitalization was £1.1m (2010: £0.7m).

Sopheon is committed to product leadership, with excellence in research and development a core competency of the Group. Since 2001 Sopheon's reported research and development costs each year have been at least 20 percent of revenues reported in that year. For 2011, this metric was 21 percent (2010: 23 percent).

OPERATING COSTS

Of relevance to all aspects of the income statement is the fact that the strong performance in 2010 led to a maximum bonus award being made to all employees of the Group who were on the corporate bonus scheme. This covered the majority of the Group's executives and employees, with the principal exception of the sales teams, for whom incentives are tied to individual or territory results. The costs of the bonus were allocated to the relevant categories of the income statement. Due to raised targets, bonuses are not payable for 2011; this reduction almost completely offset the higher costs arising from staff increases and greater use of subcontractor resources.

Detailed comments regarding professional services and research and development costs are noted above. Headline sales and marketing costs have fallen from £3.6m in 2010 to £3.5m in 2011. As with professional services and research and development, actual fixed costs rose year-on-year but this was offset by lower commissions and bonus costs, as well as a lower amortization and impairment charges for the intangible customer assets acquired with Alignent in 2007.

Headline administration costs have fallen by £0.1m. Much of the fall can be attributed to reductions in bonus cost. Unlike operational areas, this was not offset by higher staffing as we maintained constant resources in these areas year-over-year. Underlying administration costs and resourcing have remained broadly constant, as they have since 2007. Within this total there have been a number of movements. For example, rent and insurance costs are down, whereas professional fees and information technology costs have risen. Such costs will continue to be managed tightly as the Group expands operational resources.

RESULTS

The combined effect of the revenue and cost performance discussed above has resulted in Sopheon's EBITDA (Earnings before Interest, Tax, Depreciation and Amortization) performance for 2011 staying constant at £1.5m, the same as for 2010.

In common with other businesses in our sector, the board believes EBITDA provides a useful indicator of the operating performance of our business by removing the effect on earnings of tax, capital spend and financing. EBITDA is further defined and reconciled to the profit before tax in Note 6. Our calculation of EBITDA is stated after charging (i) share-based payments of £40,000 (2010: £81,000); (ii) impairment charges of acquired intangible assets of £65,000 (2010: £180,000); and (iii) exchange gains of £55,000 (2010: £7,000) but excludes depreciation and amortization charges for the year of £1.0m (2010: £1.1m) and net finance costs of £0.4m (2010: £0.3m).

Including the effect of interest, depreciation and amortization, the Group reported a profit before tax for the year of £104,000 (2010: £171,000). No tax has been provided, compared to £19,000 in 2010 representing US Alternative Minimum Tax chargeable on US profits. The profit per ordinary share was 0.07p (2010: 0.10p).

FINANCING AND BALANCE SHEET

Consolidated net assets at the end of the year stood at £3.1m (2010: £3.0m). Cash and cash equivalents at 31 December 2011 amounted to £2.9m (2010: £3.4m). Approximately £1.8m was held in US Dollars, £0.9m in Euros and £0.2m in Sterling.

Intangible assets stood at £3.7m (2010: £3.6m) at the end of the year. This includes (i) £2.7m being the net book value of capitalized research and development (2010: £2.4m) and (ii) an additional £1.0m (2009: £1.2m) being the net book value of Alignent intangible assets acquired in 2007. The carrying value of the Alignent intangibles has been impacted by both amortization and impairment charges. Further details are set forth in Note 11.

In June 2007, the Group entered into a $3.5m, 48-month mezzanine term loan with BlueCrest Capital Finance ("BlueCrest"), in connection with its acquisition of Alignent Software Inc. This term loan was repayable in equal monthly installments through to July 2011. In December 2010, the Group signed an agreement with BlueCrest to refresh the mezzanine term loan back up to $3.5m, for a new 39-month term, repayable in equal monthly installments of $90,000 plus interest through March 2014. The loan bears interest at 13 percent per annum. No warrants were issued to BlueCrest in connection with the transaction. In addition to the term loan, for a number of years the Group has had access to a revolving line of credit with BlueCrest, secured against the trade receivables of Sopheon's North American business and with a maximum draw capacity of $1.25m. The facility is periodically renewable and the next renewal date is 31 May 2012.

In October 2009, the Company issued £850,000 of convertible unsecured loan stock (the "Loan Stock") to a group of investors including key members of the board and senior management team. The Loan Stock has a conversion price of 7.75p per share, and matures on 31 January 2013.

Sopheon's equity line of credit facility with GEM Global Yield Fund Limited ("GEM") was due to expire on 23 December 2011. During the year, GEM agreed to implement a further two year extension at no cost to Sopheon, through to 23 December 2013. The facility has been used to raise working capital once, in

March 2004, leaving approximately 90 percent of the original €10m facility available under the extended agreement. Drawings under the GEM equity line of credit are subject to conditions relating *inter alia* to trading volumes in Sopheon shares.

MARKETS & PRODUCTS

We have previously stated that Sopheon's growth strategies for 2012 and beyond center on three key objectives:

- **Increase our rate of growth by deploying vertical-specific marketing strategies.** Our revised marketing approach comprises a vertical-specific, integrated mix of tactics ranging from digital advertising campaigns and web-based events to conferences, direct mail and social media programs. Target sectors include consumer packaged goods, and aerospace & defense.

- **Broaden the use of our solutions within existing accounts.** We have introduced a range of new products and services over the past two years, supporting them with account management and marketing programs directed exclusively into our customer base. Most recently, we reorganized our sales teams to segregate and sharpen the focus between generating additional revenue from existing customers and adding new accounts.

- **Expand direct and indirect distribution channels to acquire new accounts.** During 2011 we widened sales coverage geographically with new hires on the US West Coast, and in Germany. We also continued to build our relationships with consulting partners. In some cases, the initiative includes development and commercialization of joint offerings. Universally, these partnerships are calculated to leverage complementary skills and reciprocal account introductions to generate new customers.

During 2011, we invested in all three of these objectives. We made progress in some areas. Where we found progress lagging, we made adjustments. We look for the payoff from these efforts to be reflected in our 2012 results. On the product front, 2011 was a milestone year for Sopheon. First, we completed a full refresh of the technology platform upon which our core software offerings are built, and as a result, these are now wholly based on the current Microsoft software framework, ".net". This achievement is the culmination of a multi-year effort that was conducted in tandem with the continued creation and commercialization of new product features and functionality. During 2011, we also introduced a new agile development methodology which will allow us to systematically introduce multiple product releases during the course of a year, rather than larger releases separated by long intervals of time. The combination of the platform change and switch in methodology provides a mix of important advantages. Principal among them is that we will be able to build products faster and do a better job of ensuring that they are in step with real customer needs. In 2012, these changes give us a springboard for the introduction of a number of new functional releases that we expect will advance the value of our solutions in a range of markets.

Sopheon remains unique in offering an all-in-one software system that encompasses support for strategic innovation planning, ideation, product development process execution, and portfolio management across the entire product lifecycle. The strength of our market position has been validated by analysts. Our decision to sustain internal product development investment despite the recent, ongoing economic uncertainty is serving us well in the present and will continue to fortify our business performance and potential in the days ahead.

PEOPLE

Sopheon is differentiated in the market by its reputation for deep domain expertise in innovation management. That know-how is embodied in our people, whose best-practice understanding and experience have been developed through many years of helping top businesses achieve innovation success. We are very proud of the commitment that our people have shown in lifting Sopheon to a position of leadership in this area and in building on that standing throughout the recent economic turbulence.

Sopheon continues to grow and develop our people. We are selective about whom we add to the team.

And when someone joins, our actions reflect that we understand the importance of transferring as rapidly as possible what we have learned over time. We recently kicked off an initiative to package key aspects of our unique experience and knowledge into formal on-boarding and certification training. In 2012, as this initiative is rolled out, our goal is to reduce the ramp-up time for new employees. This, in turn, will improve our ability to scale our organization as the Group continues to grow, without jeopardizing critical standards for high levels of customer satisfaction. In 2011, also with the goal of better positioning Sopheon for growth, we reported having taken steps to restructure and strengthen Sopheon's executive management team. Our commercial operations are now organized on a regional basis, with teams in North America and Europe, led by Mike Ducatelli and Jim Conroy respectively. Jim is a new appointment who brings an extensive track record of sales leadership success to our European business. He earlier held similar positions at Agentrics, Demantra, and Cap Gemini.

The Sopheon plc board is made up of three executive directors, augmented by three non-executive directors who bring a wealth of knowledge and experience to our business.

OUTLOOK

Buoyed by strong 2010 results, we expected another year of financial progress in 2011. Instead, we essentially matched the prior year performance. The principal reason was a fall in license revenues. We attribute this drop-off in part to strong demand from our client base for extension business, which absorbed the attention of our sales team and diverted energy from winning new clients. We have since reorganized our sales resources to ensure a more focused attention to both areas. We believe this will be reflected in improved license performance in 2012, building on our service and maintenance income streams, which are now each at run-rates of around £1m a quarter. Accordingly, we remain positive about the growth outlook for the business.

We entered 2011 looking to take advantage of an improving business climate. This included controlled expansion of staff levels in key areas. As previously reported, we also took action in late 2010 to improve our working capital position to provide the Group with flexibility to react to any new, viable market opportunities that arose. This strategy has enabled continued investment where it is judged necessary to near- and mid-term business performance. Accordingly, we are maintaining staffing levels and in fact making further controlled investments in sales and services resources to stimulate and support future growth. Notwithstanding this stance, we are fully conscious of the need to remain vigilant in matching costs to revenue expectations, not least due to the continued uncertainty in the global economy.

Looking ahead, our sales pipeline remains very active and includes a number of substantial opportunities from both new and existing customers – including some accounts that signed initial business in 2011 – and which we expect to bear fruit in 2012.

Barry Mence **22 March 2012**
CHAIRMAN

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 *£'000*	*2010* *£'000*
Revenue	**10,276**	**10,537**
Cost of sales	(2,731)	(2,603)
Gross profit	**7,545**	**7,934**
Sales and marketing expense	(3,533)	(3,593)
Research and development expense	(2,173)	(2,417)
Administrative expense	(1,377)	(1,488)
Operating profit	**462**	**436**
Finance income	8	6
Finance expense	(366)	(271)
Profit before tax	**104**	**171**
Income tax expense	-	(19)
Profit for the year	**104**	**152**
Earnings per share - basic and diluted	0.07p	0.10p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 *£'000*	*2010* *£'000*
Profit for the period	**104**	**152**
Other comprehensive income		
Exchange differences on translation of foreign operations	(58)	39
Total comprehensive income for the year	**46**	**191**

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2011

	2011	*2010*
	£'000	*£'000*
Assets		
Non-current assets		
Property, plant and equipment	166	141
Intangible assets	3,748	3,633
Non-current receivables	12	12
	3,926	**3,786**
Current assets		
Trade and other receivables	3,265	4,119
Cash and cash equivalents	2,941	3,358
	6,206	**7,477**
Total assets	**10,132**	**11,263**
Liabilities		
Current liabilities		
Short-term borrowings	1,448	982
Deferred revenue	2,470	2,633
Trade and other payables	1,469	2,350
	5,387	**5,965**
Non-current liabilities		
Borrowings	1,663	2,290
Total liabilities	**7,050**	**8,255**
Net assets	**3,082**	**3,008**
Equity		
Share capital	7,279	7,279
Other reserves	55,803	73,719
Profit and loss account and translation reserve	(60,000)	(77,990)
Total equity	**3,082**	**3,008**

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 *£'000*	*2010* *£'000*
Operating activities		
Profit before and after taxation	104	152
Adjustments for non-cash and financial items	1,492	1,600
Movements in working capital	(268)	311
Net cash generated from operating activities	1,328	2,063
Investing activities		
Finance income	8	6
Purchases of property, plant and equipment	(125)	(92)
Development costs capitalized	(1,060)	(657)
Net cash used in investing activities	(1,177)	(743)
Financing activities		
Proceeds from borrowings	-	2,152
Repayment of borrowings	(673)	(1,014)
Movement in lines of credit	442	(465)
Finance expense	(342)	(271)
Net cash generated (used in) / from financing activities	(573)	402
Net (decrease) / increase in cash and cash equivalents	**(422)**	**1,722**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011

	Share Capital *£'000*	*Capital Reserves* *£'000*	*Translation Reserve* *£'000*	*Retained Losses* *£'000*	*Total* *£'000*
At 1 January 2010	**7,279**	**73,633**	**381**	**(78,608)**	**2,685**
Total comprehensive income for the year	-	-	39	152	191
Share based payments	-	86	-	46	132
At 1 January 2011	**7,279**	**73,719**	**420**	**(78,410)**	**3,008**
Total comprehensive income for the year	-	-	(58)	104	46
Share based payments	-	(17,916)	-	17,944	28
At 31 December 2011	**7,279**	**55,803**	**362**	**(60,362)**	**3,082**

The translation reserve represents accumulated differences on the translation of assets and liabilities of foreign operations. Retained losses represent accumulated trading losses, including amortisation and impairment charges in respect of goodwill and intangible assets arising from past acquisitions. Capital reserves represent share premium, merger reserve, capital redemption reserve and share options reserve.

NOTES

1. Basis of Preparation

The financial information set out in this document does not constitute the Company's statutory accounts for 2010 or 2011. Statutory accounts for the years ended 31 December 2010 and 31 December 2011 have been reported on by the Independent Auditors. The Independent Auditors' Reports on the Annual Report and Financial Statements for each of 2010 and 2011 were unmodified and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006, but consistent with prior years, drew attention to an emphasis of matter due to the uncertainty over going concern.

Statutory accounts for the year ended 31 December 2010 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 December 2011 will be delivered to the Registrar in due course, and will be available from the Company's registered office at 40 Occam Road, Surrey Research Park, Guildford, Surrey, GU2 7YG and from the Company's website www.sopheon.com.

The financial information set out in these preliminary results has been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in the European Union (collectively Adopted IFRSs). The accounting policies adopted in these preliminary results have been consistently applied to all the years presented and are consistent with the policies used in the preparation of the statutory accounts for the period ended 31 December 2010. The principal accounting policies adopted are unchanged from those used in the preparation of the statutory accounts for the period ended 31 December 2010. New standards, amendments and interpretations to existing standards, which have been adopted by the Group have not been listed, since they have no material impact on the financial statements.

2. Going Concern

The financial statements have been prepared on a going concern basis. In reaching their assessment, the directors have considered a period extending at least 12 months from the date of approval of these financial statements. This assessment has included consideration of the forecast performance of the business for the foreseeable future, the cash and financing facilities available to the Group, and the repayment terms in respect of the Group's borrowings, including the potential of having to repay convertible loan stock in January 2013.

During 2011, the Group achieved revenues of £10.3m and a profit before tax of £104,000. This represents a flat performance compared to the previous year. The performance in 2010 was a substantial improvement over 2009. Coming into 2012, the Group's sales pipeline remains very active, and accordingly, the directors remain positive about the prospects for the business.

In December 2010, the Group renegotiated its loan note from BlueCrest Capital Finance ("BlueCrest") for a new principal value of $3.5m, which brought in new working capital of approximately $2.7m. The principal is repayable in equal monthly instalments of $90,000, plus interest, through March 2014. The Group also has access to a revolving line of credit with BlueCrest which is secured against the trade receivables of Sopheon's North American business. This facility is periodically renewable, and the current term is to 31 May 2012. The facility limit is $1,250,000. At 31 December 2011, $1,200,000 (£776,000) was drawn against this revolving facility. In addition, during 2009 the Group had secured a convertible loan for £850,000, which is repayable or convertible by 31 January 2013.

NOTES

2. Going Concern (continued)

Notwithstanding the Group's stable funding and trading position, the time-to-close and the order value of individual sales continues to vary considerably. When combined with the relatively low-volume and high-value nature of the Group's business, these are factors which constrain the ability to accurately predict revenue performance. In addition, to meet its strategic objectives, the Group has expanded its staff levels. If sales fall short of expectations, there is a risk that the Group's facilities may prove insufficient to cover both operating activities and the repayment of its debt facilities, which latter point could be due to the regular repayment of the BlueCrest term loan, the possibility of non-renewal of the BlueCrest revolving line of credit, or the possibility of having to repay in cash £850,000 of convertible loan stock on 31 January 2013. In such circumstances, the Group would be obliged to seek additional funding.

The directors have concluded that the circumstances set forth above represent material uncertainties, which may cast significant doubt upon the Group's ability to continue as a going concern, however they believe that taken as a whole, the factors described above enable the Group to continue as a going concern for the foreseeable future. The financial statements do not include the adjustments that would be required if the Company or Group were unable to continue as a going concern.

3. Director's Responsibility Statement

The responsibility statement set out below has been reproduced from the Annual Report and Accounts, which will be published in March 2012, and relates to that document and not this announcement:

The annual report is the responsibility of, and has been approved by, the directors. The directors confirm to the best of their knowledge that:

- The financial statements, prepared in accordance with International Financial Reporting Standards as endorsed by the European Union and Article 4 of the IAS regulation, give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer and the undertakings included in the consolidation taken as a whole; and

- The annual report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

NOTES

4. Segmental Analysis

All of the Group's revenue in respect of the years ended 31 December 2011 and 2010 derived from the design, development and marketing of software products with associated implementation and consultancy services, as more particularly described in the Directors' Report. For management purposes, the Group is organized geographically across two principal operating segments, which can be expressed geographically. The first segment is North America, and the second Europe, Middle East and Africa. Information relating to these two segments is given below.

The information in the following table relating to external revenues includes analysis both by location of customer and by location of operations. The information relating to other items provides analysis by location of operations only. Inter-segment revenues are priced on an arm's length basis.

Year ended 31 December 2011

	North America £'000	*EMEA £'000*	*Total £'000*
Income Statement			
External revenues – by location of customers	6,565	3,711	10,276
External revenues – by location of operations	7,189	3,087	10,276
Operating profit before interest and tax	(139)	601	462
Finance income	-	8	8
Finance expense	(281)	(85)	(366)
Profit before tax	(420)	524	104
Income tax expense	-	-	-
Depreciation, amortization and impairment charges	(1,090)	(5)	(1,095)
EBITDA	884	607	1,491

Balance Sheet			
Fixed asset additions	100	25	125
Capitalization of internally generated development costs	1,060	-	1,060
Total assets	7,701	2,431	10,132
Total liabilities	(4,924)	(2,126)	(7,050)

NOTES

4. Segmental Analysis (continued)

Year ended 31 December 2010

	North America £'000	*EMEA £'000*	*Total £'000*
Income Statement			
External revenues – by location of customers	7,085	3,452	10,537
External revenues – by location of operations	7,380	3,157	10,537
Operating profit before interest and tax	73	363	436
Finance income	-	6	6
Finance expense	(204)	(67)	(271)
Profit before tax	(131)	302	171
Income tax expense	(19)	-	(19)
Depreciation, amortization and impairment charges	(1,248)	(6)	(1,254)
EBITDA	1,142	369	1,511
Balance Sheet			
Fixed asset additions	89	3	92
Capitalization of internally generated development costs	657	-	657
Total assets	8,955	2,308	11,263
Total liabilities	(5,741)	(2,514)	(8,255)

One customer, served by both segments, accounted for approximately 10 percent of the Group's revenues in 2011. One customer, served by both segments, accounted for approximately 10 percent of the Group's revenues in 2010. External revenues in 2011 exclude inter-segment revenues which amounted to £793,000 (2010: £572,000) for North America and £192,000 (£383,000) for EMEA. Revenues attributable to customers in the UK in 2011 amounted to £1,092,000 (2010: £772,000). The segmental analysis above has been presented using information that is readily available to management.

5. Revenue

All of the Group's revenue in respect of the years ended 31 December 2011 and 2010 derived from continuing operations and from the design, development and marketing of software products with associated implementation and consultancy services.

6. EBITDA

The directors consider that EBITDA, which is defined as earnings/(loss) before interest, tax, depreciation and amortization, is an important measure, since it is widely used by the investment community. It is calculated by adding back depreciation and amortization charges amounting to £1,029,000 (2010: £1,074,000) to the operating profit of £462,000 (2010: £436,000).

NOTES

7. Revenue Visibility.
Another performance indicator used by the Group and referred to in narrative descriptions of the Group's performance is revenue visibility. At any point in time it comprises revenue expected from (i) closed license orders, including those which are contracted but conditional on acceptance decisions scheduled later in the year; (ii) contracted services business delivered or expected to be delivered in the year; and (iii) recurring maintenance, hosting and rental streams. The visibility calculation does not include revenues from new sales opportunities expected to close during the remainder of the year.

8. Share-Based Payments
In accordance with *IFRS2 Share based Payments*, an option pricing model has been used to work out the fair value of share options granted since November 2002, with this being charged to the income statement over the expected vesting period and leading to a charge of £39,000 (2010: £81,000).

9. Income Tax
At 31 December 2011, tax losses estimated at £45m were available to carry forward by the Sopheon Group, arising from historic losses incurred. An aggregate £12m of these losses are subject to restriction under section 392 of the US Internal Revenue Code due to historical changes of ownership.

10. Earnings per Share
The calculation of basic loss per ordinary share is based on a profit of £104,000 (2009: loss of £1,494,000), and on 145,579,000 (2009: 145,579,000) ordinary shares, being the weighted average number of ordinary shares in issue during the year. The effect of all potential ordinary shares is anti-dilutive.

11. Intangible Assets
In accordance with *IAS 38 Intangible Assets*, certain development expenditure must be capitalised and amortised based on detailed technical criteria, rather than automatically charging such costs in the income statement as they arise. This has led to the capitalisation of £1,060,000 (2010: £657,000), and amortisation of £764,000 (2010: £710,000) during the year. A further £164,000 (2010: £258,000) of amortisation was incurred during the year relating to intangible assets acquired with Alignent. In addition, during 2010 and 2011 the recurring income from the acquired Alignent customer base reduced, due to a mix of factors including the conversion of certain rental licenses to perpetual, changes in rental levels, and cancellations. The overall reduction exceeded the rate of attrition of such recurring income estimated in the original valuation exercise, leading to impairments in the carrying value of the acquired Alignent intangible assets of £66,000 (2010: £180,000).

12. 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.