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SOPHEON PLC

("Sopheon", the "Group" or the "Company")

AUDITED RESULTS STATEMENT FOR THE YEAR TO 31 DECEMBER 2015

Positive shift in momentum delivers strong results

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 2015 together with an outlook for the current year.

HIGHLIGHTS:

- Revenue: $20.9m (2014: $18.3m)
  EBITDA: $4.1m (2014: $1.2m)
  PBT: $1.2m (2014: $1.5m loss)
- Software targeted at Enterprise together with an out-of-the-box Express solution, alongside enhanced delivery capability, generates momentum in the business.
- Full year revenue visibility at start of 2016 of over $12m, compared to $10.2m the previous year.
- Market recognition from leading industry voices such as Gartner, CIMdata, CGT magazine underpinned by 100% customer satisfaction.
- New staff added in 2016 in key areas as we implement our 2016 plans.

Barry Mence, Chairman, commented: *"I am delighted to share such positive financial validation of our progress. The board remains confident that Sopheon is on the right path, with strong momentum and pipeline for further advancement in 2016. We continue to expand resources in line with the growth areas of the business to support this strong momentum, and maintain our leading market position. Our success is in no small part due to the commitment and diligence of our people, and I take this opportunity to thank all in Sopheon who made it possible."*

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About Sopheon. Sopheon (LSE: SPE) partners with customers to provide complete enterprise innovation management solutions including software, expertise, and best practices, that enable them to achieve exceptional long-term revenue growth and profitability. Sopheon's Accolade solution provides unique, fully-integrated coverage for the entire innovation management and new product development lifecycle, including strategic innovation planning, roadmapping, idea and concept development, process and project management, portfolio management and resource planning. Sopheon's solutions have been implemented by over 200 customers with over 60,000 users in over 50 countries. Sopheon is listed on AIM, operated by the London Stock Exchange. For more information, please visit www.sopheon.com.

CHAIRMAN'S STATEMENT

My last annual statement to shareholders highlighted the ongoing transition in Sopheon's business model, and its impact on our performance. It is very gratifying, one year later, to be able to report solid strategic progress and results for 2015. Revenues grew from just over $18m to almost $21m. This double-digit growth was achieved in spite of headwind in the form of a strengthening dollar. The improvement in profitability was even more marked, with EBITDA more than tripling to $4.1m, and profit before tax at $1.2m.

Two years ago we embarked on a strategic growth transition to migrate from delivering process automation tools to delivering enterprise class innovation management solutions. We made substantial progress in 2014, but not without some disruption to business momentum, which continued into the first half of 2015. In spite of these short-term financial consequences, we remained confident in our path during the transition and continued to lead the market in vision, experience and capability that today in our opinion remain unmatched by competitors. Our dual market segmentation focus on both the complex global enterprise and the simpler, "out-of-the-box" Express model for quick time to value, is gaining traction. This view is validated by the naming of Sopheon in Gartner's 2015 Market Guide for Enterprise PPM Software, and recent Enterprise Innovation Management research conducted by CIMdata.

Our 2015 performance was broad based. We signed 14 new customers and closed another 28 transactions with existing customers. New wins included expansion of our Asian presence with a major Chinese chemical business sold through our important partner relationship in that territory, and several Express offerings that are now fully deployed. In addition, we signed a number of major enterprise contracts, including a software-as-a-service (SaaS) deal with a Fortune 100 consumer products corporation with substantial recurring revenue potential. Our largest customer accounted for 11 percent of revenue, and no other customer was above 6 percent. The strengthening recurring base, along with a sizeable proportion of the work resulting from our 2015 successes, have carried over into 2016, giving revenue visibility above $12m as compared to just over $10m a year ago.

As in previous years, we maintained the pace of new product releases consistent with our Agile methodology, releasing Accolade® 9.3 in February 2015, Accolade 10.0 in June and Accolade 10.1 in September. Since the end of the year we released Accolade 10.2 in January. We have been taking action to enable world-class adoption of our solutions for some time and we are now seeing the benefits in our performance metrics in both of the market segments mentioned above. All of our product releases include new and enhanced functionality driven by both customer and market needs and our sales and services organizations have been restructured to be customer value centric. We saw third-party validation of this effort in the recent Sopheon recognition as Customer Service Leader in the new product development and introduction solutions category as voted by the executive readership of Consumer Goods Technology (CGT) magazine, selection by the same readership for the sixth consecutive year as a best-in-class new product development solution, and the Gartner and CIMdata reports mentioned above.

I was deeply saddened to announce in January that Dr. Bernard Al, a non-executive director, passed away during the holiday period. A true professional with vast experience and integrity, Bernard served on the Sopheon board from 2001, making a vital contribution. He will be greatly missed.

On a more positive note, I am delighted to share such positive financial validation of our progress. The board remains confident that Sopheon is on the right path, with strong momentum and pipeline for further advancement in 2016. We are also expanding resources in several parts of the business to ensure that we maintain our strong market position. Our success is in no small part due to the commitment and diligence of our people, and I take this opportunity to thank all in Sopheon who made it possible.

STRATEGIC REVIEW

Sopheon's mission is to help our customers achieve exceptional long-term growth and profitability through sustainable innovation. We do this by providing software and services that help complex, global enterprises to increase the market success rate of their innovation efforts, to improve R&D throughput and time to market, and to increase the value per product or service in their innovation portfolio. We provide transparency and insight to improve decision making across four distinct business capabilities required to achieve sustainable innovation:

- Strategic alignment of long-term **Innovation Plans** with market requirements, industry regulations, and supply chain capabilities; to create stronger strategic initiatives and priorities.
- Generation and development of higher value **Ideas and Concepts** to fill key gaps relevant to achieving strategic initiatives.
- Improved **Process and Project Management** that tracks and enables key decision making, focused on evaluating projects associated with innovation initiatives, and accelerating productivity and velocity of development efforts through better execution and collaboration.
- Data management, analytics and integrity tools improve **Portfolio Optimization** to ensure the best return on innovation investments.

Research indicates that on average, only 50 percent of new products achieve their desired business objectives. We have helped customers implement effective innovation management processes to dramatically increase this success rate, with some as high as 85 percent. A common innovation and new product development challenge companies face is coordinating resources to bring products to market. We help improve throughput efficiency, enabling 15-30 percent more products to be brought to market for the same investment. We have helped companies increase the value of their portfolios by 75-100 percent or more through a combination of connecting innovation strategy with operational execution; funding and resourcing only the highest quality initiatives; managing processes more effectively; and optimizing and balancing the product portfolio.

Recognition

The Sopheon solution was designed from the start as a decision support system focusing on **business value** that is critical to enterprise growth. Over recent years Sopheon has expanded its value to our client user community by improving the usability of our software, reducing the number of "clicks" required for the same work result, and introducing more intelligence into the Accolade platform. Recent market recognition of Sopheon's progress includes:

- Sopheon was voted Customer Satisfaction Leader by CGT Magazine's executive readership in 2015 and named as a Top 10 solution provider for new product development and introduction for the sixth consecutive year in their public announcement of January 2016.
- In a recent survey conducted by the CEO office, 100 percent of the new clients who deployed Accolade in 2014 or 2015 reported that Sopheon *met* or *exceeded* the expectations they had at time of contract signature.
- Gartner recognized favorable market movement and named Sopheon as a market leading vendor in its 2015 Market Guide for Enterprise PPM Software. This research defines the Enterprise PPM Software market as an evolving and maturing market. Gartner reports it experienced an increase in client inquiries about Sopheon in 2015.
- CIMdata delivered its first market research on the Enterprise Innovation Management (EIM) market as a growing market segment and named Sopheon as a thought-leader in the space.

We are very proud of the recent industry recognition which is the result of hard work, focus and investment in both our people and our product. Our clients expect Sopheon to provide domain expertise to assist them in improving their innovation performance, a competency that has been uniquely learned and created in the deployment of our solution to market leaders for some 15 years. We have doubled our consultancy depth and competency to support our continued growth, and we continue to invest further in this domain knowledge to support further separation from the competition during 2016.

Our product investment made in 2014 to expand the seamless integration between long-range planning and operational execution capabilities paid dividends in 2015 with more clients investing in the full Enterprise Innovation suite of capabilities. The combination of deep domain knowledge of Sopheon's people with the increased operational value that Accolade delivers is resonating with global industry leaders as they turn to Sopheon for partnership. Sopheon's solutions have been implemented by over 200 customers with over 60,000 users in over 50 countries.

We see a continuing convergence of the business, economic and market trends that play directly into Sopheon's market position, solutions and investments: business transformation, the cadence of the modern operating plan, and sustainable innovation. We believe that Sopheon's Enterprise Innovation Management platform remains uniquely positioned to leverage these three major trends. Accolade was designed to provide connectivity, manage complexity, and enable even the largest global corporations to operate rapidly and nimbly as market disrupters occur at warp speed. Accolade connects the enterprise so that board-level strategy is driven, propagated, managed, tracked and realized through all areas and levels of the organization with speed. It enables visibility across the entire innovation life cycle, which supports the nimble decision making capabilities companies need. None of this can be achieved without an Enterprise Innovation Management system in place.

Growth Strategy

Sopheon's growth strategy is to enable corporations to operationalize corporate initiative and innovation management. Our focus requires Sopheon to:

- **Increase industry-specific domain knowledge and solutions:** We have always believed that different vertical markets, while sharing core functionality needs, have differing pain-points and best practice traditions. In 2015 we continued our objective to dominate in our chosen core verticals of chemical, aerospace, consumer products and high technology. Sopheon's long history and experience in these verticals enables us to operate as an industry connector for our clients, introducing them to one another to jointly learn and advance their competency and success.

- **Introduce new offerings to leverage growth in our blue chip customer base:** Sopheon's roster of customer names is a hugely impressive list of the world's leading companies. In 2015 Sopheon continued to expand the range of our innovation solutions providing the opportunity for us to extend our footprint within our customers across their enterprise, to deliver considerably higher value for their investment in Accolade. Client expansion in 2015 was markedly strong, with a material increase in revenue from existing clients over previous years as a result.

- **Transform the Sopheon client experience:** Sopheon has, in recent years, invested in extensive customer value based programs. These programs extend across the organization from sales, to service deployment to product development engineering. The focus of these collective programs has been to delight the client with value and their experience with Sopheon across the board. These programs are showing favorable results in client satisfaction ratings, industry ratings and improved client retention rates in each of the past three years with improvement year over year. The market recognition highlighted above points to the positive results of these efforts. With our increased focus on enterprise deployments, we also continued to further strengthen our relationship with top tier consulting firms, an area we believe will be key to the acceleration of our growth.

- **Expand the Partner Ecosystem:** Sopheon continues to invest in and develop additional distribution channels. Our reseller partners in Asia signed Shanghai Huyai, a large chemical company in China. This deployment represents another advancement in our three year Chinese reseller partnership. Furthermore, last year's introduction of Accolade Express and our initial commercial success has provided learnings from which we will continue to evolve the Accolade Express product into our partner platform to make it more suitable for reseller partners. We will further test and develop our reseller partnership network during the course of this year.

FINANCIAL REVIEW

Sopheon's consolidated turnover in 2015 was $20.9m, compared to $18.3m in 2014. The overall shape of the business continues to be approximately one-third Europe and two-thirds North America, with a material contribution from other territories including Asia, the Pacific Rim and the Middle East.

Trading

Total license transactions including extension orders were 42 in 2015, the same volume as 2014. However, the year also featured rising average revenue per license transaction, resulting in substantially higher license revenues overall. Both services and maintenance were higher as well; but the increase was most marked in the license area. Overall, revenues grew 14 percent, however this was in the face of a substantial rise in the US Dollar exchange rate against the Euro and Sterling, depressing the relative contribution from sales denominated in those currencies; on a constant currency basis, we estimate that reported 2015 revenues would have been approximately $0.8m higher, representing growth of 18 percent.

Coming into 2016, revenue visibility for the year stood above $12m compared to just over $10m a year ago. Revenue visibility 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.

After a relatively slow start in the first half of 2015, the second half of the year recorded substantial increase in volume, sales and revenue. Over the years we have frequently referred to the sensitivity of our license results to individual sales events. Historically, the second and fourth quarters tend to be strong and the final quarter of 2015 was a particularly marked example, being the strongest revenue quarter in our history. This was less true of the second quarter performance. As we announced towards the end of 2014, a number of large transactions that we had originally expected to close that year were deferred to 2015. Such delays are often reflective of an opportunity growing in size and scale; this has potential for a good long-term outcome but of course the impact on the year under review can be unwelcome. A good number of these transactions closed in 2015. However, we continue to work a number of sizeable opportunities that we are confident to close in the current year.

The overall base of recurring business rose to approximately $8.2m compared to $7.8m coming into last year – but as noted above, this rise would be greater had exchange rates in 2015 not moved so sharply in favor of the US Dollar. Furthermore, the figures above do not include the impact of signed SaaS business expected to contribute at least $0.3m annually following completion of implementation. Attrition remained at excellent levels, with 94% retention by value. Although this metric has shown steady improvement over recent years, we believe that building recurring revenue is a key goal for Sopheon, and are deepening retention programs alongside our focus on account management to ensure that the base remains engaged and enjoys increasing value from its investment. The majority of recurring income is represented by maintenance services, but also includes hosting and cloud services. Overall, in 2015 our business delivered a 29:38:33 ratio of licenses, maintenance, and services respectively compared to 21:42:37 in the previous year. This marks a strong return of license revenue as a cornerstone of our business model, driven by the closure of several larger opportunities as noted in the previous paragraph. As the highest margin component of our revenue, the increase in license has in turn driven a positive impact on overall gross margins, which have risen to 72 percent, compared to 66 percent in 2014.

Operations

Over the last four years, Sopheon has held staffing between 100-115 depending on current requirements and natural movement in people in and out of the business. Our focus is on securing the right mix of people rather than targeting a headcount number. Overall, Sopheon has a relatively mature and highly qualified blend of staff, reflecting the professional and intellectual demands of our chosen market. We ended the year with 100 staff; this has already risen as we have added new resources in a number of key areas as we implement our 2016 plans. The average headcount during 2015 was 105, compared to 114 the year before.

Although staffing numbers were broadly lower year on year, all cost areas were impacted by a higher bonus attributable to the strong 2015 performance. The corporate bonus scheme covers 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. This has also contributed to the higher payables balance at the year end, since the bonuses are not paid until the following year. Bonus costs in a given year are allocated to the relevant categories of the income statement.

Financing

In February 2014 the Group established new bank facilities with the London branch of Silicon Valley Bank. These facilities comprise a term loan of $0.5m repayable in 36 equal monthly instalments, and a $3m revolving line of credit. These facilities have just been renewed and refinanced by Silicon Valley Bank for a three year period through January 2019, reflecting the growing maturity of the Sopheon business. Both facilities bear interest at rates of 2.75 percent over Wall Street Prime, resulting in a current effective rate of 6.25 percent. The facilities are subject to covenants based on working capital ratios. The drawdown mechanics and interest rates are also subject to working capital ratios.

To underpin the Group's growth strategies, in two tranches in 2009 and 2011, the Company issued a total of £2m of convertible unsecured loan stock (the "Loan Stock") to a group of investors including key members of the board and senior management team. In June 2014, the Loan Stock investors agreed to extend the maturity date by two years to 31 January 2017. The conversion price is 76.5 pence per share. The board has entered discussions with holders of the Loan Stock with a view to extending maturity for a further two years.

Consolidated net assets at the end of the year stood at $5.5m (2014: $4.2m). Gross cash resources at 31 December 2015 amounted to $7.0m (2014: $4.7m). Approximately $4.5m was held in US Dollars, $2.4m in Euros and $0.1m in Sterling.

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 *$'000*	*2014* *$'000*
Revenue	**20,886**	**18,296**
Cost of sales	(5,748)	(6,209)
Gross profit	**15,138**	**12,087**
Sales and marketing expense	(6,481)	(6,173)
Research and development expense	(4,261)	(4,298)
Administrative expense	(2,850)	(2,718)
Operating profit/(loss)	**1,546**	**(1,102)**
Finance income	4	12
Finance expense	(354)	(429)
Profit/(loss) before tax	**1,196**	**(1,519)**
Income tax expense	(65)	-
Profit/(loss) for the year	**1,131**	**(1,519)**
Earnings per share - basic	15.54c	(20.87c)
Earnings per share - diluted	13.90c	(20.87c)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 *$'000*	*2014* *$'000*
Profit/(loss)for the period	**1,131**	**(1,519)**
Other comprehensive expense		
Exchange differences on translation of foreign operations	43	(197)
Total comprehensive income /(expense) for the year	**1,174**	**(1,716)**

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2015

	2015 *$'000*	*2014* *$'000*
Assets		
Non-current assets		
Property, plant and equipment	181	265
Intangible assets	5,579	5,889
Non-current receivables	19	19
	5,779	**6,173**
Current assets		
Trade and other receivables	7,609	6,755
Cash and cash equivalents	7,046	4,735
	14,655	**11,490**
Total assets	**20,434**	**17,663**
Liabilities		
Current liabilities		
Trade and other payables	4,142	2,842
Borrowings	3,147	2,124
Deferred revenue	4,628	5,166
	11,917	**10,132**
Non-current liabilities		
Borrowings	2,986	3,288
Total liabilities	**14,903**	**13,420**
Net assets	**5,531**	**4,243**
Equity		
Share capital	2,354	2,354
Capital reserves	5,751	5,654
Profit and loss account and translation reserve	(2,574)	(3,765)
Total equity	**5,531**	**4,243**

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 *$'000*	*2014* *$'000*
Operating activities		
Profit/(loss) for the year	1,131	(1,519)
Adjustments for non-cash and financing items	3,032	2,878
Movements in working capital	37	1,689
Net cash generated from operating activities	4,200	3,048
Investing activities		
Finance income	4	12
Purchases of property, plant and equipment	(124)	(176)
Development costs capitalized	(2,058)	(2,367)
Net cash used in investing activities	(2,178)	(2,531)
Financing activities		
(Repayment)/proceeds from borrowings	(167)	92
Movement in lines of credit	1,021	729
Finance expense	(354)	(395)
Net cash used in financing activities	500	426
Effect of foreign exchange rate changes	(211)	(235)
Net increase in cash and cash equivalents	**2,311**	**708**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	Share Capital *$'000*	*Capital Reserves* *$'000*	*Translation Reserve* *$'000*	*Retained Losses* *$'000*	*Total* *$'000*
At 1 January 2014	**2,354**	**5,498**	**151**	**(2,202)**	**5,801**
Total comprehensive income for the year	-	-	(197)	(1,519)	(1,716)
Share based payments	-	156	-	2	158
At 1 January 2015	**2,354**	**5,654**	**(46)**	**(3,719)**	**4,243**
Total comprehensive income for the year	-	-	43	1,131	1,174
Share based payments	-	97	-	17	114
At 31 December 2015	**2,354**	**5,751**	**(3)**	**(2,571)**	**5,531**

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 2014 or 2015. Statutory accounts for the years ended 31 December 2014 and 31 December 2015 have been reported on by the Independent Auditors. The Independent Auditors' Reports on the Annual Report and Financial Statements for each of 2014 and 2015 were unmodified and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

Statutory accounts for the year ended 31 December 2014 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 December 2015 will be delivered to the Registrar in due course, and are available from the Company's registered office at Dorna House One, Guildford Road, West End, Surrey GU24 9PW and are available today from the Company's website www.sopheon.com.

The financial information set out in these 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 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 2014. The principal accounting policies adopted are unchanged from those used in the preparation of the statutory accounts for the period ended 31 December 2014. 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.

Approximately three-quarters of the Group’s revenue and two-thirds of its operating costs are denominated in US Dollars and accordingly the Group’s financial statements have been presented in US Dollars.

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 2017.

During 2015, the Group achieved revenues of \$20.9m and a profit before tax of \$1.2m. This represents a dramatically improved performance compared to the previous year, which itself was an interruption to 5 years of growth. The directors believed the 2014 performance was a temporary pause in the development of the business and this view has been vindicated by the 2015 results. Coming into 2016, the Group’s sales pipeline remains active, and accordingly, the directors remain positive about the prospects for the business.

In 2014 the Group established new bank facilities with the London branch of Silicon Valley Bank. These facilities comprise a term loan of \$0.5m repayable in 36 equal monthly instalments, and a \$3m revolving line of credit. These facilities have just been renewed and refinanced by Silicon Valley Bank for a three year period through January 2019, reflecting the growing maturity of the Sopheon business. Both facilities bear interest at rates of 2.75 percent over Wall Street Prime, resulting in a current effective rate of 6.25 percent. The facilities are subject to covenants based on working capital ratios. The drawdown mechanics and interest rates are also subject to working capital ratios.

In addition, the Group has a £2,000,000 convertible loan outstanding to key investors including members of the board and management. The current terms of the loan call for repayment or conversion by 31 January 2017. The board has entered discussions with holders of the Loan Stock with a view to extending maturity for a further two years.

NOTES

Notwithstanding the Group's funding position, the time-to-close and the order value of individual sales continues to vary considerably as exemplified by 2014's results. 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. If sales fall short of expectations, there is a risk that the Group may be obliged to seek additional funding.

The directors have concluded that the circumstances set forth above represent uncertainties. 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. Segmental Analysis

All of the Group's revenue in respect of the years ended 31 December 2015 and 2014 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. The first segment is North America, and the second Europe. 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 2015	*North America* *$'000*	*Europe* *$'000*	*Total* *$'000*
Income Statement			
External revenues – by location of operations	15,676	5,210	20,886
Operating profit/(loss) before interest and tax	2,804	(1,258)	1,546
Profit/(loss) before tax	2,703	(1,507)	1,196
Finance income	-	4	4
Finance expense	(101)	(253)	(354)
Depreciation and amortization	(2,524)	(44)	(2,568)
EBITDA	5,328	(1,214)	4,114
Balance Sheet			
Fixed asset additions	114	10	124
Capitalization of internally generated development costs	2,058	-	2,058
Total assets	16,540	3,894	20,434
Total liabilities	9,198	5,705	14,903

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3. Segmental Analysis (continued)

Year ended 31 December 2014	*North America*	*Europe*	*Total*
	$'000	*$'000*	*$'000*
Income Statement			
External revenues – by location of operations	12,544	5,752	18,296
Operating profit/(loss) before interest and tax	424	(1,526)	(1,102)
Finance income	-	12	12
Finance expense	(95)	(334)	(429)
Profit/(loss) before tax	329	(1,848)	(1,519)
Depreciation and amortization	(2,239)	(64)	(2,303)
EBITDA	2,663	(1,462)	1,201
Balance Sheet			
Fixed asset additions	132	44	176
Capitalization of internally generated development costs	2,367	-	2,367
Total assets	13,766	3,897	17,663
Total liabilities	(8,088)	(5,332)	(13,420)

One customer accounted for approximately 11 percent of the Group's revenues in 2015. A different customer accounted for approximately 10 percent or more of the Group's revenues in 2014. In both years the customer was within the North America segment based on location of operations.

External revenues in 2015 exclude inter-segmental revenues which amounted to $1,633,000 (2014: $1,696,000) for North America and $627,000 (2014: $370,000) for Europe.

Revenues attributable to customers in North America in 2015 amounted to $14,407,000 (2014: $11,433,000). Revenue attributable to customers in the rest of the world amounted to $6,478,000 (2014: $6,863,000) of which $5,219,000 (2014: $5,775,000) was attributable to customers in Europe.

4. Revenue

All of the Group's revenue in respect of the years ended 31 December 2015 and 2014 derived from continuing operations and from the design, development and marketing of software products with associated implementation and consultancy services.

5. 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 $2,568,000 (2014: $2,303,000) to the operating profit of $1,546,000 (2014: loss of $1,102,000).

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6. 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 $114,000 (2014: $158,000).

7. Income Tax

At 31 December 2015, tax losses estimated at $70m (2014: $73m) were available to carry forward by the Sopheon Group, arising from historic losses incurred. An aggregate $11.7m (2014: $11.7m) of these losses are subject to restriction under section 392 of the US Internal Revenue Code due to historical changes of ownership.

8. Earnings per Share

The calculation of basic earnings per ordinary share is based on a profit of $1,131,000 (2014: loss of $1,519,000), and on 7,279,000 (2014: 7,279,000) ordinary shares, being the weighted average number of ordinary shares in issue during the year. For the purpose of calculating diluted earnings per ordinary share, adjustments are made to both the profit and the number of ordinary shares to reflect the impact of options, warrants and convertible loan stock to the extent conversion or exercise prices are below the average market price for Sopheon shares during the year. The effect of these adjustments is to increase profit for the purposes of calculating diluted earnings per ordinary share to $1,376,000 (2014: loss of $1,519,000), and to increase the number of ordinary shares to 9,897,000 (2014: 7,279,000).

9. 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 $2,058,000 (2014: $2,367,000), and amortisation of $2,368,000 (2014: $2,076,000) during the year.

10. 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.