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**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the Offer or the action to be taken, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised pursuant to the Financial Services Act 1986.**

This document should be read in conjunction with the accompanying Form of Acceptance. If you are a CREST sponsored member, you should refer to your CREST sponsor before completing the accompanying Form of Acceptance. If you have sold or otherwise transferred all your Orbital Shares, please send this document and the accompanying Form of Acceptance and reply-paid envelope as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. **Such documents should not, however, be forwarded, distributed or transmitted in or into Canada, Australia, the Republic of Ireland or Japan.**

HSBC Investment Bank, which is regulated in the United Kingdom by The Securities and Futures Authority Limited, is acting only for Sopheon and for no-one else in connection with the Offer and will not be responsible to anyone other than Sopheon for providing the protections afforded to its customers or for providing advice in relation to the Offer.

Broadview International Limited, which is regulated in the United Kingdom by The Securities and Futures Authority Limited, is acting only for Orbital and for no-one else in connection with the Offer and will not be responsible to anyone other than Orbital for providing the protections afforded to its customers or for providing advice in relation to the Offer.

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## Recommended Offer

by

HSBC 

on behalf of

Sopheon plc

for

**Orbital Software Holdings plc**

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**A letter from the Non-executive Chairman of Orbital recommending acceptance of the Offer is set out on pages 3 to 7 of this document. To accept the Offer, the completed Form of Acceptance must be returned (whether or not your Orbital Shares are in CREST) by post in the enclosed reply-paid envelope (for use in the UK) or by hand (during normal business hours) to New Issues Department, Capita IRG Plc, PO Box 166, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TH or by hand only (during normal business hours) to Capita IRG Plc, Guildhall House, 81-87 Gresham Street, London EC2, in each case as soon as possible and in any event so as to arrive no later than 3.00 p.m. on 12 November 2001. The procedure for acceptance of the Offer is set out on pages 17 to 19 of this document and in the accompanying Form of Acceptance.**

Application will be made for the New Sopheon Shares to be issued pursuant to the Offer to be admitted to trading on AIM. The rules of AIM are less demanding than those of the Official List of the UK Listing Authority. It is emphasised that no application is being made for admission of the New Sopheon Shares to the Official List of the UK Listing Authority. Application will also be made for the New Sopheon Shares to be admitted to trading on the Euro.NM segment of the stock market of Euronext Amsterdam N.V.

The Offer is not being and will not be made, directly or indirectly, in or into, or by use of the mails or any means or instrumentality (including, without limitation, telex, facsimile transmission, telephone and internet) of interstate or foreign commerce of, or any facilities of a national securities exchange of, Canada, Australia, the Republic of Ireland or Japan and the Offer will not be capable of acceptance by any such use, means, instrumentality or facilities or from within Canada, Australia, the Republic of Ireland or Japan. Accordingly, copies of this document and the accompanying documentation are not being, and must not be, mailed or otherwise forwarded, distributed or sent in or into or from Canada, Australia, the Republic of Ireland or Japan and persons receiving this document (including, without limitation, custodians, nominees and trustees) must not mail or otherwise forward, distribute or send it or the accompanying documentation in or into or from Canada, Australia, the Republic of Ireland or Japan. Doing so may render invalid any purported acceptance. Any person who would, or would otherwise intend to, forward this document or the accompanying documentation to any jurisdiction outside the UK should read the further details in this regard which are contained in paragraph 6 of Part B of Appendix 1 to this document before taking any action.

United States shareholders should note that the Offer is made for the securities of Orbital, a UK company. The Offer is subject to UK disclosure requirements, which are different from those of the United States. The financial statements included in this document have been prepared in accordance with UK accounting standards which may not be comparable to the financial statements of United States companies. United States shareholders may find it difficult to enforce their rights and any claims they may have arising under the federal securities laws, since Sopheon is located in the UK, and most of its officers and directors may be residents of the UK. United States shareholders may not be able to sue Sopheon or its officers or directors in a UK court for violations of the U.S. securities laws. United States shareholders may find it difficult to compel Sopheon and its affiliates to subject themselves to a U.S. court's judgment. United States shareholders should be aware that Sopheon may purchase securities otherwise than under the Offer, such as in open market or privately negotiated purchases.

# Contents

	<i>Page</i>
<b>Part I: Letter of recommendation from the Non-executive Chairman of Orbital on behalf of the Orbital Directors</b>	3
<b>Part II: Letter from the Executive Chairman of Sopheon</b>	8
<b>Part III: Letter from HSBC Investment Bank</b>	14
1. Introduction	14
2. The Offer	14
3. Irrevocable undertakings and letters of intent to accept the Offer	15
4. Lock-in arrangements	15
5. Shareholder resolutions	15
6. The Orbital Share Option Schemes	16
7. Taxation	16
8. Overseas Shareholders	16
9. Procedure for acceptance of the Offer	17
10. Compulsory acquisition and de-listing of Orbital	20
11. Listings and dealings	20
12. Settlement	20
13. Further information	21
14. Action to be taken	21
<b>APPENDICES</b>	
<b>1. Conditions and further terms of the Offer</b>	22
<b>2. Financial information relating to Sopheon</b>	45
<b>3. Financial information relating to Orbital</b>	56
<b>4. Pro forma financial information on the Enlarged Group</b>	68
<b>5. Additional information</b>	69
<b>6. Definitions</b>	84

## Part I

### Letter of recommendation from the Non-executive Chairman of Orbital on behalf of the Orbital Directors



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#### *Directors:*

Ian Ritchie (Non-executive Chairman)

Brian Gray (acting Chief Executive Officer & Chief Operating Officer)

John Swan (Chief Financial Officer)

Calum Smeaton (Chief Technology Officer)

Derek Gray (Non-executive Director)

Andrew Davis (Non-executive Director)

22 October 2001

*To Orbital Shareholders and, for information only, participants in the Orbital Share Option Schemes*

Dear Shareholder

#### **Recommended Offer for Orbital by HSBC Investment Bank for and on behalf of Sopheon**

##### **1. Introduction**

On 14 September 2001, the boards of Orbital and Sopheon announced that they were in preliminary discussions concerning a merger of the two companies, intended to be facilitated by way of a recommended all share offer by Sopheon for Orbital. Today the boards of Orbital and Sopheon announced that they had reached agreement on the terms of a merger by way of a recommended all share offer for Orbital.

This letter explains why the Orbital Directors are unanimously recommending that Orbital Shareholders accept the Offer. The Offer is being made by HSBC Investment Bank on behalf of Sopheon and is set out in the letter from HSBC Investment Bank on pages 14 to 21 of this document. Your attention is drawn to the letter from the Executive Chairman of Sopheon, set out in Part II of this document, which includes information on Sopheon and the background to and reasons for the Offer. Further details of the Offer are set out in Appendix 1 to this document and in the accompanying Form of Acceptance.

##### **2. The Offer**

The Offer, which is made on the terms and subject to the conditions and further terms set out in this document and in the Form of Acceptance, is being made for all of the issued and to be issued Orbital Shares on the following basis:

**for every 9 Orbital Shares**

**8 New Sopheon Shares**

and so in proportion for any other number of Orbital Shares held.

On the basis of the Closing Price of 46.0 pence per Sopheon Share at the close of business on 19 October 2001 (the latest practicable date prior to the posting of this document), the Offer equates to a value of

40.9 pence per Orbital Share and values the entire current issued share capital of Orbital at approximately £18.4 million representing a premium of approximately 147.8 per cent. to the Closing Price of 16.5 pence per Orbital Share on 19 October 2001 (the latest practicable date prior to the posting of this document) and a premium of approximately 127.2 per cent. to the Closing Price of 18.0 pence per Orbital Share on 13 September 2001 (the last business day prior to the announcement that Orbital and Sopheon were in merger discussions).

### **3. Irrevocable undertakings and letters of intent to accept the Offer**

The Orbital Directors have given irrevocable undertakings to accept the Offer in respect of their entire beneficial holdings, and those of certain members of their immediate families and companies controlled by them, amounting in total to 4,571,995 Orbital Shares, representing 10.2 per cent. of Orbital's issued share capital at the date of this document. These undertakings will cease to be binding if the Offer is withdrawn or lapses or in the event that a higher competing offer is made by not later than 3.00 p.m. on 6 November 2001 which represents a higher consideration (calculated on the day prior to the date of announcement of such competing offer) than that available under the Offer.

Sopheon has received further irrevocable undertakings to accept the Offer from Kevin Dorren and Alan Slater in respect of an aggregate of 5,802,769 Orbital Shares, representing 12.9 per cent. of Orbital's current issued share capital. These undertakings are on comparable terms to those described above.

In addition, Novell, Inc. and The Hamilton Portfolio Limited have signed non-binding letters of intent indicating their intention to accept the Offer in respect of their entire beneficial holdings of Orbital Shares, being 5,173,931 Orbital Shares, representing 11.5 per cent. of Orbital's current issued share capital.

Consequently, at the date of this document Sopheon has received, in aggregate, irrevocable undertakings and letters of intent to accept the Offer in respect of 15,548,695 Orbital Shares, representing approximately 34.6 per cent. of Orbital's current issued share capital.

### **4. Information on Orbital**

Orbital, founded in 1994 by Calum Smeaton and Alan Slater, is a provider of knowledge management solutions. Orbital's primary product is Organik, a software application that can be used by organisations to create knowledge sharing environments. Organik brings people and information together, creating an environment in which users can ask questions, find experts and share knowledge. Organik's patented user profiling engine, which produces constantly evolving user profiles, is a powerful feature that can facilitate the right connection between users and experts, helping to establish and build viable communities of knowledge.

Orbital operates from offices in the UK and the US and employs over 75 people. Major clients include Ericsson, Atofina, Textron and PR Newswire.

### **5. Current trading statement**

At the time of Orbital's announcement of sales results for the quarter ended 30 June 2001 the Orbital Directors noted that they expected the sales results for the quarter ended 30 September 2001 to be flat compared to the first quarter. Since that statement market conditions have continued to deteriorate in light of increasing economic uncertainty. This deterioration has led to a further lengthening of sales cycles. The result of this is that Orbital's unaudited results for the six months ended 30 September 2001 show turnover of £214,127, compared to £365,604 for the same period in 2000. The Company continues to enjoy a significant cash position, with approximately £13 million at the end of the second quarter. A copy of the announcement of Orbital's interim results for the six months ended 30 September 2001 is set out in Part B of Appendix 3 to this document.

Interest in Organik, the Company's principal product, remains strong and the Orbital Directors believe that the prospects for the Company's innovative technology remain good in the longer term. As discussed further below, the Orbital Directors believe a merger with Sopheon will build on some of the strategic growth and cost reduction initiatives already underway at Orbital.

## **6. Background to and reasons for the recommendation**

As announced previously, on 10 July 2001 the Orbital Directors commenced a full review of Orbital's strategic options, including independent development of the business, development via merger and acquisition activity and a return of cash to shareholders, with a view to increasing shareholder value. This was in response to Orbital's trading results for the three month period to 30 June 2001 being significantly below expectations.

The review of the development strategy was conducted with the assistance of the Chasm Group; a consultancy group focused on technology markets. One of the results of this review was that Orbital should direct its commercial focus toward a specific business process, being research and development, and a specific industry group, in this case research and development intensive manufacturing industries such as automotive, chemical, aerospace, computer equipment and network equipment. Orbital already has a number of customers within these areas, including Ericsson and Atofina. The Orbital Directors continue to believe that the Organik product brings significant benefits to companies.

On 15 August 2001, having reviewed the strategic options of independent development, merger and acquisition activity and a return of cash to shareholders, the Orbital Directors announced that they believed that Orbital could deliver increased shareholder value by pursuing a merger and acquisition strategy. As part of this strategy, discussions have been held with a number of potentially suitable companies.

Incorporating the outcome of the development review, the focus of the Orbital Directors has been on identifying companies with complementary technology and a customer base that provides an opportunity for increasing revenues.

During this process, Sopheon emerged as what the Orbital Directors believe to be a highly suitable merger partner when measured against these criteria. Sopheon is an international provider of software and information management products and services. Its Accolade software solution will benefit from extended application through integration with Orbital's Organik product, and will allow the Enlarged Group to benefit from product differentiation. Sopheon has a large customer base which may provide opportunities to increase Organik product sales.

In addition, the Orbital Directors believe the Enlarged Group has the opportunity to benefit from greater development and sales resources, improved market presence in both the UK and the US, and a wider product and service offering. The combination of the two businesses will, the Orbital Directors believe, result in greater opportunities for Orbital's existing business than may otherwise have been available.

## **7. Issue of further Sopheon Shares**

In June 2001, Sopheon acquired the issued share capital of Sopheon GmbH, formed from a division of Aventis Research & Technologies. The transaction is subject to earn-out arrangements equivalent to 50 per cent. of the profit before tax of Sopheon GmbH in each of 2001, 2002 and 2003, and subject to an overall maximum of Deutsche Mark 3.4 million (which was equivalent to £1.1 million based on an exchange rate prevailing on 19 October 2001, the latest practicable date before the posting of this document). This further consideration (if any) will probably be satisfied by the issue of further Sopheon Shares; however it may be satisfied in cash if the issue of such Sopheon Shares would result in Aventis Research & Technologies holding 29.9 per cent. or more of the voting rights of Sopheon and Sopheon so elects or, in any event, if such an issue of Sopheon Shares would trigger an obligation on Aventis Research & Technologies to make a mandatory offer (within the meaning of Rule 9 of the City Code) for the share capital of Sopheon and a waiver of that obligation cannot be obtained from the independent Sopheon Shareholders under the whitewash procedures of the City Code. Further details of the acquisition are set out in paragraph 9(h) of Appendix 5 to this document.

In addition, further Sopheon Shares may be issued on a conversion of the Sopheon Convertible Loan Stock or exercise of the Sopheon Warrants. The conversion rate of the Sopheon Convertible Loan Stock is currently 58.5 pence per Sopheon Share but this rate may be adjusted in certain circumstances and the exercise price of the Sopheon Warrants is 70.0 pence per Sopheon Share. Further details of the Sopheon Convertible Loan Stock and the Sopheon Warrants are set out in paragraph 9(f) of Appendix 5 to this document.

In connection with the Offer an extraordinary general meeting of the holders of Sopheon Convertible Loan Stock has been convened for 10.30 a.m. on 7 November 2001 for the purpose of passing, conditional upon the Offer becoming or being declared unconditional in all respects, resolutions to amend the terms of the Sopheon Convertible Loan Stock such that:

- the redemption date of the Sopheon Convertible Loan Stock would be extended (if not previously converted, redeemed or repurchased) to 20 June 2004 (the current equivalent redemption date of the Sopheon Convertible Loan Stock is 20 June 2003);
- the conversion rate at which the Sopheon Convertible Loan Stock may be converted into Sopheon Shares would be adjusted to 46.0 pence per share being a price equal to the Closing Price of a Sopheon Share on 19 October 2001; and
- the conversion rate of the Sopheon Convertible Loan Stock, may be further adjusted in the event of an offer of Sopheon Shares by way of a rights issue, placing, open offer or similar issue at less than 46.0 pence per Sopheon Share, to the offering price or, if greater, 31.5 pence per Sopheon Share (currently an adjustment to the conversion rate occurs in the event of an offering at less than 70 pence per share but there is no price per Sopheon Share below which the conversion rate cannot be adjusted).

The resolutions require a majority of not less than three fourths of the votes attaching to the Sopheon Convertible Loan Stock represented at such meeting. Irrevocable undertakings to vote in favour of the above resolutions have been received from holders of Sopheon Convertible Loan Stock representing 78.5 per cent. of the votes entitled to vote at such meeting.

The issue of further Sopheon Shares pursuant to the acquisition of Sopheon GmbH or a conversion of Sopheon Convertible Loan Stock would result in the dilution of the percentage shareholding in Sopheon which Orbital Shareholders would, assuming successful completion of the Offer, have in Sopheon following such completion.

## **8. Board of the Enlarged Group**

The executive and non-executive Orbital Directors have agreed that following the Offer becoming or being declared unconditional in all respects they will resign from the board of Orbital and as directors of every other company in the Orbital Group. Brian Gray and Calum Smeaton will join the Enlarged Group's executive management team, and Andrew Davis will join the Enlarged Group's board, to assist with transitional matters and integration of the businesses following the merger. Accordingly, the board and executive management of the Enlarged Group will be as follows:

### *Board of directors*

Barry Mence	Executive Chairman
Andrew Michuda	Chief Executive Officer
Arif Karimjee	Chief Financial Officer and Company Secretary
Stuart Silcock	Non-executive Director, Audit Committee Chair
Bernard Al	Non-executive Director, Remuneration Committee Chair
Joseph Shuster	Non-executive Director
Andrew Davis	Non-executive Director

### *Executive management (in addition to executive directors)*

Paul Heller	Chief Technology Officer
Christopher Hawver	Chief Marketing Officer
Brian Gray	Transition management – operations
Calum Smeaton	Transition management – product development

Following the Offer becoming or being declared wholly unconditional, and with the appointment of Dr. Bernard Al earlier this year, the Sopheon Directors intend to continue to strengthen their non-executive team and will seek to appoint a non-executive director with public company credentials who is likely to have a background in the software industry. An appropriate candidate has not yet been identified.

## 9. Management and employees

The board of Sopheon has given assurances to the board of Orbital that the existing employment rights, including pension rights, of all employees of the Orbital Group will be fully safeguarded.

## 10. Orbital Share Option Schemes

The Offer extends to any Orbital Shares which are unconditionally allotted or issued as fully paid (or credited as fully paid) prior to the date on which the Offer closes (or such earlier date(s) as Sopheon may, subject to the City Code, decide) as a result of the exercise of options granted under the Orbital Share Option Schemes. If the Offer becomes or is declared wholly unconditional, Sopheon will make appropriate proposals to participants in the Orbital Share Option Schemes to the extent that such options have not been exercised.

## 11. Action to be taken to accept the Offer

The procedure for acceptance of the Offer is set out in paragraph 9 of the letter from HSBC Investment Bank included in Part III of this document. **In order to accept the Offer, you should return your completed Form of Acceptance in accordance with the instructions thereon as soon as possible and, in any event, so as to be received not later than 3.00 p.m. on 12 November 2001.** A reply-paid envelope is enclosed for your use in the UK. If you are in any doubt as to the procedure for acceptance, please contact New Issues Department, Capita IRG Plc at the address given in the Form of Acceptance or by telephone on 0870 162 3100.

## 12. Recommendation

**The Orbital Directors, who have been so advised by Broadview, consider the terms of the Offer to be fair and reasonable. In providing advice to the Orbital Directors, Broadview has taken into account the commercial assessments of the Orbital Directors. The Orbital Directors unanimously recommend that Orbital Shareholders accept the Offer, as they have irrevocably undertaken to do with respect to their beneficial holdings and those of certain members of their immediate families and companies controlled by them amounting in total to 4,571,995 Orbital Shares, representing approximately 10.2 per cent. of Orbital's current issued share capital.**

Yours faithfully

Ian Ritchie  
*Chairman*

On behalf of the Orbital Directors

## Part II

### Letter from the Executive Chairman of Sopheon



*Directors:*

Barry Mence (Executive Chairman)  
Andrew Michuda (Chief Executive Officer)  
Arif Karimjee (Chief Financial Officer)  
Stuart Silcock (Non-executive Director)  
Joseph Shuster (Non-executive Director)  
Bernard Al (Non-executive Director)

22 October 2001

*To Orbital Shareholders and, for information only, participants in the Orbital Share Option Schemes*

Dear Orbital Shareholder

**Recommended Offer for Orbital by HSBC Investment Bank for and on behalf of Sopheon**

**1. Introduction**

On 14 September 2001, the boards of Sopheon and Orbital announced that they were in preliminary discussions concerning a merger of the two companies, intended to be facilitated by way of a recommended all share offer by Sopheon for Orbital. I am now delighted that the boards of Sopheon and Orbital announced today that they had reached agreement on the terms of a merger by way of a recommended all share offer for Orbital.

**2. The Offer**

Your attention is drawn to the letter of recommendation from the Non-executive Chairman of Orbital, set out in Part I of this document, which includes information on Orbital, and the formal offer by HSBC Investment Bank on behalf of Sopheon set out in the letter from HSBC Investment Bank on pages 14 to 21 of this document, which includes details on how to accept the Offer.

The Offer, which is made on the terms and subject to the conditions and further terms set out in this document and in the Form of Acceptance, is being made for all of the issued and to be issued share capital of Orbital on the following basis:

**for every 9 Orbital Shares                      8 New Sopheon Shares**

and so in proportion for any other number of Orbital Shares held.

On the basis of the Closing Price of 46.0 pence per Sopheon Share at the close of business on 19 October 2001 (the latest practicable date prior to the posting of this document), the Offer equates to a value of

40.9 pence per Orbital Share and values the entire current issued share capital of Orbital at approximately £18.4 million, representing a premium of approximately 147.8 per cent. to the Closing Price of 16.5 pence per Orbital Share on 19 October 2001 (the latest practicable date prior to the posting of this document) and a premium of approximately 127.2 per cent. to the Closing Price of 18.0 pence per Orbital Share on 13 September 2001 (the last business day prior to the announcement that Orbital and Sopheon were in merger discussions).

Sopheon has received irrevocable undertakings and letters of intent to accept the Offer in respect of a total of 15,548,695 Orbital Shares, representing approximately 34.6 per cent. of Orbital's issued share capital at the date of this document.

### **3. Information on Sopheon**

Sopheon is an international provider of software and information management products and services that help its customers to innovate and to improve key business processes. The Sopheon Directors believe that Sopheon's differentiating strength is its focus on integrating technology with human expertise. Its solutions are designed to improve the client return on R&D investments through the acquisition and management of information and expertise. Its customer base is largely blue chip and focused on R&D intensive companies, including nearly half of those companies in the Fortune 500 which are technology driven. Sopheon has received market recognition in the form of media coverage by publications including Forbes, Business Week, KM World, Darwin and R&D magazines.

Sopheon began in 1993 when PolyDoc was founded in the Netherlands to focus on the development of language management software. This technology, which has recently secured a patent from the European Patent Office, is designed to enable groups of people who are not professional writers to collaborate and create documents that communicate at a professional level, with consistency in terminology and structure. Initial applications focused on the management of hospital protocols and quality standards.

PolyDoc was admitted to trading on AIM in 1996, and then also joined the Nieuwe Markt of the Amsterdam Exchanges (now the Euro.NM segment of the stock market of Euronext Amsterdam N.V.) in 1997.

PolyDoc embarked on an acquisition strategy geared to assembling further software skills, and information management capabilities, with a view to creating integrated solutions for specific vertical markets, and also to expanding geographical reach and critical mass.

In November 1999, Sopheon (then named PolyDoc) completed the acquisition of AppliedNet Limited, a UK based supplier of software products and services with particular skills in search and portal technologies, exemplified by the Public Records Office Census project announced last year.

In September 2000, Sopheon completed the acquisition of Teltech Resource Network Corporation, a Minneapolis, USA based information management and consultancy business with a 16 year history, a core revenue base and an R&D intensive, blue chip US client base.

In June 2001, Sopheon completed the acquisition of an operating division of Frankfurt based Aventis Research & Technologies. This company, now Sopheon GmbH, is an information management business with complementary information technology skills and a core revenue base rooted in the Aventis Group, enabling Sopheon to secure a substantial footprint in Germany and in the key life sciences market.

The information management business secured with the Teltech and Aventis acquisitions is targeted at vertical industry segments which include consumer goods, high technology, chemicals, pharmaceuticals and foods, and offers customers outsourcing of the management of business and technical information. Customers can access Sopheon's teams of research analysts, its network of external experts and its third party content resources through Sopheon's proprietary portals to find answers to their questions. These portals are accessed via public web-sites or intranets within the customer environment. The information management business represents an annualised revenue base of over £12 million for 2001 and is charged for on a subscription or usage basis. It experiences high customer and revenue retention, with long standing customer relationships.

Concurrent with the development of its information management business, Sopheon has created a software application, Accolade, to address the needs of the new product development (NPD) process. This application will benefit from the customer access afforded by Sopheon's information management business and will also leverage its services.

Market analysis suggests that innovation and time to market are among the top priorities of today's CEO. Recent studies indicate that for an average firm only 59 per cent. of the products succeed upon commercialisation (*source: PDMA report 1997*). Sopheon has entered into an exclusive partnership with the authors of the Stage-Gate™ product development methodology, used by 60 per cent. of technology driven companies in the USA (*source: PDMA report 1997*), to develop its Accolade solution. Accolade automates the Stage-Gate™ process, helping teams to terminate bad product ideas sooner, improve time to market, and improve resource allocation and decision making. This solution has already been accepted by market leading companies Pennzoil, Cargill and Vodafone and Sopheon has been able to demonstrate strong returns on investment cases for Accolade with attractive forecast payback periods.

Sopheon's information management services will be integrated with Accolade to provide analytical insight to support NPD decisions from concept to launch. These services provide access to research analysts and experts who can answer technical and scientific questions, assess markets, review trends and evaluate product concepts.

Sopheon reported consolidated turnover of £6.1 million and LBITDA (as defined in the interim results set out in Part B to Appendix 2) of £5.7 million for the six months ended 30 June 2001. Sopheon's pro forma turnover and LBITDA (including the performance of its new German subsidiary) were £9.1 million and £5.5 million respectively for the same period.

Further financial information on Sopheon is set out in Appendix 2 to this document.

#### **4. Current trading update**

As described in Sopheon's interim statement set out in Part B of Appendix 2 to this document, the first half of the year witnessed several developments on both operational and corporate fronts. Particular highlights included the commercial introduction of Accolade and the acquisition of Sopheon GmbH in Frankfurt.

Announced in the latter part of 2000, with the beta version released in March of this year, Accolade has been well received in the market with initial revenues contributing to reported results. The pipeline for the solution continued to develop in the third quarter of 2001 and we were able to announce that Vodafone had chosen our solution to help manage its NPD process which together with Cargill and Pennzoil represents another significant step in establishing a reference base. As at the end of the third quarter, these launching installations represented an overall order value of approximately £450,000. Our expectation for the final quarter is for a similar number of orders to come through. As previously reported in the interim statement, the overall slowdown in the IT sector has lengthened purchasing cycles, and while we expect that conversion of the pipeline will gather pace, the timing of this transition is uncertain. Nevertheless, media reports indicating that R&D spending holds up in times of economic contraction, support our continued confidence in the potential of this product. In addition, our partner program has continued to grow, with a total of 19 referral partners now signed up for Accolade.

As has been widely reported, market conditions have remained difficult. While our information services business continued to contribute a regular stream of revenue in the third quarter of 2001, we experienced partial interruption in certain accounts where customer M&A and restructuring activity have disrupted normal trading. Our consultancy and integration teams, which we have been re-orienting to support anticipated Accolade implementations, continued to be awarded bespoke assignments, though at a reduced level, as we complete this transition. Meanwhile, we have used the current economic conditions to promote information management outsourcing, and this has identified opportunities for new business that we are pursuing.

Our new German operation is facing the significant challenge of operating as a Sopheon company having emerged from the umbrella of the Aventis Group. This transition has started well with continuity of service provision to customers and implementation of stand alone administrative functions such as billing. We have

recruited a sales director for the territory, with a strong track record in both software and information businesses, and the local team is actively pursuing sales opportunities.

Group cash resources as at 30 September 2001 were £5.3 million and as noted in our interim statement, the board of Sopheon remains very focused on the need to take further steps to reduce the cost base of the business, and to pursue alternatives to ensure that sufficient cash reserves are available to support operations. In addition to being an excellent strategic fit, our proposed merger with Orbital, as set out below, would address both of these issues.

## **5. Background to the Offer and strategy of the Enlarged Group**

Sopheon's strategy is to become a leading provider of software and services within the R&D market for major corporations. Orbital, in its strategic review, has identified addressing the R&D process market and content integration as key development requirements. The Sopheon Directors believe that the proposed merger offers the potential for acceleration of the implementation of these common objectives. The Enlarged Group will implement a number of initiatives which draw upon the resources of the combined businesses. Highlights of the proposed merger are set out below, grouped into product, sales and marketing and financial areas.

### *Products*

- Orbital's Organik functionality will be integrated into Accolade, extending the solution's application and benefit to customers.
- By leveraging the expanded product development resources of the combined business, Accolade V 4.0 (which will incorporate Sopheon's patented linguistic technology) is expected to reach the market months sooner than planned.
- Sopheon's information management customers, who generate tens of thousands of questions annually, will be offered Organik's 'capture and reuse' technology. Such technology is already in demand from Sopheon's existing customers.
- Sopheon's 50 information analysts and its network of experts with deep and broad coverage of science and technology will be used to enrich and differentiate the Organik offering.

### *Sales and marketing*

- Organik will be offered to Sopheon's existing base of over 500 customers with its significant focus on the technology-driven Fortune 500.
- Existing and potential Organik customers will be offered Sopheon's information management services.
- The combined product set will be easier to differentiate from competitors.
- Sales representatives will be given a wider range of products to sell. Marketing investment will leverage complementary products across the same targeted markets. The two organisations already share a similar sales process and buyer profile.
- Organik will benefit from expanded distribution through a 34 strong planned sales organisation in the combined business and 19 referral partners already signed up by Sopheon.

### *Financial*

- The Sopheon Directors believe the cash resources available post merger will provide the Enlarged Group with a strong working capital position with which to implement its combined business plan.
- As a result of management actions currently being taken and planned to be continued in the Enlarged Group, there is the potential for an approximate £6.5 million annualised reduction in the Enlarged Group's pro forma cost base from December 2001, as compared to pro forma cost base in June 2001. The element of this potential cost saving which arises from actions already taken as at the date of this document is some £2.8 million. It is possible that certain of the remaining £3.7 million potential cost

saving could be achieved by the companies even if the merger were not to proceed. The cost savings have been, and are expected to continue to be, sourced from reductions in corporate overheads, staff and office facilities. This is in addition to the effect of the staff reductions and other cost controls introduced by both companies during the first half of 2001.

- Following the integration of the two businesses, the Sopheon Directors will maintain focus on management of the cost base in line with market conditions.

The Sopheon Directors believe that the market for the automation of knowledge intensive business processes, like NPD, is set for substantial growth. The merger of Sopheon and Orbital will create an Enlarged Group with a strong working capital position which aspires to be a leading provider of software and services within the R&D market for major corporations.

## **6. Lock-in arrangements**

The Orbital Directors and Alan Slater have entered into lock-in agreements with Sopheon and HSBC Investment Bank. Under these agreements the Orbital Directors and Alan Slater undertake not to dispose of any Sopheon Shares prior to the earlier of the announcement of the preliminary results of the Sopheon Group for the year ended 31 December 2001 and 30 April 2002. After the expiry of this period they are bound by orderly market provisions until the earlier of the announcement of the preliminary results of the Sopheon Group for the year ended 31 December 2003 and 30 April 2004.

The Sopheon Directors have entered into lock-in agreements with Orbital. These agreements have the same terms as the lock-in agreements described above save that there are no orderly market provisions.

## **7. Sopheon Convertible Loan Stock**

In connection with the Offer an extraordinary general meeting of the holders of Sopheon Convertible Loan Stock has been convened for 10.30 a.m. on 7 November 2001 for the purpose of passing, conditional upon the Offer becoming or being declared unconditional in all respects, resolutions to amend the terms of the Sopheon Convertible Loan Stock such that:

- the redemption date of the Sopheon Convertible Loan Stock would be extended (if not previously converted, redeemed or repurchased) to 20 June 2004 (the current equivalent redemption date of the Sopheon Convertible Loan Stock is 20 June 2003);
- the conversion rate at which the Sopheon Convertible Loan Stock may be converted into Sopheon Shares would be adjusted to 46.0 pence per share being a price equal to the Closing Price of a Sopheon Share on 19 October 2001 (the current conversion rate of the Sopheon Convertible Loan Stock is 58.5 pence per Sopheon Share); and
- the conversion rate of the Sopheon Convertible Loan Stock may be further adjusted in the event of an offer of Sopheon Shares by way of a rights issue, placing, open offer or similar issue at less than 46.0 pence per Sopheon Share, to the offering price or, if greater 31.5 pence per Sopheon Share (currently an adjustment to the conversion rate occurs in the event of an offering at less than 70 pence per share but there is no price per Sopheon Share below which the conversion rate cannot be adjusted).

The resolutions require a majority of not less than three fourths of the votes attaching to the Sopheon Convertible Loan Stock represented at such meeting. Irrevocable undertakings to vote in favour of the above resolutions have been received from holders of Sopheon Convertible Loan Stock representing 78.5 per cent. of the votes entitled to vote at such meeting.

## **8. Board of the Enlarged Group**

The executive and non-executive Orbital Directors have agreed that following the Offer becoming or being declared unconditional in all respects they will resign from the board of Orbital and as directors of every other company in the Orbital Group. Brian Gray and Calum Smeaton will join the Enlarged Group's executive management team, and Andrew Davis will join the Enlarged Group's board, to assist with transitional matters and integration of the businesses following the merger. Accordingly, the board and executive management of the Enlarged Group will be as follows:

*Board of directors*

Barry Mence	Executive Chairman
Andrew Michuda	Chief Executive Officer
Arif Karimjee	Chief Financial Officer and Company Secretary
Stuart Silcock	Non-executive Director, Audit Committee Chair
Bernard Al	Non-executive Director, Remuneration Committee Chair
Joseph Shuster	Non-executive Director
Andrew Davis	Non-executive Director

*Executive management (in addition to executive directors)*

Paul Heller	Chief Technology Officer
Christopher Hawver	Chief Marketing Officer
Brian Gray	Transition management – operations
Calum Smeaton	Transition management – product development

Following the Offer becoming or being declared wholly unconditional and with the appointment of Dr. Bernard Al earlier this year, the Sopheon Directors intend to continue to strengthen their non-executive team and will seek to appoint a non-executive director with public company credentials who is likely to have a background in the software industry. An appropriate candidate has not yet been identified.

**9. Management and employees**

Sopheon has given assurances to the board of Orbital that the existing employment rights, including pension rights, of the management and employees of the Orbital Group will be fully safeguarded.

**10. Action to be taken**

Your attention is drawn to the letter from HSBC Investment Bank in Part III of this document and the Form of Acceptance which together set out the procedure for acceptance of the Offer.

If you wish to accept the Offer, please return the completed Form of Acceptance in accordance with the procedure set out therein as soon as possible and, in any event, to be received by no later than 3.00 p.m. on 12 November 2001.

I am delighted that the Orbital Directors have unanimously recommended the Offer and I look forward to welcoming you as a shareholder of the Enlarged Group.

Yours faithfully

Barry Mence  
*Executive Chairman*  
Sopheon plc

## Part III

### Letter from HSBC Investment Bank



22 October 2001

*To Orbital Shareholders and, for information only, participants in the Orbital Share Option Schemes*

Dear Orbital Shareholder

#### **Recommended Offer for Orbital by HSBC Investment Bank for and on behalf of Sopheon**

##### **1. Introduction**

On 14 September 2001, the boards of Sopheon and Orbital announced that they were in preliminary discussions concerning a merger of the two companies, intended to be facilitated by way of a recommended all share offer by Sopheon for Orbital. Today the boards of Orbital and Sopheon announced that they had reached agreement on the terms of a merger by way of a recommended all share offer for Orbital.

This letter, Appendix 1 of this document and the accompanying Form of Acceptance set out the formal offer for your Orbital Shares.

Your attention is drawn to the letter of recommendation from the non-executive Chairman of Orbital, set out in Part I of this document, which includes information on Orbital and states that the Orbital Directors consider the terms of the Offer to be fair and reasonable and unanimously recommend that Orbital Shareholders accept the Offer and to the letter from the Executive Chairman of Sopheon, set out in Part II of this document, which contains information on Sopheon and the background to the Offer and strategy of the Enlarged Group.

Instructions on how to accept the Offer are set out in the paragraph headed "Procedure for acceptance of the Offer" on pages 17 to 19 of this document. Your attention is also drawn to the Appendices to this document which also include financial and other information on Sopheon and Orbital.

##### **2. The Offer**

On behalf of Sopheon, HSBC Investment Bank hereby offers to acquire, on the terms and subject to the conditions and further terms set out in this document and in the Form of Acceptance, the whole of the issued and to be issued share capital of Orbital on the following basis:

**for every 9 Orbital Shares                      8 New Sopheon Shares**

and so in proportion for any other number of Orbital Shares held.

On the basis of the Closing Price of 46.0 pence per Sopheon Share at the close of business on 19 October 2001 (the latest practicable date prior to the posting of this document), the Offer equates to a value of 40.9 pence per Orbital Share and values the entire current issued share capital of Orbital at approximately £18.4 million representing a premium of approximately 147.8 per cent. to the Closing Price of 16.5 pence per Orbital Share on 19 October 2001 (the latest practicable date prior to the posting of this document) and a premium of approximately 127.2 per cent. to the Closing Price of 18.0 pence per Orbital Share on 13 September 2001 (the last business day prior to the announcement that Orbital and Sopheon were in merger discussions).

**HSBC Investment Bank plc**  
Corporate Finance and Advisory  
Vintners Place, 68 Upper Thames Street, London EC4V 3BJ, United Kingdom  
Telephone: +44 20 7336 9000 Facsimile: +44 20 7702 3997

*Registered in England: number 976092  
Registered Office: Thames Exchange, 10 Queen Street Place, London EC4R 1BL, United Kingdom  
Regulated by SFA. Member of the London Stock Exchange*

The New Sopheon Shares to be issued pursuant to the Offer will be issued credited as fully paid, free from all liens, equities, charges, encumbrances and other interests, and will rank *pari passu* in all respects with the existing Sopheon Shares, including the right to all dividends and other distributions declared, made or paid after 22 October 2001. Application will be made for the New Sopheon Shares to be admitted to trading on AIM. Application will also be made for the New Sopheon Shares to be admitted to trading on the Euro.NM segment of the stock market of Euronext Amsterdam N.V.

Fractions of New Sopheon Shares will not be allotted or issued to Orbital Shareholders who accept the Offer (including any Orbital Shareholders who are deemed to accept the Offer) but will be disregarded and the number of New Sopheon Shares to which accepting Orbital Shareholders are entitled will be rounded down to the nearest whole number and no payment will be made in respect of such fractional entitlements.

The Offer is subject to the conditions and further terms set out in Appendix 1 of this document and in the accompanying Form of Acceptance. The Offer will initially remain open for acceptance until 3.00 p.m. on 12 November 2001, unless Sopheon (with the prior consent of the Panel) agrees to extend it.

### **3. Irrevocable undertakings and letters of intent to accept the Offer**

The Orbital Directors have given irrevocable undertakings to accept the Offer in respect of their entire beneficial holdings, and those of certain members of their immediate families and companies controlled by them, amounting in total to 4,571,995 Orbital Shares, representing 10.2 per cent. of Orbital's issued share capital at the date of this document. These undertakings will cease to be binding if the Offer is withdrawn or lapses or in the event that a higher competing offer is made by not later than 3.00 p.m. on 6 November 2001 which represents a higher consideration (calculated on the day prior to the date of announcement of such competing offer) than that available under the Offer.

Sopheon has received further irrevocable undertakings to accept the Offer from Kevin Dorren and Alan Slater in respect of an aggregate of 5,802,769 Orbital Shares, representing 12.9 per cent. of Orbital's current issued share capital. These undertakings are on comparable terms to those described above in this paragraph 3.

In addition, Novell, Inc. and The Hamilton Portfolio Limited have signed non-binding letters of intent indicating their intention to accept the Offer in respect of their entire beneficial holdings of Orbital Shares, being 5,173,931 Orbital Shares, representing 11.5 per cent. of Orbital's current issued share capital.

Consequently, at the date of this document Sopheon has received, in aggregate, irrevocable undertakings and letters of intent to accept the Offer in respect of 15,548,695 Orbital Shares, representing approximately 34.6 per cent. of Orbital's current issued share capital.

### **4. Lock-in arrangements**

The Orbital Directors and Alan Slater have entered into lock-in agreements with Sopheon and HSBC Investment Bank. Under these agreements the Orbital Directors and Alan Slater undertake not to dispose of any Sopheon Shares prior to the earlier of the announcement of the preliminary results of the Sopheon Group for the year ended 31 December 2001 and 30 April 2002. After the expiry of this period they are bound by orderly market provisions until the earlier of the announcement of the preliminary results of the Sopheon Group for the year ended 31 December 2003 and 30 April 2004.

The Sopheon Directors have entered into lock-in agreements with Orbital. These agreements have the same terms as the lock-in agreements described above save that there are no orderly market provisions.

### **5. Shareholder resolutions**

The Offer is conditional, *inter alia*, upon the passing of resolutions by Sopheon Shareholders at an extraordinary general meeting to increase Sopheon's authorised share capital and to grant the Sopheon Directors authority to allot New Sopheon Shares pursuant to, *inter alia*, the Offer. Sopheon has today despatched a circular to its shareholders convening an extraordinary general meeting to consider these resolutions on 7 November 2001. The circular includes the unanimous recommendation of the Sopheon Directors to vote in favour of these resolutions.

## **6. The Orbital Share Option Schemes**

The Offer extends to any fully paid Orbital Shares which are unconditionally allotted or issued as a result of the exercise of options under the Orbital Share Option Schemes whilst the Offer remains open for acceptance (or at such earlier date as Sopheon may, with the consent of the Panel, decide).

If the Offer becomes or is declared wholly unconditional in all respects, Sopheon will make appropriate proposals to participants in the Orbital Share Option Schemes, to the extent that their options have not been exercised during the Offer Period or lapsed.

## **7. Taxation**

The following paragraphs, which are intended as a general guide only, are based on current UK legislation and UK Inland Revenue practice as at the date of this document. They summarise certain limited aspects of the UK taxation treatment of the acceptance of the Offer, and they relate only to the position of Orbital Shareholders who hold their Orbital Shares beneficially as an investment (otherwise than under a personal equity plan or ISA) and who are resident, or in the case of an individual ordinarily resident, in the UK for taxation purposes.

Any Orbital Shareholder who is in doubt as to his tax position or who is subject to taxation in any jurisdiction other than the United Kingdom should consult his own professional adviser immediately. Liability to UK taxation on chargeable gains will depend on the individual circumstance of each Orbital Shareholder. Orbital Shares are currently listed on the Official List of the UK Listing Authority.

### *Share Options*

Special tax provisions may apply to Orbital Shareholders who have acquired Orbital Shares by exercising options under the Orbital Share Option Schemes or who dispose of any Orbital Shares acquired in such manner, including provisions imposing a charge to UK income tax.

### *Stamp duty and stamp duty reserve tax ("SDRT")*

No stamp duty or SDRT will generally be payable by individual Orbital Shareholders as a result of accepting the Offer. This comment is intended as a guide to the general position and does not relate to persons such as market makers, brokers, dealers, intermediaries and persons connected with depository arrangements or clearance services, to whom special rules apply.

For further information concerning taxation your attention is drawn to paragraph 7 of Appendix 5.

## **8. Overseas Shareholders**

The attention of Orbital Shareholders who are not resident in the United Kingdom or who are citizens, residents or nationals of other countries is drawn to paragraph 6 of Part B and paragraphs (b) and (c) of Part C of Appendix 1 to this document and to the relevant provisions of the Form of Acceptance. The availability of the Offer to such Orbital Shareholders may be affected by the laws of the relevant jurisdictions. Orbital Shareholders who are subject to the law of any jurisdiction other than in the United Kingdom should inform themselves about and observe any applicable requirements.

The Offer is not being, and will not be, made, directly or indirectly, in or into, or by use of the mails of, or by any means or instrumentality (including, without limitation, fax, telex or telephone) of interstate or foreign commerce of, or of any facilities of a national securities exchange of, Canada, Australia, the Republic of Ireland or Japan and the Offer will not be capable of acceptance by any such use, means, instrumentality or facilities or from within Canada, Australia, the Republic of Ireland or Japan.

The New Sopheon Shares to be issued in consequence of the Offer have not been nor will they be registered under the United States Securities Act of 1933 (as amended) or under the securities laws of any jurisdiction of the United States nor under any of the relevant securities laws of Canada, Australia, the Republic of Ireland or Japan. Accordingly, unless an exemption is available, the New Sopheon Shares may not be offered, sold or delivered, directly or indirectly, in or into Canada, Australia, the Republic of Ireland or Japan or any other jurisdiction if the Offer will constitute a violation of the relevant laws of or require the registration thereof in such jurisdiction, nor to any resident of Canada, Australia, the Republic of Ireland or Japan.

The Offer is being made in the United States pursuant to an exemption from the United States tender offer rules provided by Rule 14d-1(c) under the United States Securities Exchange Act of 1934 (as amended) and pursuant to an exemption from the registration requirements of the United States Securities Act of 1933 (as amended) provided by Rule 802 thereunder. The relevant clearances have not been and will not be obtained from any securities authority in any jurisdiction outside the United Kingdom and no prospectus in relation to the New Sopheon Shares has been registered by any United States federal or state securities commission or regulatory authority.

Any person (including, without limitation, any nominee, custodian or trustee) who would, or otherwise intends to, forward this document and/or its accompanying documentation to any jurisdiction outside the United Kingdom should read the further details in this regard which are contained in paragraph 6 of Part B and paragraphs (b) and (c) of Part C of Appendix 1 to this document before taking any action.

## **9. Procedure for acceptance of the Offer**

**This section should be read together with the notes on the accompanying Form of Acceptance. The instructions printed on the Form of Acceptance are deemed to form part of the terms of the Offer.**

You should note that, if you hold Orbital Shares in both certificated and uncertificated form (that is, in CREST), you should complete a separate Form of Acceptance for each holding. Similarly, you should complete a separate Form of Acceptance for Orbital Shares held in uncertificated form, but under different member account IDs, and for Orbital Shares held in certificated form, but under different designations. Additional Forms of Acceptance are available from New Issues Department, Capita IRG Plc, PO Box 166, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TH (telephone number 0870 162 3100).

The Offer may not be accepted in or from Canada, Australia, the Republic of Ireland or Japan. Any Form of Acceptance received in an envelope postmarked in Canada, Australia, the Republic of Ireland or Japan or any other jurisdiction in which it is considered that the Offer may not lawfully be made, or otherwise appearing to Sopheon or its agents to have been sent from these jurisdictions may be rejected as an invalid acceptance of the Offer. For further information on Overseas Shareholders, see paragraph 6 of Part B of Appendix 1 to this document.

### *(a) To accept the Offer*

To accept the Offer in respect of your Orbital Shares, you must insert the appropriate number in Box 1, and complete Boxes 3 and 7 and if appropriate, boxes 4 and 5 and then sign Box 2 of the Form of Acceptance in the presence of a witness who should also sign in accordance with the instructions printed thereon.

Further instructions are set out in paragraph 9(c) below if your Orbital Shares are in CREST.

### *(b) Return Form of Acceptance*

To accept the Offer, the Form of Acceptance must be completed, signed, witnessed and returned, whether or not your Orbital Shares are in CREST. The completed Form of Acceptance, together, if your Orbital Shares are in certificated form, with your share certificate(s) and/or other document(s) of title, should be returned by post or by hand (during normal business hours) to New Issues Department, Capita IRG Plc, PO Box 166, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TH, or by hand only (during normal business hours) to Capita IRG Plc, Guildhall House, 81-87 Gresham Street, London EC2, as soon as possible and, in any event, so as to be received no later than 3.00 p.m. on 12 November 2001. A reply-paid envelope is enclosed for use in the UK only for documents returned by post. No acknowledgement of receipt of documents will be given by or on behalf of Sopheon. The instructions printed on the Form of Acceptance form part of the terms of the Offer.

### *(c) Additional procedures for Orbital Shares in uncertificated form (that is, in CREST)*

If your Orbital Shares are in uncertificated form, you should insert in Box 6 of the Form of Acceptance the participant ID and member account ID under which such Orbital Shares are held by you in CREST and otherwise complete and return the Form of Acceptance as described above. In addition, you should

take (or procure to be taken) the action set out below to transfer the Orbital Shares in respect of which you wish to accept the Offer to an escrow balance (that is, a TTE instruction), specifying the Receiving Agent (in its capacity as a CREST participant under its participant ID referred to below) as the Escrow Agent, as soon as possible and in any event so that the transfer to escrow settles no later than 3.00 p.m. on 12 November 2001.

**If you are a CREST sponsored member, you should refer to your CREST sponsor before taking any action.** Your CREST sponsor will be able to confirm details of your participant ID and the member account ID under which your Orbital Shares are held. In addition, only your CREST sponsor will be able to send the TTE instruction to CRESTCo in relation to your Orbital Shares.

You should send (or, if you are a CREST sponsored member, procure that your CREST sponsor sends) a TTE instruction to CRESTCo which must be properly authenticated in accordance with CRESTCo's specifications and which must contain, in addition to the other information that is required for a TTE instruction to settle in CREST, the following details:

- the number of Orbital Shares to be transferred to an escrow balance;
- your member account ID. This must be the same member account ID as the member account ID that is inserted in Box 6 of the Form of Acceptance;
- your participant ID. This must be the same participant ID as the participant ID that is inserted in Box 6 of the Form of Acceptance;
- the participant ID of the Escrow Agent (the Receiving Agent in its capacity as a CREST receiving agent). This is RA10;
- the member account ID of the Escrow Agent. This is ORBIT;
- the Form of Acceptance Reference Number. This is the Reference Number that appears next to Box 6 of the Form of Acceptance. This Reference Number should be inserted in the first eight characters of the shared note field on the TTE instruction. Such insertion will enable the Receiving Agent to match the transfer to escrow to your Form of Acceptance. You should keep a separate record of the Form of Acceptance Reference Number for future reference;
- the intended settlement date. This should be as soon as possible and, in any event, not later than 3.00 p.m. on 12 November 2001;
- the Corporate Action Number for the Offer. This will be available on screen from CRESTCo;
- the Corporate Action ISIN. This is GB0009659052; and
- input with standard TTE instruction of priority 80.

After settlement of the TTE instruction, you will not be able to access the Orbital Shares concerned in CREST for any transaction or charging purposes. If the Offer becomes or is declared unconditional in all respects, the Escrow Agent will transfer the Orbital Shares concerned to itself in accordance with paragraph (e) of Part C of Appendix 1.

You are recommended to refer to the CREST Manual published by CRESTCo for further information on the CREST procedures outlined above. For ease of processing, you are requested, wherever possible, to ensure that a Form of Acceptance relates to only one transfer to escrow.

If no Form of Acceptance Reference Number, or an incorrect Form of Acceptance Reference Number, is included on the TTE instruction, Sopheon may treat any number of Orbital Shares transferred to an escrow balance in favour of the Escrow Agent from the participant ID and member account ID identified in the TTE instruction as relating to any Form(s) of Acceptance which relate(s) to the same member account ID and participant ID (up to the number of Orbital Shares inserted or deemed to be inserted on the Form(s) of Acceptance concerned).

**You should note that CRESTCo does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in connection with a TTE instruction and its settlement. You should therefore ensure that all necessary action is taken by you (or by your CREST sponsor) to enable a TTE instruction relating to your Orbital Shares to settle prior to 3.00 p.m. on 12 November 2001. In this connection, you are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.**

Sopheon will make an appropriate announcement if any of the details contained in this paragraph 9 alter for any reason in any respect which is material to Orbital Shareholders.

*(d) Share certificates not readily available or lost*

Even if your Orbital Shares are in certificated form and your share certificate(s) and/or other document(s) of title is/are not readily available or is/are lost, the Form of Acceptance should nevertheless be completed, signed and returned as stated above so as to be received not later than 3.00 p.m. on 12 November 2001.

If your Orbital Shares are in certificated form but your share certificate(s) and/or other document(s) of title is/are not readily available or is/are lost, you should send with your Form of Acceptance any share certificate(s) and/or other document(s) of title that you may have available, accompanied by a letter stating that the balance will follow or that you have lost one or more of your share certificate(s) and/or other documents of title. You should then arrange for the relevant certificate(s) and/or other document(s) of title to be forwarded as soon as possible thereafter. No acknowledgement of receipt of documents will be given by or on behalf of Sopheon.

If you have lost your share certificate(s) and/or other document(s) of title, you should write as soon as possible to the registrars of Orbital, Northern Registrars Limited, Northern House, Woodsome Park, Fenay Bridge, Huddersfield HD8 0LA, for a letter of indemnity for lost share certificate(s) and/or other document(s) of title which, when completed in accordance with the instructions given, should be sent to the Receiving Agent.

*(e) Deposits of Orbital Shares into, and withdrawals of Orbital Shares from, CREST*

Normal CREST procedures (including timings) apply in relation to any Orbital Shares that are, or are to be, converted from uncertificated to certificated form, or from certificated to uncertificated form, during the course of the Offer (whether any such conversion arises as a result of a transfer of Orbital Shares or otherwise). Orbital Shareholders who are proposing to convert any such Orbital Shares are recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring Orbital Shares as a result of the conversion to take all necessary steps in connection with an acceptance of the Offer (in particular, as regards delivery of any share certificate(s) or other document(s) of title and/or transfer to an escrow balance as described above) prior to 3.00 p.m. on 12 November 2001.

*(f) Validity of acceptances*

Without prejudice to Appendix 1 of this document, and subject to the terms of the Offer and the provisions of the City Code, Sopheon and HSBC Investment Bank reserve the right to treat as valid any acceptance of the Offer which is not entirely in order or which is not accompanied by the relevant TTE instruction or (as applicable) the relevant share certificate(s) and/or other document(s) of title. In that event, no allotment of New Sopheon Shares will be made (in the manner described in paragraph 12 below) until after the relevant TTE instruction has settled or (as applicable) the relevant share certificate(s) and/or other document(s) of title or indemnities satisfactory to Sopheon have been received.

**If you have any questions as to how to complete the Form of Acceptance, please contact New Issues Department, Capita IRG Plc by telephone on 0870 162 3100. You are reminded that if you are a CREST sponsored member, you should contact your CREST sponsor before taking any action.**

## 10. Compulsory acquisition and de-listing of Orbital

If acceptances are received under the Offer in respect of, and/or Sopheon otherwise acquires, 90 per cent. or more of Orbital Shares to which the Offer relates, Sopheon will be entitled, and intends, to exercise its rights pursuant to the provisions of sections 428 to 430F of the Act to acquire compulsorily the remaining Orbital Shares. Following the Offer becoming or being declared unconditional in all respects and subject to any applicable requirements of the UK Listing Authority, Sopheon intends to procure that Orbital will apply to the UK Listing Authority for the Orbital Shares to be de-listed from the Official List and for the cancellation of trading of Orbital Shares on the market for listed securities of the London Stock Exchange. It is anticipated that the de-listing and cancellation of trading of the Orbital Shares will take effect no earlier than 20 business days following the Offer becoming or being declared unconditional in all respects. **De-listing would significantly reduce the marketability and liquidity of any Orbital Shares not acquired by Sopheon.**

## 11. Listings and dealings

Application will be made for the New Sopheon Shares to be admitted to trading on AIM. It is expected that Admission will become effective and dealings in the New Sopheon Shares will commence on the first dealing day following the day on which the Offer becomes or is declared unconditional in all respects (save only for Admission). Dealings will be for normal settlement. Pending the issue of definitive certificates for the New Sopheon Shares, transfers will be certified against the register held by Capita IRG Plc. No temporary documents of title in respect of the New Sopheon Shares will be issued. The New Sopheon Shares will not be available to the public in conjunction with the application except by way of valid acceptance of the Offer. Application will also be made for the New Sopheon Shares to be admitted to trading on the Euro.NM segment of the stock market of Euronext Amsterdam N.V. In order to comply with Euronext Amsterdam N.V. listing rules and issuing rules, an information memorandum will be published following the issue of the New Sopheon Shares. It is expected that the New Sopheon Shares will be admitted to trading on the Euro.NM segment of the stock market of Euronext Amsterdam N.V. upon publication of such an information memorandum. Like the existing Sopheon Shares, the New Sopheon Shares traded on the stock market of Euronext Amsterdam N.V. will be settled through Nederlands Interprofessioneel Effectencentrum NIEC B.V.

## 12. Settlement

Subject to the Offer becoming or being declared unconditional in all respects (except as provided in paragraph 6 of Part B of Appendix 1 in the case of Orbital Shareholders who are Overseas Shareholders), settlement of the consideration to which any Orbital Shareholder is entitled under or pursuant to the Offer will be effected (i) in the case of acceptances received, complete in all respects, by the date on which the Offer becomes or is declared unconditional in all respects, within 14 days of such date, or (ii) in the case of acceptances of the Offer received, complete in all respects, after the date on which the Offer becomes or is declared unconditional in all respects, but while it remains open for acceptance, within 14 days of such receipt, in the following manner:

(a) *Orbital Shares in uncertificated form (that is, in CREST)*

Where an acceptance relates to Orbital Shares in uncertificated form the New Sopheon Shares to which the accepting Orbital Shareholder is entitled pursuant to the Offer will be issued to such shareholder in uncertificated form. Sopheon will procure that CRESTCo is instructed to credit the appropriate stock account in CREST of the accepting Orbital Shareholder concerned with such shareholder's entitlement to New Sopheon Shares. The stock account concerned will be an account under the same participant ID and member account ID as appears in the Form of Acceptance concerned.

Sopheon reserves the right to settle all or any part of the consideration, for all or any accepting Orbital Shareholders, in the manner referred to in paragraph (b) below, if for any reason it wishes to do so.

(b) *Orbital Shares in certificated form*

Where an acceptance relates to Orbital Shares in certificated form, the New Sopheon Shares to which an accepting Orbital Shareholder is entitled in consequence of the Offer will be issued to such shareholder in certificated form. Definitive certificates for the New Sopheon Shares will be despatched by first class post (or by such other method as may be approved by the Panel) to accepting Orbital Shareholders or their appointed agents (but not in or into Canada, Australia, the Republic of Ireland or Japan). In relation to New Sopheon Shares to be issued in certificated form, temporary documents of title will not be issued pending despatch by post of definitive share certificates for such New Sopheon Shares.

(c) *General*

If the Offer does not become or is not declared unconditional in all respects (i) in the case of Orbital Shares held in certificated form, share certificate(s) and/or other document(s) of title will be returned by post (or such other method as may be approved by the Panel), within 14 days of the Offer lapsing, to the person or agent whose name and address (outside Canada, Australia, the Republic of Ireland and Japan) is set out in Box 3 or, if applicable, Box 5 of the Form of Acceptance or, if none is set out, to the first named holder at his registered address (outside Canada, Australia, the Republic of Ireland and Japan) and (ii) in the case of Orbital Shares held in uncertificated form, the Escrow Agent will, immediately after the lapsing of the Offer (or within such longer period, not exceeding 14 days after the Offer lapsing, as the Panel may approve), give TFE instructions to CRESTCo to transfer all Orbital Shares held in escrow balances and in relation to which it is the escrow agent for the purposes of the Offer to the original available balances of the Orbital Shareholders concerned. All documents and remittances sent by, to or from Orbital Shareholders or their appointed agents will be sent at their own risk and may be sent by post.

All mandates and other instruments in force relating to holdings of Orbital Shares will, unless and until revoked, continue in force in relation to payments and notices in respect of New Sopheon Shares.

The settlement procedure with respect to the Offer will be consistent with UK procedure, which differs from the US tender offer rules in certain material respects, particularly with regard to the date of payment.

### **13. Further information**

The Offer is subject to the conditions and further terms set out in Appendix 1 and in the accompanying Form of Acceptance.

Your attention is drawn to the Appendices which contain further information and form part of this document and to the accompanying Form of Acceptance, which should be read in conjunction with this document.

### **14. Action to be taken**

**To accept the Offer, sign and return the Form of Acceptance (whether or not your Orbital Shares are in CREST) as soon as possible, and, in any event, so as to be received by post or by hand (during normal business hours), to New Issues Department, Capita IRG Plc, PO Box 166, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TH or, by hand only, (during normal business hours) to Capita IRG Plc, Guildhall House, 81-87 Gresham Street, London EC2, not later than 3.00 p.m. on 12 November 2001.**

Yours faithfully

For and on behalf of  
HSBC Investment Bank plc

John Mellett  
*Director – Corporate Finance and Advisory*

## APPENDIX 1

### CONDITIONS AND FURTHER TERMS OF THE OFFER

#### PART A: Conditions of the Offer

1. **The Offer will comply with the rules and regulations of the Financial Services Authority and the City Code and is subject to the following conditions:**
  - (a) valid acceptances being received (and not, where permitted, withdrawn) by not later than 3.00 p.m. on 12 November 2001 (the "First Closing Date") (or such later time(s) and/or date(s) as Sopheon may, subject to the rules of the City Code, decide) in respect of not less than 90 per cent. (or such lesser percentage as Sopheon may decide) in nominal value of Orbital Shares to which the Offer relates, provided that this condition will not be satisfied unless Sopheon and/or any of its wholly-owned subsidiaries shall have acquired or agreed to acquire (whether pursuant to the Offer or otherwise) directly or indirectly, Orbital Shares carrying in aggregate more than 50 per cent. of the voting rights then normally exercisable at a general meeting of Orbital, including for this purpose (to the extent, if any, required by the Panel) any such voting rights attaching to any Orbital Shares that are unconditionally allotted or issued before the Offer becomes or is declared unconditional as to acceptances, whether pursuant to the exercise of any outstanding subscription or conversion rights or otherwise and, for this purpose: (i) the expression "Orbital Shares to which the Offer relates" shall be construed in accordance with sections 428 to 430F of the Act; and (ii) Orbital Shares which have been unconditionally allotted but not issued shall be deemed to carry the voting rights which they will carry upon being entered into the register of members of Orbital;
  - (b) the passing at an extraordinary general meeting (or at any adjournment thereof) of Sopheon of such resolution or resolutions as may be necessary to approve, implement and effect the Offer, the acquisition of any Orbital Shares pursuant to the Offer or otherwise and the allotment of New Sopheon Shares including (without limitation) resolutions granting authority to allot New Sopheon Shares and to increase the authorised share capital of Sopheon;
  - (c) the London Stock Exchange announcing its decision to admit to trading on AIM the New Sopheon Shares to be issued pursuant to the Offer, and such admission becoming effective in accordance with the AIM Admission Rules (as appropriate), or (if determined by Sopheon and subject to the consent of the Panel) the London Stock Exchange agreeing to admit to trading on AIM such shares subject only to (i) the allotment of such shares and/or (ii) the Offer becoming or being declared unconditional in all respects;
  - (d) no government or governmental, quasi-governmental, supranational, statutory, regulatory or investigative body, court, trade agency, association, institution or professional or environmental body or any other person or body whatsoever in any relevant jurisdiction (each a "Third Party") having instituted, implemented or threatened any action, proceedings, suit, investigation, enquiry or reference or made, proposed or enacted any statute, regulation, decision or order or required any action to be taken or information to be provided or otherwise having done anything and there not continuing to be outstanding any statute, regulation or order thereof which would or is reasonably likely to:
    - (i) make the Offer, or its implementation, or the acquisition or the proposed acquisition by Sopheon or any member of the Wider Sopheon Group of any Orbital Shares or other securities (or the equivalent) in, or control of, Orbital or any member of the Wider Orbital Group, void, illegal or unenforceable, or otherwise directly or indirectly and to a material extent, restrain, prohibit, restrict or delay the same or impose additional material conditions or obligations with respect thereto, or otherwise impede, challenge or interfere therewith in such a way as is material in the context of the Offer, or require material amendment to the terms of the Offer or the acquisition or proposed acquisition of any Orbital Shares or the acquisition of control of Orbital or any member of the Wider Orbital Group by Sopheon or any member of the Wider Sopheon Group;

- (ii) result in any material delay in the ability of Sopheon or render Sopheon unable to acquire all or some of the Orbital Shares or other securities in Orbital;
- (iii) require, prevent or materially delay the divestiture or alter the terms of any proposed divestiture by any member of the Wider Sopheon Group or by Orbital or any member of the Wider Orbital Group, in any such case, of all or any material portion of their respective businesses, assets or properties or impose any limitation on the ability of any of them to conduct their respective businesses (or any of them) or own their respective assets or properties or any part thereof;
- (iv) impose any material limitation on, or result in a material delay in, the ability of any member of the Wider Sopheon Group or the Wider Orbital Group to acquire, or to hold or to exercise effectively, directly or indirectly, all or any rights of ownership of shares or other securities (or the equivalent) in, or to exercise voting or management control over, Orbital or any member of the Wider Orbital Group;
- (v) save pursuant to Part XIII A of the Act require any member of the Wider Sopheon Group or the Wider Orbital Group to acquire, or to offer to acquire, any shares or other securities (or the equivalent) in any member of the Wider Orbital Group or any asset owned by any third party or to sell, or to offer to sell, any shares or other securities (or the equivalent) in or any asset owned by any member of the Wider Sopheon Group or the Wider Orbital Group;
- (vi) result in any member of the Wider Orbital Group ceasing to be able to carry on business under any name which it presently does so;
- (vii) impose any limitation on the ability of any member of the Wider Sopheon Group or the Wider Orbital Group to co-ordinate its business or any part thereof, with the business of any other member of the Wider Sopheon Group or the Wider Orbital Group; or
- (viii) otherwise adversely affect the business or profits or prospects of any member of the Wider Orbital Group or the Wider Sopheon Group;

in any such case which is material in the context of respectively the Wider Sopheon Group taken as a whole or the Wider Orbital Group taken as a whole and all applicable waiting and other time periods during which any such Third Party could have taken, instituted or threatened any such action, proceeding, suit, investigation, enquiry or reference or otherwise intervene under the laws of any jurisdiction, having expired, lapsed or been terminated;

- (e) all necessary notifications, and necessary filings having been made and all applicable waiting and other time periods under any applicable legislation and regulations in any jurisdiction having expired, lapsed or been terminated and all necessary statutory and/or necessary regulatory obligations in any jurisdiction having been complied with in each case in connection with the Offer, its implementation, or the acquisition by any member of the Wider Sopheon Group of any shares or other securities (or the equivalent) in, or control of, Orbital or any member of the Wider Orbital Group and all authorisations, orders, recognitions, grants, determinations, certificates, consents, clearances, confirmations, licences, permissions, exemptions and approvals which are material and necessary or appropriate in any jurisdiction for, or in respect of, the Offer, its implementation or the proposed acquisition of any shares or other securities (or the equivalent) in, or control of, Orbital or any member of the Wider Orbital Group by any member of the Wider Sopheon Group or the issue or offering of any New Sopheon Shares or the carrying on by any member of the Wider Orbital Group of its business having been obtained in terms and in a form satisfactory to Sopheon (acting reasonably), from all appropriate Third Parties or from any persons or bodies with whom any member of the Wider Orbital Group has entered into contractual arrangements and the absence of which would be material in the context of the Wider Orbital Group taken as a whole and all such authorisations, orders, recognitions, grants, determinations, certificates, consents, clearances, confirmations, licences, permissions, exemptions and approvals necessary to carry on the business of any member of the Wider Orbital Group and which are material in the context of the Wider Orbital Group taken as a whole remaining in full force and effect at the time the Offer becomes or is declared otherwise wholly unconditional and there being no intimation of an intention to revoke, suspend, restrict, modify or not to renew the same;

- (f) save as disclosed in writing to Sopheon on or prior to 19 October 2001, there being no provision of any arrangement, agreement, licence, permit, franchise or any other instrument to which any member of the Wider Orbital Group is a party or by or to which any such member or any of its assets is or may be bound, entitled or subject and which, as a consequence of the Offer or the acquisition or proposed acquisition by any member of the Wider Sopheon Group of some or all of the share capital or other securities (or the equivalent) in Orbital or because of a change in control of Orbital or any member of the Wider Orbital Group or otherwise, would or is reasonably likely to result in:
- (i) any monies borrowed by or any other indebtedness or liability, actual or contingent, of any member of the Wider Orbital Group being or becoming payable or capable of being declared repayable immediately or prior to their or its stated maturity date, or the ability of any member of the Wider Orbital Group to borrow monies or incur any indebtedness being withdrawn or inhibited;
  - (ii) the creation or enforcement of any mortgage, charge or other security interest over the whole or any part of the business, property or assets of any member of the Wider Orbital Group or any such mortgage, charge or other security interest (whenever arising or having arisen) becoming enforceable;
  - (iii) any such arrangement, agreement, licence, permit, franchise or instrument or the rights, liabilities, obligations or interests of any member of the Wider Orbital Group under any such arrangement, agreement, licence, permit, franchise or instrument being, or becoming capable of being, terminated or adversely modified or affected or any adverse action being taken or any onerous obligation or liability arising thereunder;
  - (iv) any assets or interests of any member of the Wider Orbital Group being (or being liable to be) disposed of (other than in the ordinary course of business) or charged or ceasing to be available to any member of the Wider Orbital Group or any right arising under which any such asset or interest could be required to be disposed of or charged or could cease to be available to any member of the Wider Orbital Group;
  - (v) without limitation to the foregoing and save pursuant to Part XIII A of the Act, any member of the Wider Sopheon Group or the Wider Orbital Group being required to acquire, or to offer to acquire, any shares or other securities (or the equivalent) in any member of the Wider Orbital Group or any asset owned by any third party or to sell, or to offer to sell, any shares or other securities (or the equivalent) in or any asset owned by any member of the Wider Orbital Group;
  - (vi) any member of the Wider Orbital Group ceasing to be able to carry on business under any name under which it presently does so;
  - (vii) the rights, liabilities, obligations or interest or business of, any member the Wider Orbital Group in or with any other person, firm or body (or any arrangement or arrangements relating to any such interest or business) being terminated, or adversely modified or affected;
  - (viii) the financial or trading position or prospects of any member of the Wider Orbital Group being prejudiced or adversely affected; or
  - (ix) the creation or assumption of any material liability (actual or contingent) by any members of the Wider Orbital Group;
- in any such case which is material in the context of the Wider Orbital Group taken as a whole;
- (g) in the case of Orbital, since 31 March 2001 (except as disclosed in writing to Sopheon on or prior to 19 October 2001 or as disclosed in the annual report and accounts of Orbital for the year ended 31 March 2001 or the interim financial statements of Orbital for the six months ended 30 September 2001 or as otherwise publicly announced prior to 22 October 2001 by delivery of an announcement to the UK Listing Authority and/or to the Company Announcements Office of the London Stock Exchange) no member of the Wider Orbital Group and, in the case of Sopheon, since 31 December 2000 (except as disclosed in writing to Orbital on or prior to 19 October 2001 or as disclosed in the annual report and accounts of Sopheon for the year ended 31 December 2000 or the interim financial statements of

Sopheon for the six months ended 30 June 2001 or as otherwise publicly announced prior to 22 October 2001 by delivery of an announcement to the UK Listing Authority and/or to the Company Announcements Office of the London Stock Exchange) no member of the Wider Sopheon Group has, as appropriate:

- (i) issued or agreed to issue or authorised or proposed the issue of additional shares of any class, or securities convertible into or exchangeable for, or rights, warrants or options to subscribe for or acquire, any such shares or convertible securities, save as between Orbital and any wholly owned subsidiaries of Orbital or as between Sopheon and any wholly owned subsidiaries of Sopheon, and save for options granted, and any such shares allotted upon exercise of options granted, under the Orbital Share Option Schemes or the Sopheon Share Option Schemes prior to 22 October 2001;
- (ii) recommended, declared, paid or made or proposed to recommend, declare, pay or make any bonus, dividend or other distribution whether payable in cash or otherwise save as between Orbital and any wholly owned subsidiaries of Orbital or as between Sopheon and any wholly owned subsidiaries of Sopheon;
- (iii) made or authorised or proposed or announced its intention to propose any change in its loan capital;
- (iv) merged with or demerged or (save in the ordinary course of business) acquired any body corporate, partnership or business or acquired or disposed of or transferred, mortgaged or charged or created any security interest over any assets or any right, title or interest in any assets (including shares and trade investments) or authorised, proposed or announced its intention to propose any merger, demerger, acquisition or disposal;
- (v) issued, authorised or proposed the issue of any debentures or (save in the ordinary course of business) incurred or increased any indebtedness or contingent liability;
- (vi) purchased, redeemed or repaid or announced any proposal to purchase, redeem or repay any of its own shares or other securities or redeemed or reduced or made or proposed any other change to any part of its share capital;
- (vii) save in the ordinary course of business, entered into or varied, or authorised, proposed or announced its intention to enter into or vary or terminate any contract, transaction or commitment (whether in respect of capital expenditure or otherwise) which is of a long term, onerous, or unusual nature or magnitude or which would be or which would be likely to be restrictive on the business of, as appropriate, any member of the Wider Orbital Group or the Wider Sopheon Group or which involves or could involve an obligation of such a nature or magnitude or which could be so restrictive;
- (viii) implemented or effected, or authorised, proposed or announced its intention to implement, effect, authorise or propose or enter into any reconstruction, amalgamation, scheme, commitment or other transaction or arrangement;
- (ix) entered into or made an offer (which remains open for acceptance) to enter into or changed the terms of any service agreement, contract or any other agreement or arrangement with any of the directors of Orbital or any of the directors of Sopheon or senior executives or any connected person of any such person (within the meaning of section 346 of the Act) of, as appropriate, any member of the Wider Orbital Group or any member of the Wider Sopheon Group;
- (x) taken or proposed any corporate action or had any legal proceedings instituted or threatened against it for its winding-up (voluntarily or otherwise), dissolution or reorganisation, or for the appointment of a receiver, administrator, administrative receiver, trustee or similar officer of all or any of its assets and revenues or any analogous proceedings or such steps having taken place under the laws of any jurisdiction;
- (xi) been unable or admitted in writing that it is unable to pay its debts or has stopped or suspended (or threatened to stop or suspend) payment of its debts generally or ceased or threatened to cease carrying on all or a substantial part of its business;

- (xii) waived or compromised any claim save in the ordinary course of business;
- (xiii) made any alteration to its memorandum or articles of association, or any other incorporation document;
- (xiv) other than in the ordinary course of business, acquired or disposed of, or transferred, mortgaged or charged or created any security interest over, any asset(s) or any right or title to, or interest in any asset(s); or
- (xv) entered into any agreement, commitment or arrangement or passed any resolution or made any offer (which remains open for acceptance) with respect to any of the transactions, matters or events referred to in this condition (g);

in any such case which is material in the context of, as appropriate, the Wider Orbital Group taken as a whole or the Wider Sopheon Group taken as a whole;

- (h) in the case of Orbital, since 31 March 2001 (except as disclosed in writing to Sopheon on or prior to 19 October 2001 or as disclosed in the annual report and accounts of Orbital for the year ended 31 March 2001 or the interim financial statements of Orbital for the six months ended 30 September 2001, or as otherwise publicly announced prior to 22 October 2001 by delivery of an announcement to the UK Listing Authority and/or to the Company Announcements Office of the London Stock Exchange) and, in the case of Sopheon since 31 December 2000 (except as disclosed in writing to Orbital on or prior to 19 October 2001 or as disclosed in the annual report and accounts of Sopheon for the year ended 31 December 2000 or the interim financial statements of Sopheon for the six months ended 30 June 2001 or as otherwise publicly announced prior to 22 October 2001 by delivery of an announcement to the UK Listing Authority and/or to the Company Announcements Office of the London Stock Exchange):
  - (i) there having been no material adverse change, and no other circumstance having arisen which would or would reasonably be likely to result in any material adverse change in the business, assets (including cash balances), financial or trading position or profits or assets or prospects of, as appropriate, any member of the Wider Orbital Group which in any such case is material in the context of the Wider Orbital Group taken as a whole or any member of the Wider Sopheon Group which in any such case is material in the context of the Wider Sopheon Group taken as a whole;
  - (ii) no litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Wider Orbital Group or the Wider Sopheon Group is or may become a party (whether as claimant or defendant or otherwise) or any investigation by any Third Party or other investigative body having been threatened, announced or instituted by, or remaining outstanding, by against or in respect of any member of the Wider Orbital Group or the Wider Sopheon Group which in any such case is expected to have a material adverse effect in the context of, as appropriate, the Wider Orbital Group taken as a whole or the Wider Sopheon Group taken as a whole;
  - (iii) no contingent or other liability having arisen or become apparent which might be likely, or having been incurred which would or might reasonably be expected to adversely affect any member of the Wider Orbital Group or the Wider Sopheon Group which in any such case is material in the context of, as appropriate, the Wider Orbital Group taken as a whole or the Wider Sopheon Group taken as a whole;
  - (iv) there having been no receiver, administrative receiver or other encumbrancer appointed over any of the assets of, as appropriate, any member of the Wider Orbital Group or any member of the Wider Sopheon Group or any analogous proceedings or steps having taken place under the laws of any jurisdiction and there having been no petition presented for the administration of, as appropriate, any member of the Wider Orbital Group or any member of the Wider Sopheon Group or any analogous proceedings or steps taken place under the laws of any jurisdiction; and
  - (v) no steps having been taken which are likely to result in the withdrawal, cancellation, termination or modification of any licence held by, as appropriate, any member of the Wider Orbital Group or any member of the Wider Sopheon Group which is necessary for the proper carrying on of its business;

- (i) Sopheon not having discovered in respect of the Wider Orbital Group and Orbital not having discovered in respect of the Wider Sopheon Group, in each case prior to the date when the Offer would otherwise become unconditional, that:
- (i) any financial or business or other information concerning any member of the Wider Orbital Group or any member of the Wider Sopheon Group disclosed publicly or otherwise at any time is or has become materially inaccurate or misleading, contains a material misrepresentation of fact or omits to state a fact necessary to make the information contained therein not materially misleading;
  - (ii) any member of the Wider Orbital Group or any member of the Wider Sopheon Group or any partnership company or entity in which any member of the Wider Orbital Group or any member of the Wider Sopheon Group has an interest and which is not a subsidiary undertaking of, as appropriate, Orbital or Sopheon is subject to any material liability, contingent or otherwise, which is not disclosed in, as appropriate, the annual report and accounts of Orbital for the year ended 31 March 2001 or the interim financial statements of Orbital for the six months to 30 September 2001 or in writing to Sopheon on or prior to 19 October 2001 or otherwise publicly announced prior to 22 October 2001 by delivery of an announcement to the UK Listing Authority and/or to the Company Announcements Office of the London Stock Exchange or the annual report and accounts of Sopheon for the year ended 31 December 2000 or the interim financial statements of Sopheon for the six months to 30 June 2001 or in writing to Orbital on or prior to 19 October 2001 or otherwise publicly announced prior to 22 October 2001 by delivery of an announcement to the UK Listing Authority and/or to the Company Announcements Office of the London Stock Exchange; or
  - (iii) there exists any information which affects the import of any information disclosed, as appropriate, by or on behalf of any member of the Wider Orbital Group to or on behalf of any member of the Wider Sopheon Group in a manner which is material in the context of the Wider Orbital Group taken as a whole or by or on behalf of any member of the Wider Sopheon Group to any member of the Wider Orbital Group in a manner which is material in the context of the Wider Sopheon Group taken as a whole;
- (j) Sopheon not having discovered in respect of the Wider Orbital Group and Orbital not having discovered in respect of the Wider Sopheon Group, in each case, that, prior to the date when the Offer would otherwise become unconditional:
- (i) any past or present member of, as appropriate, the Wider Orbital Group or the Wider Sopheon Group has not complied in all material respects with all applicable legislation or regulations of any jurisdiction with regard to the use, treatment, handling, storage, transport, disposal, discharge, spillage, leak or emission of any waste or hazardous substance or any substance likely to impair the environment or harm human health, or otherwise relating to environmental matters or the health and safety of any person, nor that there has otherwise been any such use, treatment, handling, storage, transport, disposal, discharge, spillage, leak or emission (whether or not the same constituted a non-compliance by any person with any such legislation or regulations and wherever the same may have taken place) which, in any such case, would be likely to give rise to any liability (whether actual or contingent) or cost on the part of any member or former member of, as appropriate, the Wider Orbital Group or the Wider Sopheon Group which is material in the context of, as appropriate, the Wider Orbital Group taken as a whole or the Wider Sopheon Group taken as a whole;
  - (ii) there has been an emission, disposal, discharge, deposit, spillage or leak of waste or hazardous or harmful substances on or about or from any property or asset now or previously owned, occupied or made use of by any past or present member of, as appropriate, the Wider Orbital Group or the Wider Sopheon Group which would be likely to give rise to any liability (whether actual or contingent) or cost on the part of any member of, as appropriate, the Wider Orbital Group or the Wider Sopheon Group which is material in the context, as appropriate, of the Wider Orbital Group or the Wider Sopheon Group taken as a whole;

- (iii) there is, or is likely to be, any liability, whether actual or contingent, to make good, repair, reinstate or clean up any property now or previously owned, occupied or made use of by any past or present member of, as appropriate, the Wider Orbital Group or the Wider Sopheon Group or any controlled waters under any environmental legislation, regulation, notice, circular or order of any relevant authority or Third Party or otherwise which is material in the context of, as appropriate, the Wider Orbital Group taken as a whole or the Wider Sopheon Group taken as a whole;
- (iv) circumstances exist whereby a person or class of persons would be likely to have any claim or claims in respect of any product or service provided by or materials used therein now or previously provided, sold or carried out by any past or present member of, as appropriate, the Wider Orbital Group or the Wider Sopheon Group which is material in the context of, as appropriate, the Wider Orbital Group taken as a whole or the Wider Sopheon Group taken as a whole; or
- (v) any circumstances which might reasonably be expected to indicate that any of sub-paragraphs (i) to (iv) of this condition 1(j) may not be satisfied.

## **2. Waiver of Conditions**

- (a) Without prejudice to sub-paragraph (d) of this paragraph 2, conditions 1(b) and 1(c) must be fulfilled and conditions 1(d) to 1(j) (inclusive) must be fulfilled or, if capable of waiver, waived or, where appropriate, have been determined by Sopheon and/or Orbital in its or their opinion to be or remain satisfied by midnight on the 21st day after the later of the First Closing Date and the date on which condition 1(a) is fulfilled (or on such later date as the Panel may agree), failing which the Offer will lapse.
- (b) Sopheon reserves the right to waive in whole or in part conditions 1(e) and 1(f) and, in so far as they relate to Orbital or the Wider Orbital Group, conditions 1(d) and 1(g) to 1(j) (inclusive).
- (c) Subject to sub-paragraph (e) of this paragraph 2, Orbital reserves the right to waive conditions 1(d) and 1(g) to 1(j) (inclusive) in so far as they relate to Sopheon or the Wider Sopheon Group.
- (d) Subject to sub-paragraph (e) of this paragraph 2, Sopheon and Orbital have agreed with each other that Sopheon and/or Orbital, as the case may be, will waive (or determine to be or remain satisfied) conditions 1(d) and 1(g) to 1(j) (inclusive) within 2 business days of condition 1(a) becoming or being declared satisfied by Sopheon unless at or prior to the time of the satisfaction of condition 1(a) Sopheon and/or Orbital have validly invoked any of such conditions so as to cause the Offer to lapse. In the event that Sopheon and/or Orbital, as the case may be, fail to waive (or determine to be or remain satisfied) such conditions in accordance with the terms of this sub-paragraph (d) they shall be deemed to have waived (or have determined to be or remain satisfied) such conditions immediately after 2 business days have elapsed following condition 1(a) becoming or being declared satisfied by Sopheon.
- (e) In the event that the Offer ceases to be recommended unanimously by the Orbital Directors:
  - (i) sub-paragraph (c) of this paragraph 2 shall cease to apply, and sub-paragraph (b) of this paragraph 2 shall be revised such that Sopheon shall have the right to waive conditions 1(d) and 1(g) to 1(j) (inclusive) in whole or in part, both in relation to Orbital and the Wider Orbital Group and Sopheon and the Wider Sopheon Group; and
  - (ii) sub-paragraph (d) of this paragraph 2 shall cease to apply.

## **3. General**

- (a) If the Offer lapses for any reason, it will cease to be capable of further acceptance and HSBC Investment Bank, Sopheon and the Orbital Shareholders shall thereupon cease to be bound by prior acceptances.
- (b) Each of Sopheon and, as appropriate, Orbital, shall be under no obligation to waive or treat as satisfied or fulfilled any of conditions 1(d) to 1(j) (inclusive) by a date earlier than the latest date specified in

paragraph 2(a) above for the waiver or satisfaction or fulfilment thereof notwithstanding that the other conditions of the Offer may at such earlier date have been waived or fulfilled and that there are at such earlier date no circumstances indicating that any of such conditions may not be capable of waiver, satisfaction or fulfilment.

- (c) The Offer will lapse if the acquisition of Orbital or any matter arising therefrom is referred to the Competition Commission before the later of the First Closing Date and the date when the Offer becomes or is declared unconditional as to acceptances. In such circumstances, the Offer will cease to be capable of further acceptance and persons accepting the Offer and Sopheon shall thereupon cease to be bound by acceptances delivered on or before the date on which the Offer so lapses.
- (d) For the purpose of these conditions: (a) “Wider Orbital Group” means Orbital, its subsidiaries, subsidiary undertakings and associated undertakings and any other body corporate, partnership, joint venture or person in which Orbital and such undertakings (aggregating their interests) have an interest of more than 20 per cent. in the voting or equity capital (or the equivalent); (b) “Wider Sopheon Group” means Sopheon and its subsidiaries, subsidiary undertakings and associated undertakings and any other body corporate, partnership, joint venture or person in which Sopheon and such undertakings (aggregating their interests) have an interest of more than 20 per cent. in the voting or equity capital (or the equivalent); and (c) “subsidiary”, “subsidiary undertaking”, “associated undertaking” and “undertaking” shall be construed in accordance with the Act (but for this purpose ignoring paragraph 20(1)(b) of Schedule 4A of the Act).
- (e) If Sopheon is required by the Panel to make an offer for Orbital Shares under the provisions of rule 9 of the City Code, Sopheon shall make such alterations to the conditions of the Offer, including to condition 1(a) above, as are necessary to comply with the provisions of that Rule.
- (f) The Offer is not being made, directly or indirectly, in or into, Canada, Australia, the Republic of Ireland or Japan.

## **PART B: Further terms of the Offer**

The following further terms apply to the Offer and, unless the context otherwise requires, any reference in Parts B or C of this Appendix 1 and in the Form of Acceptance to:

- (i) the “acceptance condition” means the condition as to acceptances of the Offer set out in paragraph 1(a) of Part A of this Appendix 1 and references to the Offer becoming unconditional as to acceptances shall be construed accordingly;
- (ii) “acceptances of the Offer” shall include deemed acceptances of the Offer;
- (iii) the “Offer” shall include any revision, variation or renewal thereof or any extension thereto;
- (iv) the Offer becoming or being declared “unconditional” means the acceptance condition being or becoming or being declared satisfied, whether or not any other condition of the Offer remains to be fulfilled, and references to the Offer having become or not having become unconditional shall be construed accordingly; and
- (v) “Offer Period” means, in relation to the Offer, the period commencing on 14 September 2001 until whichever of the following times shall be the latest: (i) 3.00 p.m. on 12 November 2001, (ii) the time and date on which the Offer lapses, and (iii) the time and date on which the Offer becomes or is declared unconditional as to acceptances;

### **1. Acceptance period**

- (a) The Offer will initially be open for acceptance until 3.00 p.m. on 12 November 2001. Although no revision is envisaged, if the Offer is revised it will remain open for acceptance for a period of at least 14 days (or such other period as may be permitted by the Panel) from the date on which written notification of the revision is posted to Orbital Shareholders. Except with the consent of the Panel, no revision of the Offer may be made or posted to Orbital Shareholders after 7 December 2001 or, if later, the date falling 14 days prior to the last date on which the Offer is capable of becoming unconditional.
- (b) The Offer, whether revised or not, shall not (except with the consent of the Panel) be capable of becoming unconditional after midnight on 21 December 2001 (or any earlier time and/or date beyond which Sopheon has stated that the Offer will not be extended and in respect of which it has not, where permitted, withdrawn that statement), nor of being kept open for acceptance after that time and/or date unless the Offer has then or has previously become unconditional. Sopheon reserves the right, with the consent of the Panel, to extend the time for the Offer to become unconditional to a later time(s) and/or date(s). Except with the consent of the Panel, Sopheon may not, for the purpose of determining whether the acceptance condition has been satisfied, take into account acceptances received by the Receiving Agent or purchases of Orbital Shares made after 1.00 p.m. on 21 December 2001 (or any earlier time and/or date beyond which Sopheon has stated that the Offer will not be extended and in respect of which it has not, where permitted, withdrawn that statement) or, if the Offer is with the consent of the Panel extended, any such later time(s) and/or date(s) as may be agreed by Sopheon with the Panel. If the latest time at which the Offer may become unconditional is extended beyond midnight on 21 December 2001, acceptances received and purchases of Orbital Shares made in respect of which the relevant documents are received or relevant escrow transfers identified by the Receiving Agent after 1.00 p.m. on the relevant date may (except where the City Code otherwise permits) only be taken into account with the consent of the Panel.
- (c) If the Offer becomes or is declared unconditional, it will remain open for acceptance for not less than 14 days from the date on which it would otherwise have expired. If the Offer becomes or has been declared unconditional and it is stated by or on behalf of Sopheon that the Offer will remain open until further notice, then not less than 14 days’ notice in writing will be given by or on behalf of Sopheon prior to the closing of the Offer to those Orbital Shareholders who have not accepted the Offer.
- (d) If a competitive situation arises (as determined by the Panel) after a “no extension” statement and/or a “no increase” statement has been made by or on behalf of Sopheon in relation to the Offer, Sopheon

may, if it specifically reserved the right to do so at the time such statement was made, or otherwise with the consent of the Panel, withdraw that statement and be free to extend and/or increase the Offer provided that it complies with the requirements of the City Code and, in particular, that it:

- (i) announces such withdrawal as soon as possible and in any event within four business days after the announcement of the competing offer or other competitive situation and Orbital Shareholders are informed in writing of such withdrawal at the earliest practicable opportunity or, in the case of Orbital Shareholders with registered addresses outside the UK or whom Sopheon or HSBC Investment Bank know to be a nominee, trustee or custodian holding Orbital Shares for such persons, by announcement in the UK at the earliest practicable opportunity; and
- (ii) gives any Orbital Shareholders who accepted the Offer after the date of the “no extension” or “no increase” statement a right of withdrawal in accordance with paragraph 3(c) of this Part B.

Sopheon may, if it has specifically reserved the right to do so at the time such statement was made, choose not to be bound by a “no increase” or a “no extension” statement (i) if it would otherwise prevent the posting of an increased or improved offer (either as to the value or nature of the consideration offered or otherwise) which is recommended for acceptance by the Orbital Directors or (ii) in other circumstances permitted by the Panel.

- (e) Unless otherwise determined by the Panel, for the purpose of determining at any particular time whether the acceptance condition has been satisfied, Sopheon shall be entitled to take account only of those Orbital Shares carrying voting rights which have been unconditionally allotted or issued before that determination and written notice of allotment or issue of which, containing all the relevant details, has been received before that time by the Receiving Agent from Orbital or its agents at the address specified in paragraph 3(a) of this Part B. Notification by telex, e-mail or facsimile transmission will not be sufficient for this purpose.

## **2. Announcements**

- (a) By 8.00 a.m. on the business day (the “relevant day”) next following the day on which the Offer is due to expire or becomes unconditional or is revised or extended, as the case may be (or such later time(s) or date(s) as the Panel may agree), Sopheon will make an appropriate announcement and simultaneously inform the UK Listing Authority and/or the Company Announcements Office of the London Stock Exchange of the position under the Offer. Such announcement will also state (unless otherwise permitted by the Panel) the total number of Orbital Shares and rights over Orbital Shares (as nearly as practicable):
  - (i) for which acceptances of the Offer have been received;
  - (ii) acquired or agreed to be acquired by or on behalf of Sopheon or any person(s) acting or deemed to be acting in concert with it during the course of the Offer Period;
  - (iii) held by or on behalf of Sopheon or any person acting or deemed to be acting in concert with it prior to the Offer Period; and
  - (iv) for which acceptances of the Offer have been received from any person(s) acting or deemed to be acting in concert with Sopheon,

and will specify the percentage of the issued share capital of Orbital represented by each of these figures. In computing the number of Orbital Shares represented by acceptances and/or purchases for the above purposes, at the discretion of Sopheon, there may be included or excluded, for announcement purposes, acceptances and purchases which are not complete in all respects or which are subject to verification, provided that only acceptances and purchases of Orbital Shares permitted to be counted towards fulfilling the acceptance condition in accordance with paragraphs 5(m) and (n) of this Part B shall be included in the totals (except as otherwise agreed by the Panel).

- (b) Any decision to extend the time and/or date by which the acceptance condition has to be fulfilled or to which the Offer is extended may be made by Sopheon at any time up to, and will be announced not later

than, 8.00 a.m. on the relevant day (or such later time(s) and/or date(s) as the Panel may agree) and the announcement will (unless the Offer is then unconditional, in which case a statement may instead be made that the Offer will remain open until further notice) state the next expiry time and/or date.

- (c) In this Appendix 1, references to the making of an announcement or the giving of notice in each case by or on behalf of Sopheon include the release of an announcement by Sopheon, by public relations consultants of Sopheon or by HSBC Investment Bank to the press and the delivery by hand or telephone or telex or facsimile or other electronic transmission of an announcement to the UK Listing Authority and/or to the Company Announcements Office of the London Stock Exchange. An announcement made otherwise than to the UK Listing Authority or the Company Announcements Office of the London Stock Exchange shall be notified simultaneously to the UK Listing Authority or the Company Announcements Office of the London Stock Exchange.

### **3. Rights of withdrawal**

- (a) If Sopheon, having announced the Offer to be unconditional, fails to comply by 3.30 p.m. on the relevant day (as defined in paragraph 2(a) of this Part B (or such later time(s) and/or date(s) as the Panel may agree) with any of the other requirements specified in paragraph 2(a) of this Part B, an accepting Orbital Shareholder may (unless the Panel agrees otherwise) immediately thereafter withdraw his acceptance of the Offer by written notice given by hand (during normal business hours) or by post to New Issues Department, Capita IRG Plc, PO Box 166, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TH, or by hand only (during normal business hours) to Capita IRG Plc, Guildhall House, 81-87 Gresham Street, London EC2. Subject to paragraph 1(b) of this Part B, this right of withdrawal may be terminated not less than eight days after the relevant day by Sopheon confirming, if that be the case, that the Offer is still unconditional, and complying with the other requirements specified in paragraph 2(a) of this Part B of Appendix 1. If any such confirmation is given, the first period of 14 days referred to in paragraph 1(c) of this Part B will run from the date of such confirmation and compliance.
- (b) If by 3.00 p.m. on 3 December 2001 (or such later time(s) and/or date(s) as the Panel may agree) the Offer has not become unconditional, an accepting Orbital Shareholder may withdraw his acceptance at any time thereafter by written notice in the manner referred to in paragraph 3(a) of this Part B before the earlier of (i) the time when the Offer becomes unconditional as to acceptances, and (ii) the final time for lodgement of acceptances of the Offer which can be taken into account in accordance with paragraph 1(b) of this Part B.
- (c) If a “no extension” statement and/or a “no increase” statement has been withdrawn in accordance with paragraph 1(d) of this Part B, any Orbital Shareholder who accepts the Offer after the date of such a statement but before receiving notice of such withdrawal may withdraw his acceptance thereafter by written notice in the manner referred to in paragraph 3(a) of this Part B, not later than the eighth day after the date on which notice of such withdrawal is posted to Orbital Shareholders.
- (d) Except as provided by this paragraph 3, acceptances of the Offer shall be irrevocable.

In this paragraph 3 “written notice” (including any letter of appointment, direction or authority) means notice in writing bearing the original signature(s) of the relevant accepting Orbital Shareholder(s) or his/their agent(s) or attorney duly appointed in writing (evidence of whose appointment is produced with the notice in a form reasonably satisfactory to Sopheon). Telex, facsimile or other electronic transmissions or copies will not be sufficient to constitute written notice. No notice which is postmarked in, or otherwise appears to Sopheon, its advisers or agents to have been sent from, Canada, Australia, the Republic of Ireland or Japan or a resident of Canada, Australia, the Republic of Ireland or Japan will be treated as valid.

### **4. Revised Offer**

- (a) Although no revision of the Offer is envisaged, if the Offer (in its original or any previously revised form(s)) is revised, (in its terms and conditions or in the value or nature of the consideration offered or

otherwise) and any such revision represents, on the date on which such revision is announced (on such basis as HSBC Investment Bank may consider appropriate) an improvement or no diminution in the value of the Offer as so revised compared with the consideration or terms previously offered, or in the overall value received and/or retained by an Orbital Shareholder (under or in consequence of the Offer or otherwise), the benefit of the revised Offer will, subject to paragraphs 4(c) and 4(d) of this Part B, be made available to each Orbital Shareholder who has validly accepted the Offer in its original or any previously revised form(s) and who has not validly withdrawn such acceptance (hereinafter called a "previous acceptor"). The acceptance of the Offer by or on behalf of a previous acceptor in its original or any previously revised form(s) shall, subject as provided in paragraphs 4(c) and 4(d) of this Part B, be deemed to be an acceptance of the Offer as so revised and shall also constitute the separate appointment of Sopheon and/or any director of Sopheon and/or HSBC Investment Bank and/or any director of HSBC Investment Bank as his attorney and/or agent with authority, (i) to accept any such revised Offer on behalf of such previous acceptor; (ii) if such revised Offer includes any alternative forms of consideration, to make such election(s) for and/or accept such alternative forms of consideration on his behalf in such proportions as such attorney and/or agent in his absolute discretion thinks fit; and (iii) to execute on behalf of and in the name of such previous acceptor all such further documents (if any) and to do all such things (if any) as may be required to give full effect to such acceptances and/or elections. In making any such election and/or acceptance, such attorney and/or agent shall take into account the nature of any previous acceptances and/or elections made by or on behalf of the previous acceptor and such other facts or matters as he may reasonably consider relevant.

- (b) The powers of attorney and authorities conferred by this paragraph 4 and any acceptance of a revised Offer and/or any alternative or election(s) pursuant thereto shall be irrevocable unless and until the previous acceptor becomes entitled to withdraw his acceptance under paragraph 3 of this Part B and duly does so.
- (c) The deemed acceptance and/or election referred to in paragraph 4(a) of this Part B shall not apply, and the exercise of powers of attorney and authorities conferred by that paragraph shall be ineffective, to the extent that a previous acceptor shall lodge with the Receiving Agent, within 14 days of the posting of the document containing the revised Offer and/or any revised or other alternative, a Form of Acceptance in which he validly elects to receive the consideration receivable by him under such revised Offer in some other manner than that set out in his original acceptance.
- (d) The deemed acceptance and/or election referred to in paragraph 4(a) of this Part B shall not apply, and the powers of attorney and authorities conferred by that paragraph shall not be exercised, if as a result thereof, the previous acceptor would (on such basis as HSBC Investment Bank may consider appropriate) thereby receive and/or retain (as appropriate) less in consideration in aggregate under the revised Offer than he would have received in consideration in aggregate as a result of his acceptance of the Offer in the form in which it was previously accepted and/or elected for by him or on his behalf (unless such previous acceptor has previously agreed in writing to receive less consideration in aggregate).
- (e) Sopheon and HSBC Investment Bank reserve the right to treat an executed Form of Acceptance (in respect of the Offer in its original or any previously revised form(s)) which is received (or dated) on or after the announcement or issue of the Offer in any revised form as a valid acceptance of the revised Offer and/or where applicable, a valid election for or acceptance of any of the alternative form or forms of consideration. Such acceptances shall constitute an authority in the terms of paragraph 4(a) of this Part B, *mutatis mutandis*, on behalf of the relevant Orbital Shareholder.

## **5. General**

- (a) Save with the consent of the Panel, the Offer will lapse unless all of the conditions relating to the Offer have been fulfilled or (if capable of waiver) waived or, where appropriate, have been determined by Sopheon and/or Orbital as appropriate (in each case acting reasonably) in its reasonable opinion to be or remain fulfilled in each case by midnight on 3 December 2001 or by midnight on the date which is 21 days after the date on which the Offer becomes unconditional, whichever is the later, or such later date(s) as Sopheon may, with the consent of the Panel, decide. If the Offer lapses for any reason, then

it shall cease to be capable of further acceptance and Sopheon, HSBC Investment Bank and accepting Orbital Shareholders shall thereupon cease to be bound by Forms of Acceptance submitted before the time when the Offer lapses.

- (b) Except with the consent of the Panel, settlement of the consideration to which any Orbital Shareholder is entitled under or in consequence of the Offer will be implemented in full in accordance with the terms of the Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which Sopheon and/or HSBC Investment Bank may otherwise be, or claim to be, entitled as against such Orbital Shareholder and will be effected not later than 14 days after the later of (i) the date on which the Offer is declared unconditional in all respects, and (ii) the date of receipt of a valid and complete Form of Acceptance, and (iii) 12 November 2001. No consideration will be sent to an address in Canada, Australia, the Republic of Ireland or Japan and/or to a resident of Canada, Australia, the Republic of Ireland or Japan.
- (c) The Offer is made by means of this document on 22 October 2001 and is capable of acceptance from and after that date.
- (d) Copies of this document, the Form of Acceptance and any related documents are available from the Receiving Agent, at the address set out in paragraph 3(a) of this Part B.
- (e) The terms, provisions, instructions and authorities contained in or deemed to be incorporated in the Form of Acceptance constitute part of the terms of the Offer. Words and expressions defined in this document have the same meanings when used in the Form of Acceptance, unless the context otherwise requires. The provisions of this Appendix are deemed to be incorporated in the Form of Acceptance.
- (f) The Offer, all acceptances of it, the Form of Acceptance, this document, and all contracts made pursuant thereto and actions taken or made or deemed to be taken or made under any of the foregoing are governed by and shall be construed in accordance with English law. Execution by or on behalf of an Orbital Shareholder of a Form of Acceptance will constitute his submission, in relation to all matters arising out of or in connection with the Offer and the Form of Acceptance, to the exclusive jurisdiction of the Courts of England and his agreement that nothing shall limit the right of Sopheon and/or HSBC Investment Bank to bring any action, suit or proceeding arising out of or in connection with the Offer and the Form of Acceptance in any other manner permitted by law or in any court of competent jurisdiction.
- (g) Any reference in this document and in the Form of Acceptance to 12 November 2001 (except in the definition of "Offer Period" in this Part B and in paragraph 1(a) of this Part B) shall, except where the context otherwise requires, be deemed, if the expiry date of the Offer be extended, to refer to the expiry date of the Offer as so extended.
- (h) Any omission or failure (or decision not) to despatch this document, the Form of Acceptance or any other document relating to the Offer and/or any notice required to be despatched under the terms of the Offer to, or any failure to receive the same by, any person to whom the Offer is made or should be made, shall not invalidate the Offer in any way or create any implication that the Offer has not been made to any such person. The Offer extends, subject to the provisions of paragraph 6 of this Part B, to all Orbital Shareholders to whom this document, the Form of Acceptance and/or any other such document may not be despatched and who may not receive such documents, and such persons may collect copies of those documents during normal business hours from the Receiving Agent at the addresses set out in paragraph 3(a) of this Part B.
- (i) If the Offer does not become unconditional in all respects:
  - (i) the Forms of Acceptance, share certificate(s) and/or other document(s) of title will be returned by post (or by such other method as may be approved by the Panel) within 14 days of the Offer lapsing, at the risk of the Orbital Shareholder concerned, to the person or agent whose name and address (outside Canada, Australia, the Republic of Ireland or Japan) is set out in the relevant Box of the Form of Acceptance or, if none is set out, to the first-named holder at his registered address

(outside Canada, Australia, the Republic of Ireland or Japan). No such document will be sent to an address in Canada, Australia, the Republic of Ireland or Japan; and

- (ii) the Receiving Agent will, forthwith after the lapsing of the Offer (or within such longer period as the Panel may permit, not exceeding 14 days after the lapsing of the Offer), give TFE instructions to CRESTCo to transfer all Orbital Shares held in escrow balances and in relation to which it is the escrow agent for the purposes of the Offer to the original available balances of the Orbital Shareholders concerned.
- (j) All powers of attorney, appointments of agents and authorities on the terms conferred by or referred to in this Appendix 1 or in the Form of Acceptance are given by way of security for the performance of the obligations of the Orbital Shareholder concerned and are irrevocable (in respect of powers of attorney in accordance with Section 4 of the Powers of Attorney Act 1971) unless and until the donor of such power of attorney, appointment or authority validly withdraws his acceptance in accordance with paragraph 3 of this Part B.
- (k) All communications, notices, certificates, documents of title and remittances to be delivered by or sent to or from any Orbital Shareholders (or their designated agents) will be delivered by or sent to or from them (or their designated agents) at their risk. No acknowledgement of receipt of any Form of Acceptance, transfer by means of CREST, communication, notice, share certificate(s) and/or other document(s) of title will be given by or on behalf of Sopheon.
- (l) Without prejudice to any other provisions of this Part B, Sopheon and HSBC Investment Bank reserve the right to treat acceptances of the Offer as valid if not entirely in order or not accompanied by the relevant share certificate(s) and/or other relevant document(s) of title or not accompanied by the relevant TTE instruction or if received by or on behalf of either of them at any place or places or in any manner determined by either of them otherwise than as set out in this document or in the Form of Acceptance.
- (m) Without prejudice to the right reserved by Sopheon and HSBC Investment Bank to treat Forms of Acceptance as valid even though not entirely in order or not accompanied by the relevant share certificate(s) and/or other document(s) of title or not accompanied by the relevant TTE instruction, except as otherwise agreed with the Panel, an acceptance of the Offer will only be counted towards fulfilling the acceptance condition if the requirements of note 4 and, if applicable, note 6 to rule 10 of the City Code are satisfied in respect of it.
- (n) Unless otherwise agreed with the Panel, a purchase of Orbital Shares by Sopheon, its wholly-owned subsidiaries or its nominees (or, if Sopheon is required by the Panel to make an offer for Orbital Shares under the provisions of rule 9 of the City Code, by a person acting in concert with Sopheon (or its wholly owned subsidiaries or its nominees)), if any, shall be counted towards fulfilling the acceptance condition only if the requirements of note 5 and, if applicable, note 6 to rule 10 of the City Code are satisfied in respect of it.
- (o) Except with the consent of the Panel, the Offer shall not become or be declared unconditional unless the Receiving Agent shall have issued a certificate to Sopheon or HSBC Investment Bank which states the number of Orbital Shares in respect of which acceptances have been received which comply with paragraph 5(m) above and the number of Orbital Shares otherwise acquired (whether before or during the Offer Period) which comply with paragraph 5(n) above. Copies of such certificate will be sent to the Panel and to Orbital's financial adviser as soon as possible after it is issued.
- (p) Sopheon and HSBC Investment Bank reserve the right to notify any matter (including the making of the Offer) to all or any Orbital Shareholder(s) with (a) registered address(es) outside the UK or whom Sopheon or HSBC Investment Bank know to be nominees, trustees or custodians holding Orbital Shares for such persons who are citizens, residents, or nationals of jurisdictions outside the UK by announcement or by paid advertisement in any daily newspaper published and circulated in the UK, including in an evening paper circulated in London in which event such notice shall be deemed to have

been sufficiently given, notwithstanding any failure by any such Orbital Shareholder to receive or see such notice and all references in this document to notice in writing shall be construed accordingly.

- (q) If sufficient acceptances are received and/or sufficient Orbital Shares are otherwise acquired, Sopheon intends to apply the provisions of Sections 428 to 430F (inclusive) of the Act to acquire compulsorily any outstanding Orbital Shares.
- (r) All references in this Appendix 1 to any statute or statutory provision shall include a statute or statutory provision which amends, consolidates or replaces the same (whether before or after the date hereof).
- (s) In relation to any acceptance of the Offer in respect of a holding of Orbital Shares which are in uncertificated form, Sopheon reserves the right to make such alterations, additions or modifications to the terms of the Offer as may be necessary or desirable to give effect to any purported acceptance of the Offer, whether in order to comply with the facilities or requirements of CREST or otherwise to confer on Sopheon or as the case may be the relevant Orbital Shareholder the benefits and entitlements provided for under the terms of the Offer, provided such alterations, additions or modifications are consistent with the requirements of the City Code or are otherwise made with the consent of the Panel.
- (t) Fractions of New Sopheon Shares will not be allotted or issued to Orbital Shareholders who accept the Offer (including any Orbital Shareholders who are deemed to accept the Offer) but will be disregarded and the number of New Sopheon Shares to which accepting Orbital Shareholders are entitled will be rounded down to the nearest whole number and no payment will be made in respect of such fractional entitlements.
- (u) Orbital Shares will be acquired by Sopheon fully paid and free from all liens, charges, equitable interests, encumbrances, rights of pre-emption and other third party rights or interests of any nature whatsoever and together with all rights now or hereafter attaching thereto, including the right to receive and retain all dividends and other distributions declared, made or paid on or after 22 October 2001.

## **6. Overseas Shareholders**

- (a) The making of the Offer and the availability of the New Sopheon Shares in, or to persons resident in or nationals or citizens of, jurisdictions outside the UK or to persons who are, or who are nominees of, or custodians or trustees for Overseas Shareholders may be prohibited or affected by the laws of the relevant overseas jurisdictions. Such Overseas Shareholders should inform themselves about and observe any applicable legal requirements. It is the responsibility of any Orbital Shareholder, who is an Overseas Shareholder, wishing to accept the Offer to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, the compliance with other formalities needing to be observed and the payment of any issue, transfer or other taxes or duties in such jurisdiction. Any such Overseas Shareholder will be responsible for payment of any issue, transfer or other taxes or duties or other requisite payments due in such jurisdiction by whomsoever payable and Sopheon and any person acting on its behalf shall be fully indemnified and held harmless by such Overseas Shareholder for any such issue, transfer or other taxes or duties or other requisite payments as Sopheon or any person acting on its behalf may be required to pay in respect of the Offer and/or the securities insofar as they relate to such Overseas Shareholder.
- (b) In particular, the Offer is not being and will not be made, directly or indirectly, in or into, or by use of the mails of, or by any means or instrumentality (including, without limitation, facsimile transmission, telex or telephone) of interstate or foreign commerce of, or any facilities of a national securities exchange of, Canada, Australia, the Republic of Ireland or Japan and the Offer cannot be accepted by any such use, means or instrumentality or from within Canada, Australia, the Republic of Ireland or Japan. Accordingly, Sopheon will not (unless determined by it in its sole discretion) mail or deliver or authorise the mailings or other delivery of this document, the Form of Acceptance and any related documents in, into or from Canada, Australia, the Republic of Ireland or Japan or to any resident of Canada, Australia, the Republic of Ireland or Japan, including, without limitation to any Orbital Shareholders or participants in the Orbital Share Option Schemes with registered addresses in Canada,

Australia, the Republic of Ireland or Japan or to persons whom Sopheon knows to be trustees, nominees or custodians holding Orbital Shares for such persons. Persons receiving such documents (including, without limitation, custodians, trustees and nominees) must not distribute, send or mail them in, into or from Canada, Australia, the Republic of Ireland or Japan, or use the Canadian, Australian, Irish or Japanese mails or any such means or instrumentality for any purpose, directly or indirectly, in connection with the Offer, or to any resident of Canada, Australia, the Republic of Ireland or Japan, and so doing may invalidate any purported acceptance of the Offer. Persons wishing to accept the Offer must not use the Canadian, Australian, Irish or Japanese mails for any purpose, directly or indirectly, related to acceptance of the Offer. Envelopes containing Forms of Acceptance, evidence of title or other documents relating to the Offer should not be postmarked in Canada, Australia, the Republic of Ireland or Japan or otherwise despatched from Canada, Australia, the Republic of Ireland or Japan and all acceptors must provide addresses outside Canada, Australia, the Republic of Ireland or Japan for the receipt of the consideration to which they are entitled under or in consequence of the Offer, and/or for the return of Forms of Acceptance, Orbital Share certificates and/or other documents of title.

- (c) An Orbital Shareholder may be deemed not to have validly accepted the Offer if: (i) he puts “No” in Box 4 of the Form of Acceptance and thereby does not give the representations and warranties set out in paragraph (b) of Part C of this Appendix 1; (ii) having completed the Form of Acceptance with a registered address in Canada, Australia, the Republic of Ireland or Japan or having a registered address in Canada, Australia, the Republic of Ireland or Japan he does not insert in Box 5 of the Form of Acceptance the name and address of a person or agent outside Canada, Australia, the Republic of Ireland and Japan to whom he wishes the consideration to which he is entitled under or pursuant to the Offer to be sent; (iii) he inserts in Box 5 of the Form of Acceptance the name and address of a person or agent in Canada, Australia, the Republic of Ireland or Japan to whom he wishes the consideration to which he is entitled under or pursuant to the Offer to be sent; or (iv) in any case, the Form of Acceptance received from him is received in an envelope postmarked in, or which otherwise appears to Sopheon or its agents to have been sent from Canada, Australia, the Republic of Ireland or Japan or from any resident of Canada, Australia, the Republic of Ireland or Japan. Sopheon reserves the right, in its sole discretion, to investigate, in relation to any acceptance, whether the representations and warranties set out in paragraph (b) of Part C of this Appendix 1 could have been truthfully given by the relevant Orbital Shareholder and, if such investigation is made and, as a result, Sopheon cannot satisfy itself that such representations and warranties were true and correct, such acceptance shall not be valid.
- (d) The New Sopheon Shares have not been, and will not be, registered under the U.S. Securities Act of 1933 (as amended) and the relevant clearances have not been, and will not be, obtained from the Securities Commission of any province of Canada. No prospectus in relation to the New Sopheon Shares has been, or will be lodged with or registered by the Australian Securities and Investments Commission, nor have any steps been taken, nor will any steps be taken, to enable the New Sopheon Shares to be offered in Japan in compliance with applicable securities laws in Japan. Accordingly, such New Sopheon Shares may not be offered, sold or delivered, directly or indirectly, in or into Canada, Australia, the Republic of Ireland or Japan or to or for the account or benefit of any resident of Canada, Australia, the Republic of Ireland or Japan without compliance with applicable security laws of Canada, Australia, the Republic of Ireland or Japan. Sopheon will not issue any New Sopheon Shares or authorise the delivery of any document(s) of title in respect of any New Sopheon Shares in or into Canada, Australia, the Republic of Ireland or Japan or to any person who (i) is, or who Sopheon has reason to believe is a resident of Canada, Australia, the Republic of Ireland or Japan, or (ii) is unable or fails to give the undertakings, representations and warranties set out in paragraph (b) of Part C of this Appendix 1 or (iii) has a registered address in Canada, Australia, the Republic of Ireland or Japan.
- (e) The receipt of any Form of Acceptance from a person who puts “No” in Box 5 of the Form of Acceptance and thereby does not give the undertakings, representations and warranties set out in paragraph (b) of Part C of this Appendix 1 below and/or who appears to be resident of Canada, Australia, the Republic of Ireland or Japan and/or who completes the Form of Acceptance with an address in Canada, Australia, the Republic of Ireland or Japan (or who has an address in Canada, Australia, the Republic of Ireland or Japan) but who inserts in Box 5 of the Form of Acceptance an

address outside Canada, Australia, the Republic of Ireland or Japan, shall at the discretion of Sopheon and HSBC Investment Bank, constitute, in respect of any New Sopheon Shares or other securities to which such acceptor of the Offer may become entitled, an irrevocable and unconditional request and authority to Sopheon and/or its agents to:

- (i) sell such New Sopheon Shares or other securities on behalf of such acceptor (and as its agent) in the market within 21 days of such New Sopheon Shares or other securities being allotted;
- (ii) receive the certificates and/or other document(s) of title in respect of such New Sopheon Shares and to execute instruments of transfer in respect of such New Sopheon Shares or other securities; and
- (iii) remit the net proceeds of such sale (after deducting therefrom the expenses of sale) as soon as reasonably practicable to the person or agent whose name and address (outside Canada, Australia, the Republic of Ireland and Japan) is set out in Box 5 of the Form of Acceptance, or, if none is set out, to the first holder in Box 3 of such Form of Acceptance with a registered address outside Canada, Australia, the Republic of Ireland or Japan.

Neither Sopheon, nor its advisers nor any person acting on behalf of any of them shall have any liability to any person for any loss or alleged loss arising from the price, the time or the manner of such sale or otherwise in connection with such sale or any of the provisions of this paragraph 6 of this Part B.

- (f) If, in connection with the making of the Offer, notwithstanding the restrictions described above, any person (including, without limitation, custodians, nominees and trustees), whether pursuant to a contractual or legal obligation or otherwise, forwards this document, the Form of Acceptance or any related documents in, into or from Canada, Australia, the Republic of Ireland or Japan or uses the mails of or any means or instrumentality (including without limitation, facsimile transmission, telex and telephone) of interstate or foreign commerce of, or any facilities of a national securities exchange of, Canada, Australia, the Republic of Ireland or Japan in connection with such forwarding, such person should: (i) inform the recipient of such fact; (ii) explain to the recipient that such action may (subject to paragraph 6(g) below) invalidate any purported acceptance by the recipient; and (iii) draw the attention of the recipient to this paragraph 6.
- (g) Notwithstanding the above, Sopheon may in its sole discretion allot New Sopheon Shares to a person in or resident of Canada, Australia, the Republic of Ireland or Japan if required to do so by or on behalf of that person and if Sopheon and/or HSBC Investment Bank is satisfied in that particular case that to do so will not constitute a breach of any securities or any other relevant legislation of Canada, Australia, the Republic of Ireland and Japan.
- (h) The provisions of this paragraph 6 and/or any other terms of the Offer relating to Overseas Shareholders may be waived, varied or modified as regards specific Orbital Shareholder(s) or on a general basis by Sopheon in its sole discretion. References in this paragraph 6 to an Orbital Shareholder shall include the person or persons executing a Form of Acceptance and, in the event of more than one person executing a Form of Acceptance, the provisions of this paragraph shall apply to them jointly and to each of them.
- (i) Neither Sopheon nor HSBC Investment Bank nor any agent nor director of Sopheon or HSBC Investment Bank nor any person acting on behalf of any of them shall have any liability to any person for any loss or alleged loss arising from any decision as to the treatment of acceptances of the Offer on any of the bases set out above or otherwise in connection therewith.
- (j) The provisions of this paragraph 6 supersede and will apply in lieu of any terms of the Offer inconsistent with them.

- (k) As used in this document and in the Form(s) of Acceptances (i) “Australia” means the Commonwealth of Australia, its possessions and territories and all areas subject to its jurisdiction or any political subdivision thereof; (ii) “Canada” means Canada, its possessions and territories and all areas subject to its jurisdiction or any political subdivision thereof; (iii) “Japan” means Japan, its possessions and territories and all areas subject to its jurisdiction or any political subdivision thereof and (iv) “U.S.” or the “United States” shall have the meaning ascribed to them respectively in the definitions in Appendix 6.

## PART C: Form of Acceptance

Without prejudice to the terms of the Form of Acceptance and the other provisions of this Appendix 1 each Orbital Shareholder by whom, or on whose behalf, a Form of Acceptance is executed and received by the Receiving Agent, irrevocably undertakes, represents, warrants and agrees to and with Sopheon, HSBC Investment Bank and the Receiving Agent, in its capacity as the Escrow Agent (so as to bind the Orbital Shareholder and his/her heirs, personal representatives, successors and assignees), to the following effect:

- (a) that the execution of the Form of Acceptance shall constitute:
- (i) an acceptance of the Offer in respect of the number of Orbital Shares inserted, or deemed to be inserted, in Box 1 of the Form of Acceptance;
  - (ii) an irrevocable authority and request to Sopheon and/or its agents to procure the issue to such Orbital Shareholder of such New Sopheon Shares to which such Orbital Shareholder becomes entitled under the Offer; and
  - (iii) an authority to Sopheon or its agents to execute any further documents and give any further assurance which may be required in connection with the foregoing and an undertaking to execute all or any documents and/or give any such further assurances as may be required to enable Sopheon to obtain the full benefit of the terms of this Part C and Part B of Appendix 1 and/or to perfect any of the authorities expressed to be given hereunder,

in each case on and subject to the terms and conditions set out or referred to in this document and in the Form of Acceptance and that, subject to the rights of withdrawal set out or referred to in paragraph 3 of Part B of this Appendix 1, each such acceptance shall be irrevocable provided that if (i) Box 1 of the Form of Acceptance is not completed or a number greater than such Orbital Shareholder's registered holding appears in Box 1; or (ii) the acceptance is otherwise completed incorrectly, but the Form of Acceptance is signed, it will be deemed to be an acceptance of the terms of the Offer in respect of all of the Orbital Shares comprised in the acceptance.

For the purposes of this Appendix 1 and the Form of Acceptance, the phrase "Orbital Shares comprised in the acceptance" shall mean the number of Orbital Shares inserted in Box 1 of the Form of Acceptance or, if no number is inserted, the greater of:

- (i) the relevant Orbital Shareholder's entire holding of Orbital Shares as disclosed by details of the register of members made available to the Receiving Agent prior to the time the relevant Form of Acceptance is processed by them;
  - (ii) the relevant Orbital Shareholder's entire holding of Orbital Shares as disclosed by details of the register of members made available to the Escrow Agent prior to the latest time for receipt of Form(s) of Acceptance which can be taken into account for determining whether the Offer is unconditional; or
  - (iii) the number of Orbital Shares in respect of which certificates or an indemnity in lieu thereof is received and/or, in respect of any Orbital Shares in CREST, the number of such shares which are transferred by the relevant Orbital Shareholder to his escrow account by means of a TTE instruction;
- (b) that, unless "No" is inserted in Box 4 of the Form of Acceptance, such Orbital Shareholder (i) has not received or sent copies of this document, the Form of Acceptance, or any related documents in, into, or from Canada, Australia, the Republic of Ireland or Japan; (ii) has not otherwise utilised in connection with the Offer, directly or indirectly, the mails of or any means or instrumentality (including, without limitation, facsimile transmission, telex and telephone) of interstate or foreign commerce of, or any facilities of a national securities exchange of, Canada, Australia, the Republic of Ireland or Japan; (iii) was outside Canada, Australia, the Republic of Ireland or Japan when the Form of Acceptance was sent and at the time of accepting the Offer; (iv) in respect of Orbital Shares to which the Form of Acceptance relates, is not an agent or fiduciary acting on a non-discretionary basis for a principal who has given

any instructions with respect to the Offer from within Canada, Australia, the Republic of Ireland or Japan and the Form of Acceptance has not been mailed or otherwise sent in, into or from Canada, Australia, the Republic of Ireland or Japan or signed in Canada, Australia, the Republic of Ireland or Japan; and (v) is accepting the Offer from outside Canada, Australia, the Republic of Ireland or Japan;

- (c) that, if such accepting Orbital Shareholder is not resident in the UK, he has observed the laws of all relevant jurisdictions, obtained any requisite governmental, exchange control or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes or duties or other requisite payments due from him, in connection with such acceptance in any such jurisdiction and that he has not taken or omitted to take any action which will or may result in Sopheon, HSBC Investment Bank or any other person acting in breach of the legal or regulatory requirements of any jurisdiction in connection with the Offer or his acceptance thereof;
- (d) that the execution of the Form of Acceptance and its receipt by or on behalf of Sopheon constitutes, subject to the Offer becoming unconditional in all respects in accordance with its terms and to the relevant accepting Orbital Shareholder not having validly withdrawn his acceptance, the irrevocable separate appointment of each of Sopheon and/or any director of Sopheon and/or HSBC Investment Bank and/or any director of HSBC Investment Bank as such Orbital Shareholder's attorney and/or agent, and an irrevocable instruction to the attorney and/or agent to complete and execute all or any form(s) of transfer and/or other document(s) at the direction of the attorney and/or agent in relation to Orbital Shares referred to in paragraph (a) of this Part C in favour of Sopheon, or such other person or persons as Sopheon or its agents may direct and to deliver such form(s) of transfer and/or other document(s) in the attorney and/or agent's discretion and/or the certificate(s) and/or the document(s) of title relating to such Orbital Shares for registration within six months of the Offer becoming unconditional in all respects and to do all such other acts and things as may in the opinion of such attorney and/or agent be necessary or expedient for the purpose of, or in connection with, the acceptance of the Offer and to vest in Sopheon or its nominee Orbital Shares as aforesaid;
- (e) that the execution of the Form of Acceptance and its receipt by the Receiving Agent constitutes the irrevocable appointment of the Receiving Agent as such Orbital Shareholder's attorney and/or agent and an irrevocable instruction and authority to the attorney and/or agent (i) subject to the Offer becoming or being declared unconditional in all respects in accordance with its terms and to the relevant accepting Orbital Shareholder not having validly withdrawn his acceptance, to transfer to itself (or to such other person or persons as Sopheon or its agents may direct) by means of CREST all or any of the Relevant Orbital Shares (as defined below) (but not exceeding the number of Orbital Shares in respect of which the Offer is accepted or deemed to be accepted) and (ii) if the Offer does not become or is not declared unconditional in all respects, to give instructions to CRESTCo, immediately after the lapsing of the Offer (or within such longer period as the Panel may permit, not exceeding 14 days after the lapsing of the Offer), to transfer all the Relevant Orbital Shares to the original available balance of the accepting Orbital Shareholder. "Relevant Orbital Shares" means Orbital Shares in uncertificated form and in respect of which a transfer or transfers to escrow has or have been effected pursuant to the procedures described in paragraph 9 of the letter from HSBC Investment Bank contained in Part III of this document and where the transfers(s) to escrow was or were made in respect of Orbital Shares held under the same member account ID and participant ID as the member account ID and the participant ID relating to the Form of Acceptance concerned (but irrespective of whether or not any Form of Acceptance Reference Number, or Form of Acceptance Reference Number corresponding to that appearing on the Form of Acceptance concerned, was included in the TTE instruction concerned);
- (f) that the execution of the Form of Acceptance and its receipt by the Receiving Agent constitutes, subject to the Offer becoming or being declared unconditional in all respects in accordance with its terms and to the relevant Orbital Shareholder not having validly withdrawn his acceptance, a separate irrevocable authority and request:
  - (i) to Orbital or its agents to procure the registration of the transfer of Orbital Shares in certificated form pursuant to the Offer and the delivery of the share certificate(s) and/or other document(s) of title in respect thereof to Sopheon or as Sopheon may direct;

- (ii) subject to paragraph 6 of Part B of this Appendix 1, if Orbital Shares concerned are in certificated form, or if either of the provisos to sub-paragraph (iii) of this paragraph (f) apply, to Sopheon or HSBC Investment Bank or their respective agents, to procure the despatch by post (or by such other method as may be approved by the Panel) of any document(s) of title for any New Sopheon Shares to which such accepting Orbital Shareholder may become entitled pursuant to his acceptance of the Offer at the risk of such Orbital Shareholder, to the person or agent whose name and address (outside Canada, Australia, the Republic of Ireland or Japan) is given in Box 5 of the Form of Acceptance or, if none is set out, to the first named holder at his registered address (outside Canada, Australia, the Republic of Ireland or Japan);
  - (iii) subject to the provisions of paragraph 6 of Part B of this Appendix 1, that Sopheon or its agents procure that the name of such Orbital Shareholder is entered on the register of members of Sopheon in respect of any New Sopheon Shares to which such Orbital Shareholder may become entitled under the Offer, subject to the terms of the Memorandum and Articles of Association of Sopheon; and
  - (iv) to Sopheon and Orbital or their agents to record and act upon any instructions with regard to notices or dividend mandates which have been recorded in the records of Orbital in respect of such Orbital Shareholder's holding(s) of Orbital Shares as if such mandates that had been given in respect of such holding(s) of New Sopheon Shares;
- (g) that, subject to the Offer becoming or being declared unconditional in all respects in accordance with its terms (or, if the Offer will become unconditional in all respects or lapse depending upon the outcome of a resolution or in such other circumstances as Sopheon may request and the Panel may permit), in respect of any Orbital Shares in respect of which the Offer has been accepted, or is deemed to have been accepted, which acceptance has not been validly withdrawn, and pending registration:
- (i) Sopheon or its agents shall be entitled to direct the exercise of any votes and any or all other rights and privileges (including the right to requisition the convening of a general or separate class meeting of Orbital) attaching to such Orbital Shares; and
  - (ii) the execution of a Form of Acceptance by an Orbital Shareholder in respect of such Orbital Shares will constitute an irrevocable authority to Orbital from such Orbital Shareholder to send any notice, circular, warrant or other document or communication which may be required to be sent to him as a member of Orbital in respect of such Orbital Shares (including any share certificate(s) or other document(s) of title issued as a result of conversion of such Orbital Shares into certificated form) to Sopheon at its registered office, and constitutes an irrevocable authority to Sopheon or any director of Sopheon or any person appointed by Sopheon or HSBC Investment Bank or any director of HSBC Investment Bank to sign such documents and do such things as may in the opinion of such persons be necessary or desirable in connection with the exercise of any votes, other rights or privileges attaching to such Orbital Shares including, without limitation, an authority to sign any consent to short notice of a general or separate class meeting as his attorney and/or agent and on his behalf and/or to attend and/or execute a form of proxy in respect of such Orbital Shares and/or, where appropriate, any appointment pursuant to section 375 of the Act, appointing any person nominated by Sopheon to attend general and separate class meetings of Orbital (and any adjournments thereof) and to exercise or to refrain from exercising (but subject to the City Code) the votes attaching to such Orbital Shares on his behalf, where relevant, such votes to be cast so far as possible to satisfy any outstanding condition of the Offer, and will also constitute the agreement of such Orbital Shareholder not to exercise any such rights without the consent of Sopheon and the irrevocable undertaking of such Orbital Shareholder not to appoint a proxy for or to attend such general or separate class meetings. This authority will cease to be valid if the acceptance is withdrawn in accordance with paragraph 3 of Part B of this Appendix 1;
- (h) that he is irrevocably and unconditionally entitled to transfer Orbital Shares in respect of which the Form of Acceptance is completed and that the entire beneficial interest in such Orbital Shares in respect of which the Offer is accepted or deemed to have been accepted will be acquired under the Offer fully paid up and free from all liens, equitable interests, charges, encumbrances, rights of pre-emption and

all other third party rights or interests of any nature whatsoever and together with all rights attaching thereto, including the right to receive and retain all dividends and other distributions (if any) declared, made or paid after 22 October 2001;

- (i) that he will:
  - (i) deliver, or procure the delivery, to the Receiving Agent at one of the addresses set out in paragraph 3(a) of Part B of this Appendix 1 of his share certificate(s) and/or other document(s) of title in respect of all Orbital Shares (which are in certificated form) in respect of which the Offer has been accepted, or is deemed to have been accepted and not validly withdrawn, or an indemnity acceptable to Sopheon in lieu thereof, as soon as possible and, in any event within six months of the Offer becoming or being declared unconditional in all respects;
  - (ii) give or procure the giving of, in accordance with paragraph 9(c) of the letter from HSBC Investment Bank contained in this document, an instruction to transfer all Orbital Shares in respect of which the Offer has been accepted or is deemed to have been accepted and not validly withdrawn which are in CREST to the escrow balance within the member's account in accordance with the facilities and requirements of CRESTCo, as soon as possible, and in any event so that the transfer to escrow settles within six months of the Offer becoming unconditional in all respects; and
  - (iii) if for any reason any Orbital Shares in respect of which a transfer to an escrow balance has been effected in accordance with paragraph 9(c) of the letter from HSBC Investment Bank contained in this document are converted to certificated form immediately deliver or procure the immediate delivery of the share certificate(s) or other document(s) of title in respect of all such Orbital Shares as so converted to the Receiving Agent at the address referred to in paragraph 3(a) of Part B of this Appendix 1 or to Sopheon at its registered office or as Sopheon or its agents may direct;
- (j) that the execution of the relevant Form of Acceptance and its receipt by or on behalf of Sopheon constitutes the separate irrevocable appointment of each of Sopheon and HSBC Investment Bank and their respective directors and agents as such Orbital Shareholder's attorney and/or agent (the "attorney") within the terms of paragraphs 4(a) and 5(j) of Part B of this Appendix 1 and this Part C and with authority to execute any further documents and give any further assurances which may be required in connection with the matters referred to in Part B of this Appendix 1 and this Part C and an irrevocable undertaking to such attorney to execute any such further documents and/or give any such further assurances as may be required;
- (k) that the terms and conditions of the Offer (including the further terms and conditions) contained in this document are deemed to be incorporated in, and form part of, the Form of Acceptance which shall be read and construed accordingly;
- (l) that if he accepts the Offer he shall do all such acts and things whatsoever as shall in the opinion of Sopheon or its agent be necessary or expedient to vest in Sopheon or its nominees the Orbital Shares in respect of which the Offer has been accepted or is deemed to have been accepted and that he shall do all acts and things as may be necessary or expedient to allow the Escrow Agent to perform its functions as escrow agent in relation to the Offer to the fullest extent;
- (m) that he agrees to ratify each and every act or thing which may be done or effected by Sopheon and/or any director of Sopheon or by HSBC Investment Bank and/or any director of HSBC Investment Bank or by the Escrow Agent or by any of their respective agents or by Orbital or its agents, as the case may be, in exercise of any of the powers and/or appointments and/or authorities hereunder and to indemnify each person against any losses arising therefrom;
- (n) if any provisions of Part B of this Appendix 1 or this Part C shall be unenforceable or invalid or shall not operate so as to afford Sopheon or HSBC Investment Bank or any director of either of them and/or the Escrow Agent and/or the Receiving Agent or any of their respective agents the benefit of the authority expressed to be given therein, he shall, with all practicable speed, do all such acts and things and execute all such documents as may be required or desirable to enable Sopheon and/or HSBC

Investment Bank and/or any of their respective directors and/or the Escrow Agent and/or the Receiving Agent and/or any of their respective agents to secure the full benefits of Part B of this Appendix 1 and this Part C; and

- (o) that he agrees that he does not expect HSBC Investment Bank to have any duties or responsibilities towards him comparable or similar to those imposed by The Securities and Futures Authority Limited's rules requiring best execution and suitability and that in respect of the Offer he is not and will not be a customer of HSBC Investment Bank.

References in Part B of this Appendix 1 and this Part C to an Orbital Shareholder shall include references to the person or persons executing a Form of Acceptance and, if more than one person executes a Form of Acceptance, the provisions of this Part C shall apply to them jointly and to each of them. On execution, the Form of Acceptance shall take effect as a deed.

The Offer, which is being made by HSBC Investment Bank on behalf of Sopheon will comply with the City Code and insofar as they may be applicable, the Listing Rules of the UK Listing Authority and the AIM Admission Rules and is governed by English law and will be subject to the terms and conditions set out in this document and the Form of Acceptance.

## APPENDIX 2

### FINANCIAL INFORMATION RELATING TO SOPHEON

#### A. Audited financial information for the three years ended 31 December 2000

##### 1. Nature of financial information

The financial information contained within paragraphs 2 to 6 of this Appendix 2 does not constitute statutory accounts within the meaning of section 240 of the Act but has been extracted from the published audited consolidated accounts of Sopheon for each of the three years ended 31 December 2000. Statutory accounts in respect of Sopheon for the three years have been delivered to the Registrar of Companies. Ernst & Young (the predecessor firm of Ernst & Young LLP) reported under section 235 of the Act in respect of the statutory accounts of Sopheon for each of the years. Each report was unqualified and did not contain a statement under section 237(2) or (3) of the Act.

##### 2. Consolidated profit and loss accounts

	<i>Years ended 31 December</i>				
	<i>Continuing</i>	<i>Acquisitions</i>	<i>Total</i>	<i>1999</i>	<i>Restated</i>
	<i>Operations</i>				
	<i>2000</i>	<i>2000</i>	<i>2000</i>	<i>1999</i>	<i>1998</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Turnover</b>	4,573	3,190	7,763	1,510	891
Cost of sales	(3,281)	(2,121)	(5,402)	(983)	(608)
<b>Gross profit</b>	1,292	1,069	2,361	527	283
Sales and marketing expenses	(2,431)	(1,019)	(3,450)	(760)	(502)
Administrative expenses	(7,112)	(4,529)	(11,641)	(1,783)	(884)
<b>Operating loss</b>	(8,251)	(4,479)	(12,730)	(2,016)	(1,103)
Share of operating loss of associated undertaking			(76)	–	–
Interest receivable			950	62	13
Interest payable and similar charges			(89)	(118)	(52)
<b>Loss on ordinary activities before and after taxation</b>			(11,945)	(2,072)	(1,142)
Loss per share – basic and diluted (pence)			(33.4p)	(10.1p)	(6.1p)
<b>Loss on an EBITDA basis</b>			(6,655)	(1,654)	(1,031)

No dividends have been declared or paid in respect of any of the above financial years.

The basis for calculating EBITDA is set out in the statement of principal accounting policies set out in note 5 below.

The results for 1998 have been restated to reflect a change in accounting policy. Prior to 1999 development expenditure for specific products was capitalised when its future recoverability could reasonably be regarded as assured and amortised in line with expected future sales of the related product, over a maximum of five years. Following the acquisition of AppliedNet Limited and subsequent harmonisation of accounting policies, all such development expenditure is written off as incurred.

### 3. Consolidated balance sheet as at 31 December 2000

	<i>£'000</i>
<b>Fixed assets</b>	
Intangible assets	30,945
Tangible assets	2,387
Investments	260
	<hr/>
	33,592
<b>Current assets</b>	
Debtors	4,610
Cash at bank and in hand	7,925
	<hr/>
	12,535
<b>Creditors:</b> amounts falling due within one year	(7,809)
	<hr/>
<b>Net current assets</b>	4,726
	<hr/>
<b>Total assets less current liabilities</b>	38,318
<b>Creditors:</b> amounts falling due after more than one year	(22)
	<hr/>
	38,296
	<hr/>
<b>Capital and reserves</b>	
Called up share capital	4,816
Shares to be issued	630
Share premium account	43,320
Merger reserve	7,940
Other reserve	2,417
Profit and loss account	(20,827)
	<hr/>
<b>Shareholders' funds (all equity interests)</b>	38,296
	<hr/>

#### 4. Consolidated cash flow statement for the year ended 31 December 2000

	<i>£'000</i>
<b>Net cash outflow from operating activities</b>	<u>(8,793)</u>
<b>Return on investments and servicing of finance</b>	
Interest received	950
Interest paid	(88)
Interest element of finance lease rental payments	(1)
	<u>861</u>
<b>Capital expenditure and financial investment</b>	
Payments to acquire tangible fixed assets	<u>(954)</u>
<b>Acquisitions and disposals</b>	
Purchase of subsidiary undertaking	(11,962)
Net cash acquired with subsidiary undertaking	(155)
Purchase of investment in associated undertaking	(164)
	<u>(12,281)</u>
<b>Management of liquid resources</b>	
Increase in short term deposits	<u>(267)</u>
<b>Net cash outflow before financing</b>	(21,434)
<b>Financing</b>	
Issues of ordinary share capital	20,222
New long-term loan	–
Repayment of long-term loans	(30)
Repayment of capital element of finance lease	(8)
	<u>20,184</u>
<b>Decrease in cash</b>	<u>(1,250)</u>

#### 5. Principal accounting policies

##### *Accounting convention*

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

##### *Basis of consolidation*

The consolidated accounts include the results of Sopheon and its subsidiary undertakings. The results of Teltech Resource Network Corporation have been included, using the acquisition method of accounting, since the date of acquisition, 15 September 2000.

##### *Tangible fixed assets*

Tangible fixed assets are stated at historical cost, less accumulated depreciation. The costs of developing portals used to deliver products and services are capitalised as tangible fixed assets in accordance with UITF29. Tangible fixed assets are depreciated on a straight line basis over their expected useful lives over the following periods.

Computer equipment	3 years
Fixtures and fittings	4 to 5 years
Internet portals	3 years

## **5. Principal accounting policies (continued)**

### *Research and development*

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

### *Goodwill*

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

### *Foreign currencies*

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

### *Long term contracts*

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

### *Pensions*

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

### *Leasing*

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

### *EBITDA*

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

## 6. Acquisition of Teltech Resource Network Corporation

On 15 September 2000 Sopheon completed the acquisition of Teltech Resource Network. The consideration for the entire share capital of Teltech Resource Network Corporation comprised \$15,163,000 in cash (equivalent to £10,775,000 at the exchange rate prevailing on 15 September 2000), 2,094,105 ordinary shares of Sopheon and options to acquire 718,292 ordinary shares in Sopheon with an aggregate exercise price of £1,641,000, as well as attributed costs of £1,187,000. The market value of ordinary shares in Sopheon on 15 September 2000 was 565p. Accordingly, the total cost recorded in respect of the acquisition was £26,211,000.

Net assets acquired:

	£'000
Net assets at the date of acquisition:	
Tangible fixed assets	1,546
Debtors	2,572
Cash	893
	<hr/>
	5,011
Borrowings under line of credit	(1,048)
Creditors falling due within one year	(3,244)
Deferred subscription income	(1,956)
Creditors falling due in more than one year	(1,375)
	<hr/>
Net deficit	(2,612)
Goodwill arising on acquisition	28,823
	<hr/>
	26,211
	<hr/>
Discharged by:	
Fair value of shares issued	11,832
Fair value of options issued	2,417
Attributable costs	1,187
Cash	10,775
	<hr/>
	26,211
	<hr/>

Teltech Resource Network Corporation had turnover of \$15,892,000 (£10,595,000) and a loss before tax of \$5,501,000 (£3,667,000) in the year ended 31 December 2000.

## **B. Unaudited results for the six months ended 30 June 2001**

The following is an extract from the announcement made by Sopheon on 14 September 2001 of its unaudited interim results for the six months ended 30 June 2001:

### **“Introduction**

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

### **Results and finance**

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

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

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

### **Merger talks with Orbital**

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

### **Other Corporate Developments**

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

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

### **Operational Review**

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

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

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

### **Business Partnerships**

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

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

### **Board**

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

### **Outlook**

Sopheon's combined business including our new German subsidiary has turned in pro forma revenue of £9.1m during the first half of 2001, averaging approximately £1.5m per month of which just over 70 per cent. represented revenues from our information management solutions business. The sales pipeline for Accolade

has built well in the first half of the year and we anticipate that our initial customers should provide valuable references. However, the overall slowdown in the IT sector has lengthened purchasing cycles, and while we expect that conversion of the pipeline will gather pace and, in turn, improve the revenue profile and reduce the level of losses, the timing of this transition is uncertain.

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

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

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

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

**Barry Mence**  
*Chairman*

14 September 2001

**Group profit and loss account  
for the 6 months to 30 June 2001 (unaudited)**

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

**Statement of recognised gains and losses (unaudited)**

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

**Group balance sheet as at 30 June 2001 (unaudited)**

	<i>As at 30 June 2001 £'000</i>	<i>As at 31 Dec 2000 £'000</i>	<i>As at 30 June 2000 £'000</i>
<b>Fixed assets</b>			
Goodwill	24,669	31,205	6,968
Tangible assets	2,383	2,387	598
	<u>27,052</u>	<u>33,592</u>	<u>7,566</u>
<b>Current assets</b>			
Debtors	3,020	4,610	3,306
Cash and short term deposits	8,074	7,925	23,296
	<u>11,094</u>	<u>12,535</u>	<u>26,602</u>
<b>Creditors: falling due within one year</b>	6,869	7,809	3,810
	<u>4,225</u>	<u>4,726</u>	<u>22,792</u>
<b>Net current assets</b>			
	<u>31,277</u>	<u>38,318</u>	<u>30,358</u>
<b>Total assets less current liabilities</b>			
<b>Creditors: falling due after more than one year</b>	3,034	22	40
	<u>28,243</u>	<u>38,296</u>	<u>30,318</u>
<b>Capital and reserves</b>			
Called up share capital	4,990	4,816	4,648
Shares to be issued	1,084	630	10
Share premium account/ merger reserve	53,128	51,260	37,969
Other reserve	2,417	2,417	–
Profit and loss account	(33,376)	(20,827)	(12,309)
<b>Shareholders' funds (all equity interests)</b>	<u>28,243</u>	<u>38,296</u>	<u>30,318</u>

**Statement of cash flows for the 6 months to 30 June 2001 (unaudited)**

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

*Earnings per share*

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

### *LBITDA*

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

### *Prior year adjustment*

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

### *Financial information*

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

### *Cautionary Statement*

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

## APPENDIX 3

### FINANCIAL INFORMATION RELATING TO ORBITAL

#### A. Audited financial information for the three years ended 31 March 2001

##### 1. Nature of financial information

The financial information contained within paragraphs 2 to 5 of this Appendix 3 does not constitute statutory accounts within the meaning of section 240 of the Act but has been extracted from the audited consolidated accounts of Orbital Software Group Limited in respect of the two years ended 31 March 2000 and from the audited consolidated accounts of Orbital Software Holdings plc in respect of the year ended 31 March 2001. Statutory accounts in respect of Orbital Software Group Limited have been delivered to the Registrar of Companies in respect of the two years ended 31 March 2000 and in respect of Orbital Software Holdings plc for the year ended 31 March 2001. PricewaterhouseCoopers reported under section 235 of the Act in respect of the statutory accounts of Orbital Software Group Limited for the two years ended 31 March 2000 and Arthur Andersen reported under section 235 of the Act in respect of the statutory accounts of Orbital Software Holdings plc for the year ended 31 March 2001. Each report was unqualified and did not contain a statement under section 237(2) or (3) of the Act.

##### 2. Consolidated profit and loss accounts

	<i>Years ended 31 March</i>		
	<i>2001</i>	<i>2000</i>	<i>1999</i>
	<i>£</i>	<i>£</i>	<i>£</i>
<b>Turnover</b>	1,090,018	190,404	79,952
Cost of sales	(23,512)	(19,958)	(1,314)
<b>Gross profit</b>	1,066,506	170,446	78,638
Other operating expenses (net)	(7,597,504)	(2,471,160)	(1,502,665)
<b>Operating loss</b>	(6,530,998)	(2,300,714)	(1,424,027)
Interest receivable	691,019	43,415	38,660
Interest payable and similar charges	(33,589)	(82,163)	(66,766)
<b>Loss on ordinary activities before and after taxation</b>	(5,873,568)	(2,339,462)	(1,452,133)
'A' ordinary share appropriation (non-equity)	(81,433)	(61,333)	(22,800)
<b>Loss for the financial year</b>	(5,955,001)	(2,400,795)	(1,474,933)
<b>Loss per share</b>			
Basic (pence)	(0.27)	(2.04)	–
Diluted (pence)	(0.27)	(2.04)	–

Loss per share details were not published in respect of 1999.

### 3. Consolidated balance sheet as at 31 March 2001

	£
<b>Fixed assets</b>	
Tangible assets	449,035
<b>Current assets</b>	
Debtors	1,750,325
Cash at bank and in hand	17,085,782
	18,836,107
<b>Creditors:</b> Amounts falling due within one year	(1,539,490)
<b>Net current assets</b>	17,296,617
<b>Creditors:</b> Amounts falling due after more than one year	(46,875)
<b>Provisions for liabilities and charges</b>	–
<b>Net assets</b>	17,698,777
<b>Capital and reserves</b>	
Called up share capital	2,250,296
Share premium account	14,665,811
Other reserves	11,046,846
Profit and loss account	(10,264,176)
<b>Shareholders' funds (all equity interests)</b>	17,698,777

#### 4. Consolidated cash flow statement for the year ended 31 March 2001

	2001
	£
<b>Operating loss</b>	(6,530,998)
Depreciation charges	201,730
Loss on sale of tangible fixed assets	45,401
Decrease in stocks	–
Increase in debtors	(1,282,268)
Increase in creditors	1,230,464
<b>Net cash outflow from operating activities</b>	<u>(6,335,671)</u>
<b>Returns on investment and servicing of finance</b>	
Interest receivable	410,028
Interest payable	(33,589)
<b>Net cash inflow from returns on investment and servicing of finance</b>	<u>376,439</u>
<b>Capital expenditure</b>	
Purchase of tangible fixed assets	(453,915)
<b>Net cash outflow before financing</b>	<u>(6,413,147)</u>
<b>Financing</b>	
Decrease in short term borrowings	(840,371)
Decrease in long term borrowings	(267,743)
Translation difference	(58,103)
Proceeds from issue of shares	24,393,081
Share issue costs	(51,731)
<b>Net cash inflow from financing</b>	<u>23,175,133</u>
<b>Increase in cash in the year</b>	<u>16,761,986</u>

#### 5. Principal accounting policies

##### Accounting convention

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

##### Basis of consolidation

The Group accounts consolidate the accounts of Orbital Software Holdings plc and its subsidiary undertakings drawn up to 31 March each year. In preparing the consolidated accounts, merger accounting has been used. The previous consolidated Group, Orbital Software Group Limited, is now a wholly owned subsidiary of Orbital Software Holdings plc. The prior year comparatives relate to Orbital Software Group Limited.

##### Tangible fixed assets

Tangible fixed assets are stated at cost which comprises purchase cost net of depreciation and any provision for impairment. Depreciation is provided to write off the costs, less estimated residual values, of all tangible fixed assets over their expected useful lives. It is calculated at the following annual rates:

Fixtures and fittings	20%	straight line
Computer and office equipment	25-33%	straight line
Computer software	50-100%	straight line
Exhibition equipment	33%	straight line
Motor vehicles	25%	straight line
Office refurbishment	50%	straight line

The results for the year ended 31 March 2001 reflect a change in accounting estimate of the useful lives of computer equipment and fixtures and fittings. Subsequent to 31 March 2000 it was determined to provide depreciation at 33 per cent. and 20 per cent. straight line basis on computer equipment and fixtures and fittings respectively. Prior to 31 March 2000 the rates of depreciation were 25 per cent. on computer equipment and 10 per cent. on fixtures and fittings, both on the reducing balance method. The change in the estimate of the useful lives of computer equipment and fixtures and fittings was made to provide a more appropriate reflection of the period over which computer equipment and fixtures and fittings is retained and used. The impact was to reduce operating profit by £35,622 in the year to 31 March 2001. The brought forward balances as at 31 March 2000 are being depreciated over the remaining period of the revised lives.

### **Taxation**

Corporation tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced, except that the deferred tax effects of timing differences arising from pensions and other post-retirement benefits are always recognised in full.

### **Investments**

Fixed asset investments are stated at cost less provision for impairment.

### **Grants**

Grants relating to expenditure on research and development are credited to the profit and loss account in the accounting period in which the related expenditure is incurred.

### **Operating leases**

Costs in respect of operating leases are charged on a straight line basis over the lease term.

### **Pension Costs**

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

### **Foreign currencies**

Foreign currency transactions are recorded using the rate ruling at the transaction date, or if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date, or if appropriate, at the forward contract rate. Any exchange differences are dealt with through the profit and loss account. The closing rate method is used to consolidate the foreign subsidiary, with exchange differences being taken to reserve.

### **Turnover**

Turnover represents the invoiced value (net of trade discounts, VAT and any other sales related taxes) of goods and services provided during the period in the normal course of business. Turnover from licence revenue is recognised once a binding contract exists, the product has been delivered and all significant obligations of the contract have been fulfilled. An element of revenue is deferred where the costs of providing post-contract support are material.

### **Non equity appropriation**

Issue costs arising on 'A' ordinary shares have been amortised over the period to the admittance date to the Official List of the UK Listing Authority of 11 October 2000.

### **Research and development**

All research and development costs are written off as incurred.

## **B. Unaudited results for the six months ended 30 September 2001**

The following is the full text of the announcement made by Orbital on 22 October 2001 of its unaudited interim results for the six months ended 30 September 2001:

### **“ANNOUNCES INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2001**

**Edinburgh, UK** – 22 October 2001 – Orbital Software Holdings plc (LSE: ORB), a leading provider of scalable, person-to-person Q&A infrastructure for corporate portals, today reports its financial results for the six months ended 30 September 2001 (H1 FY02).

#### **Financial Review:**

At the time of Orbital's results for Q1 the Directors announced that they expected results for the quarter ended 30 September 2001 to be flat compared to the first quarter. However, market conditions have continued to deteriorate in light of increasing economic uncertainty and the six months ended 30 September 2001 show a turnover of £214,127, compared with £365,604 for the same period in 2000. Of this the US accounted for 79% of revenues with the balance being generated from European sales.

The Company continues to enjoy a significant cash position, with approximately £13 million as at 30 September 2001 (approximately £15 million as at 30 June 2001).

Gross profits for the six months were £200,506, compared with £353,278 for H1 FY01. Net Loss for the period under review was £4,051,704, or 9p per share, compared to net loss of £2,343,847 for H1 FY01 or 165p per share.

#### **Operational Review:**

As announced previously, on 10 July 2001 the Orbital Directors commenced a strategic review of Orbital's options in response to Orbital's trading results for the three month period to 30 June 2001 being significantly below market expectations. With a view to increasing shareholder value, the options considered included independent development of the business, development via merger and acquisition activity or returning cash to shareholders. During the period of the review overhead spend has been reduced but we have also maintained value in the organisation to ensure that no strategic options were excluded.

On 14 September 2001 it was announced that Orbital was conducting preliminary merger discussions with Sopheon plc and this has resulted in a recommended offer being made on behalf of Sopheon, as announced today. The Orbital Directors believe that Sopheon, an international provider of software and information management products and services, is a highly suitable merger partner. Sopheon has a large customer base which may provide opportunities to increase product sales of Orbital's product, Organik. The Orbital Directors believe that the merged group would have the opportunity to benefit from greater development and sales resources, improved market presence in both the UK and the US and a wider product and service offering.

#### **Product:**

Interest in Organik remains strong despite there being no increase in actual deployments over the period under review – the number of deployments remains at 38. However since 30 September two new contracts have been signed with GTS-Geotech and Solcara.

GTS-Geotech is using Organik to speed the problem-solving process for its geographically dispersed consultants, allowing them to leverage expertise and share information in resolving IT problems for its oil and gas clients quickly and efficiently.

The partnership with Solcara combines Orbital's expertise in capturing a company's tacit knowledge with Solcara's experience in helping companies to organise explicit, document-based information and newly-gained knowledge.

The Directors believe that the prospects for the Company's innovative technology remain good in the longer term, while acknowledging the current slowdown in sales. As discussed in detail in the offer document from Sopheon being sent to Orbital shareholders today, the Directors believe a merger with Sopheon will enhance both companies product offerings and will build on some of the strategic growth and cost reduction initiatives already underway at Orbital.

**Sales:**

The sales team, including managers and pre-sales, stands at 17 (Q1 18). This is a reduction of one compared to last quarter and was due to a restructuring of the sales team. In the light of economic conditions we will continue to review the organisation structure and implement operational changes as appropriate.

**Outlook**

The last six months have not been an easy time for Orbital. Trading conditions remain difficult both across Europe and the United States with the resultant economic uncertainty resulting in organisations proceeding more cautiously with the implementation of enterprise wide applications. The consequent lengthening of the decision making process has impacted our sales cycle and increased the time taken to close sales.

In parallel with the Sopheon merger talks, the Board continues to implement the strategic review findings undertaken with the Chasm Group.

**Ian Ritchie**

**Chairman**

**22 October 2001**

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**Orbital Software Holdings plc**  
**Consolidated profit and loss account**

**for the six months to 30 September 2001**

	<i>Unaudited</i> <i>Six months to</i> <i>30 Sept. 2001</i>	<i>Unaudited</i> <i>Six months to</i> <i>30 Sept. 2000</i>	<i>Audited</i> <i>Year to</i> <i>31 March 2001</i>
	£	£	£
<b>Turnover</b>	214,127	365,604	1,090,018
Cost of sales	(13,621)	(12,326)	(23,512)
<b>Gross profit</b>	200,506	353,278	1,066,506
Other operating expenses (net)	(4,660,890)	(2,722,523)	(7,597,504)
<b>Operating loss</b>	(4,460,384)	(2,369,245)	(6,530,998)
Interest receivable	411,944	136,416	691,019
Interest payable and similar charges	(3,264)	(29,585)	(33,589)
<b>Loss on ordinary activities before taxation</b>	(4,051,704)	(2,262,414)	(5,873,568)
Tax on loss on ordinary activities	–	–	–
<b>Loss on ordinary activities after taxation</b>	(4,051,704)	(2,262,414)	(5,873,568)
'A' ordinary share appropriation (non-equity)	–	(81,433)	(81,433)
<b>Loss for the financial period</b>	(4,051,704)	(2,343,847)	(5,955,001)
<b>Loss per share</b>			
Basic	(0.09)	(1.65)	(0.27)

All of the group's activities were continuing operations in all periods.

**Consolidated statement of total recognised gains and losses**

	<i>Unaudited</i> <i>Six months to</i> <i>30 Sept. 2001</i>	<i>Unaudited</i> <i>Six months to</i> <i>30 Sept. 2000</i>	<i>Audited</i> <i>Year to</i> <i>31 March 2001</i>
	£	£	£
<b>Loss for the financial period</b>	(4,051,704)	(2,343,847)	(5,955,001)
Currency translation difference on foreign currency net investment	(37,871)	10,304	(58,103)
<b>Total losses recognised since last period</b>	(4,089,575)	(2,333,543)	(6,013,104)

**Consolidated balance sheet as at 30 September 2001**

	<i>Unaudited</i> <i>Six months to</i> <i>30 Sept. 2001</i> £	<i>Unaudited</i> <i>Six months to</i> <i>30 Sept. 2000</i> £	<i>Audited</i> <i>Year to</i> <i>31 March 2001</i> £
<b>Fixed assets</b>			
Tangible assets	417,437	351,904	449,035
	<u>417,437</u>	<u>315,904</u>	<u>449,035</u>
<b>Current assets</b>			
Debtors	918,652	726,695	1,750,325
Cash at bank and in hand	13,141,012	4,464,203	17,085,782
	<u>14,059,664</u>	<u>5,190,898</u>	<u>18,836,107</u>
<b>Creditors:</b> Amounts falling due within one year	(839,774)	(867,223)	(1,539,490)
<b>Net current assets</b>	<u>13,219,890</u>	<u>4,323,675</u>	<u>17,296,617</u>
<b>Creditors:</b> Amounts falling due after more than one year	(28,125)	(65,625)	(46,875)
<b>Provisions for liabilities and charges</b>	–	–	–
<b>Net assets</b>	<u>13,609,202</u>	<u>4,609,954</u>	<u>17,698,777</u>
<b>Capital and reserves</b>			
Called up share capital	2,250,296	147,723	2,250,296
Share premium account	14,665,811	–	14,665,811
Other reserves	11,046,846	11,046,846	11,046,846
Profit and loss account	(14,353,751)	(6,584,615)	(10,264,176)
<b>Equity Shareholders' funds</b>	<u>13,609,202</u>	<u>4,609,954</u>	<u>17,698,777</u>

## Consolidated cash flow statement for the six months to 30 September 2001

	<i>Unaudited</i> <i>Six months to</i> <i>30 Sept. 2001</i>	<i>Unaudited</i> <i>Six months to</i> <i>30 Sept. 2000</i>	<i>Audited</i> <i>Year to</i> <i>31 March 2001</i>
	£	£	£
<b>Operating loss</b>	(4,460,384)	(2,369,245)	(6,530,998)
Depreciation charges	120,821	103,314	201,730
Loss on sale of tangible fixed assets	1,729	45,401	45,401
Decrease/(increase) in debtors	757,184	(537,427)	(1,282,268)
(Decrease)/increase in creditors	(699,716)	558,199	1,230,464
<b>Net cash outflow from operating activities</b>	(4,280,366)	(2,199,758)	(6,335,671)
<b>Returns on investment and servicing of finance</b>			
Interest receivable	486,433	135,299	410,028
Interest payable	(3,264)	(29,585)	(33,589)
<b>Net cash inflow from returns on investment and servicing of finance</b>	483,169	105,714	376,439
<b>Taxation received/(paid)</b>	–	–	–
<b>Capital expenditure</b>			
Purchase of tangible fixed assets	(90,952)	(259,456)	(453,915)
<b>Net cash outflow before financing</b>	(3,888,149)	(2,353,500)	(6,413,147)
<b>Financing</b>			
(Decrease) in short term borrowings	–	(840,371)	(840,371)
(Decrease)/increase in long term borrowings	(18,750)	(248,993)	(267,743)
Translation difference	(37,871)	10,304	(58,103)
Proceeds from issue of shares	–	7,624,697	24,393,081
Share issue costs	–	(51,731)	(51,731)
<b>Net cash (outflow)/inflow from financing</b>	(56,621)	6,493,906	23,175,133
<b>(Decrease)/Increase in cash in the period</b>	(3,944,770)	4,140,406	16,761,986
<b>Reconciliation of net cash flow to movement in net debt</b>			
Net cash/(debt) at beginning of the period	17,001,407	(868,693)	(868,693)
(Decrease)/Increase in cash in the period	(3,944,770)	4,140,406	16,761,986
Decrease in short term borrowings	–	840,371	840,371
Decrease in long term borrowings	18,750	248,993	267,743
<b>Net cash at end of period</b>	13,075,387	4,361,077	17,001,407

## Notes to the interim report

### 1 Segmental information

	<i>Unaudited Six months to 30 Sept. 2001</i>	<i>Unaudited Six months to 30 Sept. 2000</i>	<i>Audited Year to 31 March 2001</i>
	£	£	£
Geographical segments:			
Turnover by geographical destination and origin:			
UK	45,093	42,075	385,438
USA	169,034	323,529	704,580
	<u>214,127</u>	<u>365,604</u>	<u>1,090,018</u>
Operating loss by geographical origin:			
UK	(2,833,560)	(1,789,610)	(4,654,546)
USA	(1,626,824)	(579,635)	(1,876,452)
	<u>(4,460,384)</u>	<u>(2,369,245)</u>	<u>(6,530,998)</u>
Net assets by geographical origin:			
UK	18,497,301	6,550,585	21,065,812
USA	(4,888,099)	(1,940,631)	(3,367,035)
	<u>13,609,202</u>	<u>4,609,954</u>	<u>17,698,777</u>

### 2 Tax on loss on ordinary activities

There is no charge for corporation tax for the period ended 30 September 2001 as a result of losses arising in the period. Costs incurred in the period relating to the proposed transaction with Sopheon have not been recognised in these interim statements as Sopheon Plc has intimated that, should the transaction complete, it will reimburse Orbital Software Holdings plc for these costs.

### 3 Loss per share

The calculation of earnings per share are based on the following losses and number of ordinary shares:

	<i>Unaudited Six months to 30 Sept. 2001</i>	<i>Unaudited Six months to 30 Sept. 2000</i>	<i>Audited Year to 31 March 2001</i>
	£	£	£
Loss for the financial period	(4,051,704)	(2,343,847)	(5,955,001)
Weighted average basic number of shares	45,005,920	1,424,042	21,939,270

The weighted average for the year to 31 March 2001 and the period to 30 September 2001 includes the issue of bonus shares, the share split and the shares allotted on flotation as detailed in Note 4.

### 4 Share capital

By special resolution passed on 3 October 2000, it was resolved that:

- each of the issued and unissued ordinary shares of 10p each and A ordinary shares of 10p each in the capital of the Company be redesignated as an ordinary share of 10p;
- the authorised share capital of the Company be increased from £164,136.40 to £5,000,000 by the creation of 48,358,636 ordinary shares of 10p each, each ranking pari passu in all respects with the existing ordinary shares of 10p each;
- the sum of £1,477,228 which will be part of the sum standing to the credit of the Company's share premium account on Admission be applied in paying up in full 14,772,280 ordinary shares of 10p each to be allotted credited as fully paid at par to the holders of the issued ordinary shares on the

Company's register of members immediately prior to Admission on the basis of 10 ordinary shares for each ordinary share or 'A' ordinary share held; and

- (d) each of the issued and unissued ordinary shares of 10p each be subdivided into 2 ordinary shares of 5p each.

The Company allotted 12,413,800 ordinary shares of 5p at a price of 145p per share. The issued share capital at the date of this report is 45,005,920 ordinary shares of 5p.

## 5 Reserves

The movement on reserves are as follows:

	<i>Profit and loss account</i>	<i>Share premium account</i>	<i>Capital reserves</i>
	£	£	£
At 1 April 2001	(10,264,176)	14,665,811	11,046,846
Retained loss for the period	(4,051,704)	–	–
Currency translation	(37,871)	–	–
At 30 September 2001	<u>(14,353,751)</u>	<u>14,665,811</u>	<u>11,046,846</u>

## 6 Reconciliation of movements in shareholders' funds

	<i>Unaudited Six months to 30 Sept. 2001</i>	<i>Unaudited Six months to 30 Sept. 2000</i>	<i>Audited Year to 31 March 2001</i>
	£	£	£
Loss for the financial period before appropriations	(4,051,704)	(2,262,414)	(5,873,568)
Currency translation	(37,871)	10,304	(58,103)
New share capital issued	–	6,575,000	23,343,384
Loans converted to new share capital issued	–	1,049,697	1,049,697
Cost of issue of share capital	–	(51,731)	(51,731)
	<u>(4,089,575)</u>	<u>5,320,856</u>	<u>18,409,679</u>
Opening shareholders' funds	<u>17,698,777</u>	<u>(710,902)</u>	<u>(710,902)</u>
	<u>13,609,202</u>	<u>4,609,954</u>	<u>17,698,777</u>

## 7 Basis of preparation

The results for the six months to 30 September 2001 have been prepared on the basis of accounting policies consistent with those set out in the audited report and financial statements for the year ended 31 March 2001. The trading results of the group reflect those of Orbital Software Group Limited, which was acquired by Orbital Software Holdings plc on 19 September 2000. Orbital Software Holdings plc was admitted to the Official List of the UK Listing Authority on 11 October 2000.

The results for the year to 31 March 2001 reflect a change in accounting estimate of the useful lives of computer equipment and fixtures and fittings. Subsequent to 31 March 2000 it was determined to provide depreciation at 33 per cent. and 20 per cent. straight line basis on computer equipment and fixtures and fittings respectively. Prior to 31 March 2000 the rates of depreciation were 25 per cent. on computer equipment and 10 per cent. on fixtures and fittings, both on the reducing balance method. The change in the estimate of the useful lives of computer equipment and fixtures and fittings was made to provide a more appropriate reflection of the period over which computer equipment and fixtures and fittings are retained and used. The impact was to reduce operating profits by £35,622 in the period to 31 March 2001. The brought forward balances as at 31 March 2000 are being depreciated over the remaining period of the revised lives.

The financial information set out above does not comprise the company's statutory accounts.

The results for the year ended 31 March 2001 are an abridged version of the Group's full financial statements which carried an unqualified auditors' report and which have been filed with the Registrar of Companies.

## **INDEPENDENT REVIEW REPORT TO ORBITAL SOFTWARE HOLDINGS PLC**

### **Introduction**

We have been instructed by the company to review the financial information for the six months ended 30 September 2001 which comprises the following consolidated statements; profit and loss account, statement of recognised gains and losses, balance sheet, cash flow statement and notes 1 to 7. 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.

### **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 the 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.

### **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 United Kingdom Auditing Standards 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 September 2001.

Arthur Andersen  
Chartered Accountants  
191 West George Street  
G2 2LB

22 October 2001"

## APPENDIX 4

### PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP

Set out below is an unaudited pro forma statement of the net assets of the Enlarged Group as if the Offer had successfully completed as at 30 June 2001, which has been prepared on the basis of the notes set out below.

This pro forma statement is provided for illustrative purposes only and because of its nature cannot give a complete picture of the Enlarged Group immediately following the successful completion of the Offer.

	<i>Sopheon</i>	<i>Orbital</i>		<i>Pro forma</i>
	<i>30 June</i>	<i>30 September</i>	<i>Adjustments</i>	<i>combined</i>
	<i>2001</i>	<i>2001</i>	<i>Note 6</i>	<i>net assets</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Fixed assets</b>				
Goodwill	24,669	–	6,294	30,963
Tangible assets	2,383	417	–	2,800
	<u>27,052</u>	<u>417</u>	<u>6,294</u>	<u>33,763</u>
<b>Current assets</b>				
Debtors	3,020	919	–	3,939
Cash	8,074	13,141	(1,500)	19,715
	<u>11,094</u>	<u>14,060</u>	<u>(1,500)</u>	<u>23,654</u>
<b>Creditors: Amounts falling due within one year</b>	<u>(6,869)</u>	<u>(840)</u>	<u>–</u>	<u>(7,709)</u>
<b>Net current assets</b>	<u>4,225</u>	<u>13,220</u>	<u>(1,500)</u>	<u>15,945</u>
<b>Total assets less current liabilities</b>	<u>31,277</u>	<u>13,637</u>	<u>4,794</u>	<u>49,708</u>
Creditors: Amounts falling due after more than one year	(3,034)	(28)	–	(3,062)
<b>Net assets</b>	<u>28,243</u>	<u>13,609</u>	<u>4,794</u>	<u>46,646</u>

**Notes:**

- 1 All Orbital shareholders are assumed to accept the Offer.
- 2 The figures for Sopheon have been extracted from the unaudited published consolidated balance sheet of Sopheon as at 30 June 2001.
- 3 The figures for Orbital have been extracted from the unaudited published consolidated balance sheet of Orbital as at 30 September 2001.
- 4 No adjustments have been made for the trading results of Sopheon since 30 June 2001 or Orbital since 30 September 2001.
- 5 It is intended to account for the acquisition of Orbital in accordance with acquisition accounting principles. The pro forma statement has been compiled without incorporating any fair value adjustments on consolidation that may be needed.
- 6 The adjustments relate to:
  - (i) the expenses of approximately £1.5 million in relation to the Offer; and
  - (ii) goodwill arising on the acquisition, calculated using a share price of 46 pence, being the Closing Price of a Sopheon Share on 19 October 2001, the latest practicable date prior to the posting of this document.

## APPENDIX 5

### ADDITIONAL INFORMATION

#### 1. Responsibility

##### (a) Sopheon

The Sopheon Directors, whose names are set out in paragraph 2 below, accept responsibility for the information contained in this document other than the information relating to the Orbital Group, the Orbital Directors, their immediate families and related trusts and persons connected with the Orbital Directors. To the best of the knowledge and belief of the Sopheon Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document, for which they accept responsibility, is in accordance with the facts and does not omit anything likely to affect the import of such information.

##### (b) Orbital

The Orbital Directors, whose names are set out in paragraph 3 below, accept responsibility for the information contained in this document relating to the Orbital Group, the Orbital Directors, their immediate families and related trusts and persons connected with them. To the best of the knowledge and belief of the Orbital Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document, for which they accept responsibility, is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2. Information relating to Sopheon

The Sopheon Directors and their functions are as follows:

Barry Keith Mence	<i>Executive Chairman</i>
Andrew Lloyd Michuda	<i>Chief Executive Officer</i>
Arif Karimjee	<i>Chief Financial Officer and Company Secretary</i>
Stuart Andrew Silcock	<i>Non-executive Director</i>
Joseph Martin Shuster (US citizen)	<i>Non-executive Director</i>
Bernardus Petrus Franciscus Al (Dutch citizen)	<i>Non-executive Director</i>

The registered office of Sopheon is Stirling House, Surrey Research Park, Guildford, Surrey, GU2 7RF.

#### 3. Information relating to Orbital

The Orbital Directors and their functions are as follows:

Ian Cleland Ritchie	<i>Non-executive Chairman</i>
Brian Dunlop Gray	<i>Chief Operating Officer and acting Chief Executive Officer</i>
John Beveridge Swan	<i>Chief Financial Officer</i>
Calum John Smeaton	<i>Chief Technology Officer</i>
Andrew Broughton Davis	<i>Non-executive Director</i>
Derek James Gray	<i>Non-executive Director</i>

The registered office of Orbital is 26 Barnton Grove, Edinburgh, EH4 6EQ.

#### 4. Stock Exchange quotations

The following table shows the Closing Price for Sopheon Shares and Orbital Shares for the first business day in each of the six months immediately prior to the date of this document, for 13 September 2001 (being the last business day prior to the commencement of the Offer Period) and for 19 October 2001 (being the last business day prior to the announcement of the Offer):

	<i>Sopheon Share Price (p)</i>	<i>Orbital Share Price (p)</i>
1 May 2001	78.0	55.5
1 June 2001	78.0	47.5
2 July 2001	59.0	26.5
1 August 2001	43.0	18.8
3 September 2001	38.0	19.0
13 September 2001	33.0	18.0
1 October 2001	31.0	16.0
19 October 2001	46.0	16.5

## 5. Disclosure of interests and dealings

For the purposes of these paragraphs:

“arrangement” includes any indemnity or option arrangement and any agreement or understanding, formal or informal, of whatever nature, relating to relevant securities which may be an inducement to deal or refrain from dealing;

an “associate” includes:

- (a) associated companies of Sopheon or (as the case may be) of Orbital (“relevant companies”);
- (b) banks, financial and other professional advisers (including stockbrokers) to Sopheon or (as the case may be) Orbital or any relevant company, including persons controlling, controlled by or under the same control as such banks, financial or other professional advisers (including stockbrokers);
- (c) the Sopheon Directors or (as the case may be) the Orbital Directors or the directors of any relevant company (together in each case with their close relatives and related trusts);
- (d) the pension funds of Sopheon or (as the case may be) of Orbital or of any relevant company; and
- (e) in relation to Sopheon or Orbital, a fund manager (including an exempt fund manager) of any investment company, unit trust or other person whose investments such fund manager manages on a discretionary basis, in respect of the relevant investment accounts;

“associated companies” means in relation to a company, its parent company, its subsidiaries and their associated companies and companies of which such companies are associated companies where the test of associated company status is the ownership or control of 20 per cent. or more of the equity share capital of a company;

“derivative” includes any financial product whose value, in whole or in part, is determined directly or indirectly by reference to the price of an underlying security but which does not include the possibility of delivery of such securities;

“disclosure period” means the period commencing on 15 September 2000 (being the date twelve months prior to the commencement of the Offer Period) and ending on 19 October 2001 (being the last practicable date prior to the posting of this document).

“relevant securities” means Orbital Shares, Sopheon Shares, or any other securities conferring voting rights and any securities convertible into, rights to subscribe for, or options (including traded options) in respect of, or derivatives referenced to, any of the foregoing.

References to a “bank” do not apply to a bank whose sole relationship with Sopheon or Orbital or any relevant company is the provision of normal commercial banking services or such activities in connection with the Offer as handling acceptances and other registration work.

## 5.1. Shareholdings and dealings in Sopheon Shares

(a) As at the close of business on 19 October 2001 (being the latest practicable date prior to the posting of this document) the interests (all of which are beneficial unless otherwise stated) of the Sopheon Directors, their immediate families and related trusts in the issued share capital of Sopheon which have been notified to Sopheon pursuant to sections 324 and 328 of the Act or which are required to be entered in the register maintained pursuant to section 325 of the Act or which are interests of a connected person of a Sopheon Director (within the meaning of section 346 of the Act) which would, if the connected person were a director, be required to be disclosed as aforesaid, and the existence of which is known to, or could with reasonable diligence be ascertained by, the Sopheon Directors, are set out below:

(i) Details of the number of Sopheon Shares held by the Sopheon Directors as at 19 October 2001 (being the last practicable date prior to the posting of this document) were as follows:

<i>Name</i>	<i>Number of Sopheon Shares held</i>		<i>Percentage of existing issued share capital</i>
	<i>Beneficial</i>	<i>Non beneficial</i>	
Barry Mence	4,848,657	3,847,800	20.65
Andrew Michuda	187	–	0.00
Arif Karimjee	–	–	–
Stuart Silcock	181,383	98,077	0.66
Joseph Shuster	90,627	–	0.21
Bernard Al	25,000	–	0.06

(ii) On 19 June 2001 the following Sopheon Directors subscribed for Sopheon Convertible Loan Stock with detachable warrants. When the Sopheon Convertible Loan Stock was issued it was convertible into Sopheon Shares at 70 pence per share. On 22 June 2001, 3,471,191 Sopheon Shares were placed at a subscription price of 58.5 pence per share in connection with the acquisition of Sopheon GmbH. In accordance with the terms of the instrument constituting the Sopheon Convertible Loan Stock, the placing caused the conversion rate of the Sopheon Convertible Loan Stock to be adjusted to 58.5 pence per share. In the event of any further offering of Sopheon Shares taking place prior to conversion, whether by way of rights issue, placing, open offer or similar issue, the Sopheon Convertible Loan Stock may be converted at the relevant offering price. The exercise price for the Sopheon Warrants is 70 pence per share. The interests listed in this sub-paragraph are beneficial.

	<i>Nominal amount of Loan Stock subscribed</i>	<i>No. of Warrants</i>
	Barry Mence	£390,000
Andrew Michuda	£28,000	6,000
Arif Karimjee	£17,000	3,643
Stuart Silcock	£100,000	21,429
Bernard Al	£25,000	5,357

Each of the above Sopheon Directors is entitled at any time prior to 31 December 2001 to subscribe for a further amount of Sopheon Convertible Loan Stock, with detachable warrants, equal to one third of the nominal value of his existing holding, on the same terms as the existing Sopheon Convertible Loan Stock and Sopheon Warrants, save that the further Sopheon Convertible Loan Stock shall have a conversion price of 76.05 pence per share and the further Sopheon Warrants shall be issued for an amount equal to 15 per cent. of the further Sopheon Convertible Loan Stock and shall be exercisable at 91 pence per share.

Further information relating to the Sopheon Convertible Loan Stock and the Sopheon Warrants is set out at paragraphs 9(f) and 9(g) of this Appendix 5.

- (iii) (a) Details of options held by the Sopheon Directors pursuant to the Sopheon Share Option Schemes and which remain outstanding as at 19 October 2001 (being the latest practicable date prior to the posting of this document) were as follows:

<i>Name</i>	<i>Date of grant</i>	<i>Number of Sopheon Shares under option</i>	<i>Exercise price (p)</i>	<i>Exercise period</i>
Barry Mence	02/05/2001	45,000 <sup>(1)</sup>	77.5	02/05/2004 – 02/05/2011
Andrew Michuda	02/10/2000	16,280 <sup>(2)</sup>	427.5	02/10/2001 – 02/10/2011
Arif Karimjee	02/05/2001	77,162 <sup>(2)</sup>	77.5	02/05/2002 – 02/05/2011
	22/11/1999	50,000 <sup>(1)</sup>	150.0	22/11/2002 – 22/10/2009
	22/11/1999	25,000 <sup>(1)</sup>	150.0	15/09/2003 – 15/09/2010
	22/11/1999	25,000 <sup>(1)</sup>	150.0	To be determined*
Joseph Shuster	02/05/2001	25,000 <sup>(1)</sup>	77.5	02/05/2004 – 02/05/2011
	02/10/2000	5,263 <sup>(2)</sup>	427.5	02/10/2001 – 02/10/2010
Bernard Al	02/05/2001	25,000 <sup>(1)</sup>	77.5	02/05/2004 – 02/05/2011

\* These options are incentive options and the vesting is dependent upon the achievement of performance criteria.

(1) Granted under the Sopheon UK Unapproved Share Option Scheme 1997.

(2) Granted under the Sopheon plc 2000 (USA) Stock Option Plan. One fourth of these options becomes exercisable in each year starting on the date indicated.

- (b) Details of fully vested options granted to Sopheon Directors as part of the acquisition of Teltech Resource Network Corporation:

<i>Name</i>	<i>Date of grant</i>	<i>Number of Sopheon Shares under option</i>	<i>Exercise price (p)</i>	<i>Exercise period</i>
Andrew Michuda	15/09/2000	1,756	368.0	15/09/2000 – 10/07/2005
	15/09/2000	18,771	184.0	15/09/2000 – 10/07/2005
	15/09/2000	1,877	184.0	15/09/2000 – 15/08/2005
	15/09/2000	33,479	184.0	15/09/2000 – 28/09/2005
	15/09/2000	1,689	184.0	15/09/2000 – 31/03/2006
	15/09/2000	3,754	184.0	15/09/2000 – 01/09/2006
	15/09/2000	30,034	184.0	15/09/2000 – 01/12/2006
	15/09/2000	845	184.0	15/09/2000 – 16/04/2007
	15/09/2000	97,151	184.0	15/09/2000 – 01/05/2007
	15/09/2000	7,856	230.0	15/09/2000 – 31/12/2008
	15/09/2000	12,501	322.0	15/09/2000 – 31/12/2009
Joseph Shuster	15/09/2000	1,502	184.0	15/09/2000 – 07/06/2001
	15/09/2000	1,502	184.0	15/09/2000 – 23/05/2002
	15/09/2000	1,502	184.0	15/09/2000 – 01/06/2003
	15/09/2000	1,502	184.0	15/09/2000 – 01/06/2004
	15/09/2000	1,502	230.0	15/09/2000 – 04/05/2005
	15/09/2000	5,928	368.0	15/09/2000 – 10/07/2005
	15/09/2000	11,263	368.0	15/09/2000 – 10/07/2005
	15/09/2000	18,771	184.0	15/09/2000 – 10/07/2005
15/09/2000	1,502	276.0	15/09/2000 – 15/05/2006	

- (iv) The following dealings for value in Sopheon Shares in which the Sopheon Directors, their immediate families, related trusts and connected persons were interested have taken place during the disclosure period:

<i>Name</i>	<i>Nature of transaction</i>	<i>Date</i>	<i>Number of Sopheon Shares</i>	<i>Price (€)</i>
Bernard Al	Purchase	08/01/2001	25,000	2.6

- (b) (i) HSBC Investment Bank and/or its associated companies do not own or control any Sopheon Shares, nor have they undertaken any dealings for value in Sopheon Shares during the disclosure period other than in their capacities as exempt fund managers within the meaning of the City Code.
- (ii) Neither Orbital nor any Orbital Director owns, controls or is interested in any Sopheon Shares nor have they undertaken any dealings for value in Sopheon Shares during the disclosure period.

## 5.2. Shareholdings and dealings in Orbital Shares

- (a) As at the close of business on 19 October 2001 (being the latest practicable date prior to the posting of this document) the interests (all of which are beneficial unless otherwise stated) of the Orbital Directors, their immediate families and related trusts in the issued share capital of Orbital which have been notified to Orbital pursuant to sections 324 and 328 of the Act or which are required to be entered in the register maintained pursuant to section 325 of the Act or which are interests of a connected person of a Orbital Director (within the meaning of section 346 of the Act) which would, if the connected person were a director, be required to be disclosed as aforesaid, and the existence of which is known to, or could with reasonable diligence be ascertained by, the Orbital Directors, are set out below:

- (i) Details of the number of Orbital Shares held by the Orbital Directors as at 19 October 2001 (being the last practicable date prior to the posting of this document) were as follows:

<i>Name</i>	<i>Number of Orbital Shares held</i>	<i>Percentage of existing issued share capital</i>
Ian Ritchie	563,236	1.25%
Brian Gray	–	–
John Swan	–	–
Calum Smeaton	3,452,423	7.67%
Andrew Davis	556,336	1.24%
Derek Gray	–	–

- (ii) Details of options held by the Orbital Directors pursuant to the Orbital Share Option Schemes and which remain outstanding as at 19 October 2001 (being the latest practicable date prior to the posting of this document) were as follows:

<i>Name</i>	<i>Date of Grant</i>	<i>Number of Orbital Shares under option</i>	<i>Exercise price (p)</i>	<i>Exercise period</i>
Brian Gray	03/08/2000	516,890	5.4	14/09/2001 – 03/08/2010 *
Brian Gray	13/06/2001	94,059	44.0	07/06/2002 – 13/06/2011 **
Derek Gray	03/08/2000	22,000	34.0	03/08/2000 – 03/08/2010
Calum Smeaton	13/06/2001	94,059	44.0	07/06/2002 – 13/06/2011 **

\*These options vest as to 344,608 on 3 August 2000 and as to 172,282 on 14 September 2001. Brian Gray has given an irrevocable undertaking to Sopheon not to exercise these options whilst the Offer is open for acceptance or during any compulsory acquisition period relative to such Offer.

\*\*These options are exercisable as to one third on 7 June 2002 and monthly (as to one thirty-sixth) thereafter over the remaining 24 months.

- (iii) The following dealings for value in Orbital Shares in which the Orbital Directors, their immediate families, related trusts and connected persons were interested have taken place during the disclosure period:

<i>Name</i>	<i>Nature of Transaction</i>	<i>Date</i>	<i>Number of Orbital Shares</i>	<i>Price</i>
Ian Ritchie	Allotment of new Orbital Shares pursuant to share for share exchange <sup>1,2</sup>	19 September 2000 <sup>1</sup>	489,874 <sup>3</sup>	N/A (share for share exchange)
	Exercise of options <sup>2,4</sup>	These options were exercised on 3 October 2000, conditional on Orbital Shares becoming duly admitted to trading on the London Stock Exchange	31,570 <sup>3</sup> 15,004 <sup>3</sup> 13,332 <sup>3</sup> 6,556 <sup>3</sup>	5.4p <sup>3</sup> 5.4p <sup>3</sup> 36p <sup>3</sup> 36p <sup>3</sup>
	Subscription <sup>8</sup>	11 October 2000	2,300	145p
	Subscription <sup>9</sup>	11 October 2000	4,600	145p
Brian Gray	None	N/A	N/A	N/A
John Swan	None	N/A	N/A	N/A
Calum Smeaton	Allotment of new Orbital Shares pursuant to share for share exchange <sup>1,2</sup>	19 September 2000	489,874 <sup>3</sup>	N/A (share for share exchange)
	Exercise of options <sup>2,5</sup>	These options were exercised on 3 October 2000, conditional on Orbital Shares becoming duly admitted to trading on the London Stock Exchange	211,904 <sup>3</sup> 100,760 <sup>3</sup> 89,496 <sup>3</sup> 44,022 <sup>3</sup>	5.4p <sup>3</sup> 5.4p <sup>3</sup> 36p <sup>3</sup> 36p <sup>3</sup>
	Disposal <sup>6</sup>	11 October 2000	282,693 <sup>3</sup>	145p
Andrew Davis	Allotment of new Orbital Shares pursuant to share for share exchange <sup>1,2</sup>	19 September 2000	489,874 <sup>3</sup>	N/A (share for share exchange)
	Exercise of options <sup>2,7</sup>	These options were exercised on 3 October 2000, conditional on Orbital Shares becoming duly admitted to trading on the London Stock Exchange	31,570 <sup>3</sup> 15,004 <sup>3</sup> 13,332 <sup>3</sup> 6,556 <sup>3</sup>	5.4p <sup>3</sup> 5.4p <sup>3</sup> 36p <sup>3</sup> 36p <sup>3</sup>
Derek Gray	None	N/A	N/A	N/A

- On 19 September 2000, all of the shareholders in Orbital Software transferred their shares in Orbital Software to Orbital in exchange for the issue by Orbital of a like number of shares in Orbital. Reference is made to paragraph 8(a) of this Appendix 5.
- This dealing occurred prior to Orbital's admission to listing on the Official List of the UK Listing Authority on 11 October 2000.
- As adjusted to reflect a 22 for 1 subdivision and bonus issue which took effect on Orbital's flotation on 11 October 2000.
- On 3 October 2000 3i Group plc, Scottish Equity Partnership, Novell, Inc. and National Westminster Bank plc granted Ian Ritchie options to acquire 31,570 Orbital Shares, 15,004 Orbital Shares, 13,332 Orbital Shares and 6,556 Orbital Shares respectively.
- On 3 October 2000 3i Group plc, Scottish Equity Partnership, Novell, Inc. and National Westminster Bank plc granted Calum Smeaton options to acquire 211,904 Orbital Shares, 100,760 Orbital Shares, 89,496 Orbital Shares and 44,022 Orbital Shares respectively.
- These shares were disposed of pursuant to a placing which was effected in connection with the admission to listing of Orbital on the Official List of the UK Listing Authority. The disposal was effected in order to meet the estimated tax liability and other costs of Calum Smeaton exercising the options referred to above.

7. On 3 October 2000 3i Group plc, Scottish Equity Partnership, Novell, Inc. and National Westminster Bank plc granted Andrew Davis options to acquire 31,570 Orbital Shares, 15,004 Orbital Shares, 13,332 Orbital Shares and 6,556 Orbital Shares respectively.
8. These shares were acquired by Ian Ritchie pursuant to a placing which was effected in connection with Orbital's admission to listing on the Official List of the UK Listing Authority.
9. These shares were acquired by Ian Ritchie's wife pursuant to a placing which was effected in connection with Orbital's admission to listing on the Official List of the UK Listing Authority.

- (b) (i) As at 19 October 2001 (being the latest practicable date prior to the posting of this document), the interests in the issued ordinary share capital of Orbital of persons who have given irrevocable undertakings (in respect of their entire holding of Orbital Shares) to accept the Offer were as follows:

<i>Name</i>	<i>Number of Orbital Shares</i>
Ian Ritchie	563,236
Calum Smeaton	3,452,423
Andrew Davis	556,336
Alan Slater	3,452,423
Kevin Dorren	2,350,346

- (ii) The following dealings (and the dealings of the Orbital Directors set out in paragraph 5.2 (a)(iii) above) for value in Orbital Shares by those persons referred to in sub-paragraph 5.2(b)(i) above have taken place during the disclosure period:

<i>Name</i>	<i>Nature of Transaction</i>	<i>Date</i>	<i>Number of Orbital Shares</i>	<i>Price</i>
Alan Slater	Allotment of new Orbital Shares pursuant to share for share exchange <sup>1,2</sup>	19 September 2000	489,874 <sup>7</sup>	N/A (share for share exchange)
	Exercise of options <sup>2,3</sup>	These options were exercised on 3 October 2000, conditional on	211,904 <sup>7</sup>	5.4p <sup>7</sup>
		Orbital Shares becoming	100,760 <sup>7</sup>	5.4p <sup>7</sup>
		duly listed on the London Stock Exchange	89,496 <sup>7</sup>	36p <sup>7</sup>
		44,022 <sup>7</sup>	36p <sup>7</sup>	
	Disposal of shares <sup>4</sup>	11 October 2000	282,693 <sup>5</sup>	145p
Kevin Dorren	Allotment of new Orbital Shares pursuant to share for share exchange <sup>1,2</sup>	19 September 2000	489,874 <sup>5</sup>	N/A (share for share exchange)
	Exercise of options <sup>2,5</sup>	These options were exercised on 3 October 2000, conditional on	144,320 <sup>7</sup>	5.4p <sup>7</sup>
		Orbital Shares becoming	68,618 <sup>7</sup>	5.4p <sup>7</sup>
		duly listed on the London Stock Exchange	60,940 <sup>7</sup>	36p <sup>7</sup>
		29,964 <sup>7</sup>	36p <sup>7</sup>	
	Disposal of shares <sup>6</sup>	11 October 2000	193,228	145p

1. On 19 September 2000, all of the shareholders in Orbital Software transferred their shares in Orbital Software to Orbital in exchange for the issue by Orbital of a like number of shares in Orbital. Reference is made to paragraph 8(a) of this Appendix 5.
2. This dealing occurred prior to Orbital's admission to listing on the Official List of the UK Listing Authority on 11 October 2000.
3. On 3 October 2000 3i Group plc, Scottish Equity Partnership, Novell, Inc. and National Westminster Bank plc granted Alan Slater options to acquire 211,904 Orbital Shares, 100,760 Orbital Shares, 89,496 Orbital Shares and 44,022 Orbital Shares respectively.
4. These shares were disposed of pursuant to a placing which was effected in connection with the flotation of the Company on the Official List of the UK Listing Authority. The disposal was effected in order to meet the estimated tax liability and other costs of Alan Slater exercising the options referred to above.
5. On 3 October 2000 3i Group plc, Scottish Equity Partnership, Novell, Inc. and National Westminster Bank plc granted Kevin Dorren options to acquire 144,320 Orbital Shares, 68,618 Orbital Shares, 60,940 Orbital Shares and 29,964 Orbital Shares respectively.

6. These shares were disposed of pursuant to a placing which was effected in connection with the flotation of the Company on the Official List of the UK Listing Authority. The disposal was effected in order to meet the estimated tax liability and other costs of Kevin Dorren exercising the options referred to above.
7. As adjusted to reflect a 22 for 1 sub division and bonus issue which took effect on Orbital's flotation on 11 October 2000.
- (c) (i) HSBC Investment Bank and/or its associated companies do not own or control any Orbital Shares, nor have they undertaken any dealings for value in Orbital Shares during the disclosure period other than in their capacities as exempt fund managers within the meaning of the City Code.
- (ii) Broadview and/or its associated companies do not own or control any Orbital Shares, nor have they undertaken any dealings for value in Orbital Shares during the disclosure period.
- (iii) Neither Sopheon nor any Sopheon Director owns, controls or is interested in any Orbital Shares nor have they undertaken any dealings for value in Orbital Shares during the disclosure period.
- (d) (i) As at 19 October 2001 (being the latest practicable date prior to the posting of this document), the interests in the issued ordinary share capital of Orbital of Beeson Gregory Limited were as follows:

<i>Name</i>	<i>Number of Ordinary Shares</i>
Beeson Gregory Limited	67,400

- (ii) The following dealings for value in Orbital Shares by Beeson Gregory Limited have taken place during the Offer Period and the preceding month:

<i>Name</i>	<i>Nature of Transaction</i>	<i>Date</i>	<i>Number of Orbital Shares</i>	<i>Price per share (p)</i>
Beeson Gregory Limited	Sale	14 Aug 01	100,000	21.0
Beeson Gregory Limited	Purchase	14 Aug 01	9,140	21.0
Beeson Gregory Limited	Purchase	16 Aug 01	142,850	16.5
Beeson Gregory Limited	Purchase	16 Aug 01	37,000	17.0
Beeson Gregory Limited	Purchase	16 Aug 01	15,000	18.0
Beeson Gregory Limited	Sale	17 Aug 01	150,000	19.0
Beeson Gregory Limited	Sale	30 Aug 01	150,000	19.0
Beeson Gregory Limited	Purchase	30 Aug 01	148,000	18.5
Beeson Gregory Limited	Purchase	30 Aug 01	21,000	19.0
Beeson Gregory Limited	Purchase	30 Aug 01	6,000	20.0
Beeson Gregory Limited	Sale	31 Aug 01	150,000	18.0
Beeson Gregory Limited	Purchase	31 Aug 01	132,345	18.0
Beeson Gregory Limited	Sale	03 Sept 01	25,000	19.0
Beeson Gregory Limited	Sale	10 Sept 01	8,000	17.8
Beeson Gregory Limited	Purchase	13 Sept 01	12,000	17.0

### 5.3. General

- (a) Save as disclosed in this paragraph 5, neither Sopheon, nor any of the Sopheon Directors or their immediate families or related trusts, nor (so far as the Sopheon Directors are aware having made due enquiry) any connected persons (within the meaning of section 346 of the Act), nor any person deemed for the purposes of this Offer to be acting in concert with Sopheon nor any person who has given an irrevocable undertaking to accept the Offer, owns or controls (or in the case of the Sopheon Directors, their immediate families or connected persons is interested in) any relevant securities on 19 October 2001 (being the latest practicable date prior to the posting of this document) or has dealt for value therein during the disclosure period.
- (b) Save as disclosed in this paragraph 5, neither Orbital, nor any of the Orbital Directors or their immediate families or related trusts, nor (so far as the Orbital Directors are aware having made due enquiry) any connected persons (within the meaning of section 346 of the Act), nor any subsidiary nor any pension fund of Orbital or of any of its subsidiaries or an adviser to Orbital (other than Beeson Gregory Limited) as specified in paragraph (b) of the definition of associate above (but excluding

exempt market-makers) owns or controls (or in the case of Orbital Directors, their immediate families or connected persons is interested in) any relevant securities on 19 October 2001 (being the latest practicable date prior to the posting of this document) or has dealt for value therein during the disclosure period or in the case of any subsidiary or pension fund of Orbital or any of its subsidiaries or an adviser to Orbital as specified in paragraph (b) of the definition of associate above (but excluding exempt market-makers) has dealt for value therein during the disclosure period.

- (c) Save as disclosed in paragraph 5.2(d)(ii) Beeson Gregory Limited does not own any relevant securities on 19 October 2001 (being the last practicable date prior to the posting of this document) or has dealt for value therein during the Offer Period and the preceding month.
- (d) Save as regards the irrevocable undertakings given in connection with the Offer or as disclosed above, no arrangement exists between any person and Sopheon, or any associates of, or persons acting in concert with, Sopheon nor between any person and Orbital or any of the Orbital Directors and their families and associated interests, or any associate of Orbital in relation to relevant securities including any indemnity or option arrangements, any agreement or understanding, formal or informal, of whatever nature, which may be an inducement to deal or refrain from dealing.

## **6. Orbital Directors' service agreements**

There are no contracts of service between any Orbital Director and Orbital or any of its subsidiaries which do not expire or which are not capable of being terminated upon 12 months' notice or less and no such contract has been entered into or amended in the six months preceding the date of this document.

## **7. United Kingdom taxation**

The following statements are intended as a general guide only to the position under current UK taxation legislation and Inland Revenue practice as at the date of this document. They relate only to certain limited aspects of the UK taxation treatment of the Offer and to the position of Orbital Shareholders who hold their Orbital Shares beneficially as an investment (otherwise than under a personal equity plan or individual savings account) and who are resident, or, in the case of individuals, ordinarily resident, in the United Kingdom for tax purposes at all relevant times.

Sopheon is listed on AIM and the Euro. NM segment of the stock market of Euronext Amsterdam N.V. and has significant interests in the United States. Any Orbital Shareholder who has any doubt about his own tax position should consult an appropriate independent professional adviser.

### **(a) Taxation of chargeable gains**

- (i) Liability to United Kingdom taxation of chargeable gains ("CGT") will depend on the individual circumstances of Orbital Shareholders.

An accepting Orbital Shareholder who does not hold (either alone or together with persons connected with him) more than 5 per cent. of, or of any class of, shares in or debentures of Orbital should not, to the extent that he receives New Sopheon Shares in consequence of the Offer, be treated as having made a disposal of Orbital Shares for CGT purposes. Any gain or loss which would otherwise have arisen on a disposal of his Orbital Shares effectively will be "rolled-over" into the New Sopheon Shares and those shares will be treated as the same asset as his Orbital Shares and acquired at the same time and for the same consideration as he acquired his Orbital Shares.

An accepting Orbital Shareholder who holds (either alone or together with persons connected with him) more than 5 per cent. of, or of any class of, shares in or debentures of Orbital is advised that an application for clearance will be made to the board of the Inland Revenue under section 138 of the Taxation of Chargeable Gains Act 1992 in respect of the receipt of New Sopheon Shares in consequence of the Offer. Provided such clearance is given, any such Orbital Shareholder will be treated in the manner described in the preceding paragraph. Receipt of such clearance is not a condition of the Offer.

Any subsequent disposal of New Sopheon Shares may result in a liability to CGT depending on individual circumstances. Any chargeable gain or allowable loss will be calculated taking into account an appropriate part of the allowable original cost to the holder of acquiring the relevant Orbital Shares.

An individual who has on or after 17 March 1998, ceased to be resident or ordinarily resident for tax purposes in the UK for a period of less than 5 years of assessment and who disposes of New Sopheon Shares during that period may be liable to CGT depending on individual circumstances, in the year of assessment in which he becomes once again resident or ordinarily resident in the UK for tax purposes.

For an Orbital Shareholder not within the charge to corporation tax, indexation allowance on the cost apportioned to the New Sopheon Shares should be available (when calculating a chargeable gain but not an allowable loss) in respect of the period of ownership of Orbital Shares up to April 1998. Thereafter, taper relief may be available to reduce the amount of any chargeable gain on a subsequent disposal of the New Sopheon Shares.

For an Orbital Shareholder within the charge to corporation tax, indexation allowance on the cost apportioned to the New Sopheon Shares should be available (when calculating a chargeable gain but not an allowable loss) up to the month of disposal of the New Sopheon Shares.

**(b) Taxation of income**

Under current UK taxation legislation, no tax is withheld from dividend payments by Sopheon. An Orbital Shareholder who is an individual resident in the UK (for tax purposes) will generally be entitled to a tax credit in respect of any dividend received from Sopheon and will be taxed on the aggregate of that net cash dividend and the tax credit (the “gross dividend”), which will be regarded as the top slice of the Orbital Shareholder’s income. The value of the tax credit is equal to 10 per cent. of the gross dividend received. Orbital Shareholders who are individuals (and hold shares other than in individual savings accounts or personal equity plans prior to 5 April 2004) and who are not liable to income tax in respect of dividends received will not generally be entitled to claim repayment of the tax credit. In the case of a UK resident individual who is liable to income tax at the starting, lower or basic rate, the tax credit will in each case match his income tax liability in respect of the dividend and there will be no further tax to pay and no right to claim any repayment from the Inland Revenue. In the case of a UK resident individual who is liable to income tax on the gross dividend at the higher rate (currently 32.5 per cent.), the tax credit will be set against but will not fully match his tax liability on the gross dividend and he will have to pay additional income tax equal (at present) to 25 per cent. of the net cash dividend.

Any Orbital Shareholder within the charge to corporation tax and resident (for tax purposes) in the UK will not normally be liable for UK tax on the receipt of a dividend and cannot reclaim from the Inland Revenue any tax credit attaching to the dividend payment.

UK pension funds and most UK shareholders within the charge to corporation tax cannot reclaim the tax credits on dividends paid by Sopheon.

Subject to certain exceptions for individuals who are nationals of any state in the European Economic Area, Commonwealth citizens, residents of the Isle of Man or the Channel Islands and certain other persons who are allowed to claim a tax credit in respect of a dividend to the same extent as a person resident in the UK, the rights of a shareholder who is not resident in the UK for tax purposes to a tax credit and to claim payment of any part of the tax credit will depend upon the existence and terms of any double taxation convention between the UK and the country in which that person is resident. Such persons should consult their own advisers concerning their tax liability on dividends received. However, they should note that following the reduction in the rate of the UK tax credits on UK company dividends to 10 per cent. they will not generally be entitled to claim payment of any part of their tax credit from the Inland Revenue under any double taxation treaty or otherwise.

**(c) Other direct tax matters**

Special tax provisions may apply to Orbital Shareholders who have acquired or acquire their Orbital Shares by exercising options under the Orbital Share Option Schemes including provisions imposing a charge to income tax when such an option is exercised.

**(d) Stamp duty and stamp duty reserve tax (“SDRT”)**

These comments are intended as a guide to the general position and do not relate to persons such as market intermediaries and persons connected with depositary arrangements or clearance services to whom special rules apply.

- (i) No stamp duty or SDRT will be payable by Orbital Shareholders as a result of accepting the Offer.
- (ii) Stamp duty and/or SDRT will generally be payable on a transfer on a sale of (or on an agreement to transfer on sale) Sopheon Shares.

**8. Material contracts of Orbital**

Save for the contracts referred to below, neither Orbital nor any member of the Orbital Group has entered into contracts other than in the ordinary course of business which are or may be material within the two years preceding the commencement of the Offer Period.

- (a) An offer document dated 1 September 2000 under which Orbital offered to acquire the whole of the issued share capital of Orbital Software in consideration for the allotment, credited as fully paid, of 445,323 ordinary shares of 10p each in the capital of Orbital and 1,031,894 ‘A’ ordinary shares of 10p each in the capital of Orbital, which offer was accepted by the shareholders of Orbital Software on 19 September 2000.
- (b) A placing agreement dated 5 October 2000 between Orbital (1), the directors of Orbital as at 5 October 2000 (2), 3i Group plc, National Westminster Bank plc, Scottish Equity Partnership and others (3), Beeson Gregory Limited (4) and Alan Slater (5) pursuant to which Beeson Gregory Limited agreed as agent for Orbital and others, subject to certain conditions, to use its reasonable endeavours to procure places for 12,413,800 Orbital Shares to be issued by Orbital and 758,614 existing Orbital Shares at a price of 145 pence per share or failing which to subscribe and/or purchase such Orbital Shares. The placing agreement contained certain indemnities and warranties from Orbital, the directors of Orbital as at 5 October 2000, 3i Group plc, National Westminster Bank plc, Scottish Equity Partnership and others and Alan Slater in favour of Beeson Gregory Limited.
- (c) The arrangements referred to in paragraph 9(i) below.

**9. Material contracts of Sopheon**

Save for the contracts referred to below, neither Sopheon nor any member of the Sopheon Group has entered into contracts other than in the ordinary course of business which is or may be material within the two years preceding commencement of the Offer Period.

- (a) A placing agreement dated 27 October 1999 made between Sopheon (1), Bell Lawrie Wise Speke (2) and Durlacher (3) pursuant to which Sopheon agreed to pay each of Durlacher and Bell Lawrie Wise Speke consideration of £50,000 and all expenses of or incidental to the placing. Sopheon gave various warranties and an indemnity to Bell Lawrie Wise Speke and Durlacher. The warranties covered, amongst other things, the accuracy of the information contained in the agreement and matters relating to Sopheon and its business. The warranties were given subject to certain limitations on aggregate liability and the timing of claims. The indemnity was not limited in this way.
- (b) An agreement dated 27 October 1999 between James Macfarlane and others (the “Sellers”) (1) and Sopheon (2) pursuant to which Sopheon agreed to acquire the entire issued share capital of Sopheon UK Limited. The consideration for the sale of the shares was the payment of £11,000 in cash in respect of preference shares in Sopheon UK Limited and the issue of 6,402,961 Sopheon Shares (the “Consideration Shares”) as consideration in respect of the ordinary shares in Sopheon UK Limited. The agreement contained restrictions on the Sellers’ (other than 3i Group plc) ability to transfer the Consideration Shares within one year of completion and restrictive covenants from certain members of the management team preventing them from carrying on competitive activities, soliciting customers or employees of Sopheon or accepting orders or business from customers of Sopheon within 12 months from completion. The agreement also contained warranties from certain members of the management team of Sopheon UK Limited commensurate with a transaction of this kind and, as the consideration

was being satisfied primarily by the issue of the Consideration Shares, warranties from Sopheon relating to its business and, in particular, its intellectual property.

- (c) An agreement and plan of merger and reorganisation dated 21 January 2000 as amended on 28 April 2000 and further amended on 31 July 2000 between Sopheon (1) Sopheon Corporation Minneapolis (2) and Teltech Resource Network Corporation (“Teltech”) (3) pursuant to which Sopheon agreed to acquire the entire issued share capital of Teltech. The consideration for the sale was the payment of US\$15,163,000 in cash and the allotment of a further 2,094,105 Sopheon Shares and options over 718,292 Sopheon Shares at exercise prices between 184p and 515p. Teltech entered into warranties and representations in favour of Sopheon and the Sopheon Corporation Minneapolis.
- (d) An agreement dated 3 March 2000 between Sopheon (1) and Durlacher Limited (2) pursuant to which Sopheon issued up to 2,500,000 Sopheon Shares at £8.00 each for cash. Pursuant to the agreement Sopheon gave certain warranties and covenants in favour of Durlacher Limited, including the covenant that Sopheon would not during the period of 12 calendar months from the date of completion of the acquisition of Sopheon UK Limited give prior written approval to the vendors of Sopheon UK Limited, or certain shareholders of Teltech, to permit the disposal of all or any part of their respective holdings of existing issued Sopheon Shares without the prior consent of Durlacher Limited.
- (e) A facility agreement dated 8 August 2001 between Sopheon Corporation Minneapolis (1) and Silicon Valley Bank (2). The facility provides Sopheon Corporation Minneapolis with an account receivables facility of US\$2,000,000 increasing to US\$3,000,000 on 1 December 2001. The interest rate is the prime rate of Silicon Valley Bank from time to time plus 3.0 per cent.
- (f) Pursuant to a subscription agreement dated 19 June 2001 made between Erse Corporation and others (1) and Sopheon (2) (the “Subscription Agreement”), Sopheon issued £2.6 million of Sopheon Convertible Loan Stock and 557,143 Sopheon Warrants. Investors in the Sopheon Convertible Loan Stock have the right to subscribe for a further £867,000 of Sopheon Convertible Loan Stock (in respect of which a further 171,000 Sopheon Warrants would also be issued) on or before 31 December 2001.

The Sopheon Convertible Loan Stock is convertible into Sopheon Shares during the period to 19 June 2003. The Sopheon Convertible Loan Stock is currently convertible at a conversion rate of 58.5 pence per Sopheon Share. In the event that Sopheon makes an offer of Sopheon Shares during the conversion period by way of a rights issue, placing, open offer or similar issue at an offering price of less than 70.0 pence per Sopheon Share then the conversion rate will be adjusted to an amount per Sopheon Share equal to that offering price. Any further Sopheon Convertible Loan Stock subscribed for (if at all) would carry a conversion rate equal to 130 per cent. of the existing Sopheon Convertible Loan Stock’s conversion rate from time to time.

The Sopheon Convertible Loan Stock is redeemable by Sopheon at any time during the conversion period. To the extent that the Sopheon Convertible Loan Stock it is not converted or redeemed prior to 20 June 2003 it must be redeemed on that date. Any Sopheon Shares issued on conversion of the Sopheon Convertible Loan Stock are subject to lock-in arrangements for the 12 month period after their issue and thereafter are subject to orderly marketing arrangements. The terms of these arrangements are set out in the instrument constituting the Sopheon Convertible Loan Stock dated 19 June 2001 set out at Appendix A of the Subscription Agreement.

- (g) The Sopheon Warrants are exercisable during the period 20 June 2002 to 19 June 2003 at an exercise price of 70.0 pence per Sopheon Share. Any Sopheon Shares issued on an exercise of the Sopheon Warrants are subject to lock-in arrangements for the 12 month period after their issue and thereafter are subject to orderly marketing arrangements. The terms of these arrangements are set out in the deed poll constituting the Sopheon Warrants dated 19 June 2001 set out at appendix B of the subscription agreement.
- (h) An agreement dated 22 June 2001 between Aventis Research Technologies GmbH & Co. KG (1) and Sopheon (2) pursuant to which Sopheon agreed to acquire the entire issued share capital of Sopheon GmbH and DM5,000,000 in cash. The consideration was:
  - (i) the issue of 3,471,191 Sopheon Shares on completion; and

- (ii) an earn out to be satisfied by the issue of Sopheon Shares (which in certain circumstances may be payable in cash) and calculated by reference to the income of Sopheon GmbH in the years 2001, 2002 and 2003. In respect of each year, such a number of Sopheon Shares will be issued to Aventis as shall have an aggregate value equal to 50 per cent. of the income earned by Sopheon GmbH. Only the first DM 6,000,000 of the income earned over these three years can be taken into account for the purposes of calculating the earn out but this cap is subject to certain adjustments.

The agreement contains restrictions on Aventis' ability to transfer the Sopheon Shares within one year of completion and a restrictive covenant from Aventis preventing it from carrying on competitive activities within two years of completion. The agreement also contained warranties from Aventis concerning Aventis and its business and, as the consideration was being satisfied by the issue of Sopheon Shares, it also contained warranties from Sopheon relating to Sopheon's ability to enter into the agreement.

- (i) On 13 September 2001 Orbital entered into an inducement fee arrangement with Sopheon, pursuant to which Orbital agreed to pay to Sopheon:
  - (i) the sum of £40,000 (inclusive of VAT) if, following an agreed announcement that Orbital and Sopheon are in talks:
    - (A) a competing offer is made which becomes, or is declared unconditional in all respects;
    - (B) the Orbital Directors do not agree to unanimously recommend the Offer; or
    - (C) the Orbital Directors otherwise inform Sopheon that they no longer anticipate recommending the Offer.
  - (ii) the sum of £120,000 (inclusive of VAT) if, following an announcement of an offer pursuant to Rule 2.5 of the City Code, Sopheon decides not to make an offer, or having made the Offer, it lapses or is withdrawn because:
    - (A) a competing offer has been made which becomes or is declared unconditional in all respects; or
    - (B) the recommendation of the Offer by the Orbital Directors has been withdrawn, amended or modified.
  - (iii) the sum of £120,000 (inclusive of VAT) if Orbital materially breaches the obligations contained in the non-solicitation letter dated 13 September 2001 between Orbital and Sopheon and this results in Sopheon varying in any material detail in its indicative proposal (set out in its letter dated 13 September 2001) or withdrawing from talks or any offer by Sopheon for Orbital lapsing or being withdrawn or being varied in any material detail.

Subject to the confirmation of the key assumptions and the satisfaction of the conditions precedent set out in the indicative proposal letter from Sopheon dated 13 September 2001, Sopheon agrees that if following the Pre-Announcement, but before the earlier of 31 October 2001 and the date of any announcement by Sopheon for Orbital made pursuant to Rule 2.5 of the City Code, Sopheon withdraws from talks which may lead to such an offer being made (other than following a payment event), Sopheon agree to pay to Orbital £40,000 (inclusive of VAT).

Furthermore, Orbital and Sopheon have agreed that any inducement fee payable under the inducement arrangement described above shall not exceed the lesser of 1 per cent. of the deal value of the Offer and 1 per cent. of the net assets of Orbital, that only one inducement fee shall be paid and each payment event is separate and severable.

## **10. Lock-in Arrangements**

- (a) The Orbital Directors and Alan Slater have entered into lock-in agreements with Sopheon and HSBC Investment Bank. Under these agreements the Orbital Directors and Alan Slater undertake not to dispose of any Sopheon Shares prior to the earlier of the announcement of the preliminary results of the Sopheon Group for the year ended 31 December 2001 and 30 April 2002. After the expiry of this period they are bound by orderly market provisions until the earlier of the announcement of the preliminary results of the Sopheon Group for the year ended 31 December 2003 and 30 April 2004.

- (b) The Sopheon Directors have entered into lock-in agreements with Sopheon and HSBC Investment Bank. These agreements have the same terms as the lock-in agreements described in paragraph 10(a) above save that there are no orderly market provisions.

## **11. Financing arrangements**

Full acceptance of the Offer (excluding any Orbital Shares issued pursuant to the exercise of outstanding options under the Orbital Share Option Schemes while the Offer remains open for acceptance) would result in the issue of approximately 40.0 million New Sopheon Shares, representing approximately 48.7 per cent. of the issued share capital of Sopheon as enlarged immediately following completion of the Offer.

## **12. Other information**

- (a) Save as disclosed in this document, there is no agreement, arrangement or understanding (including any compensation arrangement) between Sopheon, any person acting in concert with Sopheon and any of the directors, recent directors, shareholders or recent shareholders of Orbital having any connection with or dependence upon or which is conditional on the outcome of the Offer.
- (b) No proposal exists in connection with the Offer that any payment or other benefit be made or given to any Orbital Directors as compensation for loss of office or as consideration for, or in connection with, his retirement from office.
- (c) There is no agreement, arrangement or understanding whereby the beneficial ownership of any Orbital Shares to be acquired by Sopheon pursuant to the Offer will be transferred to any other person, except that Sopheon reserves the right to transfer any Orbital Shares so acquired to any other member of its group.
- (d) HSBC Investment Bank, which is regulated in the UK by The Securities and Futures Authority Limited, has given and not withdrawn its written consent to the issue of this document with the inclusion of its letter and the references to its name in the form and context in which they appear.
- (e) Broadview, which is regulated in the UK by The Securities and Futures Authority Limited, has given and not withdrawn its written consent to the issue of this document with the inclusion of the references to its name and its recommendation of the Offer in the form and context in which they appear.
- (f) The emoluments receivable by the Sopheon Directors will not be varied as a consequence of the proposed acquisition of Orbital or by any other associated transaction.
- (g) Save as disclosed in Sopheon's interim statement for the six months ended 30 June 2001, the text of which appears at Part B of Appendix 2, or as otherwise disclosed in this document, the Sopheon Directors are not aware of any material change in the financial or trading position of Sopheon since 31 December 2000 (being the date to which Sopheon's audited accounts were prepared).
- (h) Save as disclosed in Orbital's unaudited interim results for the six months ended 30 September 2001, the text of which appears at Part B of Appendix 3, or otherwise disclosed in this document, the Orbital Directors are not aware of any material change in the financial or trading position of Orbital since 31 March 2001 (being the date to which Orbital's audited accounts were prepared).
- (i) The expenses of and incidental to the preparation and implementation of the Offer will be paid by Sopheon and Orbital.
- (j) There has been no material change in any information previously published by or on behalf of Sopheon during the Offer Period.
- (k) There has been no material change in any information previously published by or on behalf of Orbital during the Offer Period.
- (l) The Sopheon Directors do not intend that the payment of interest on, repayment on, or security for any liability (contingent or otherwise) will depend to any significant extent on the business of Orbital.

### **13. Documents available for inspection**

Copies of the following documents may be inspected during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of Hammond Suddards Edge at 7 Devonshire Square, Cutlers Gardens, London EC2M 4YH while the Offer remains open for acceptance.

- (a) the Memorandum and Articles of Association of Sopheon and Orbital respectively;
- (b) the audited consolidated accounts of the Sopheon Group for the two financial years ended 31 December 1999 and 31 December 2000, of Orbital Software for the financial year ended 31 March 2000 and of the Orbital Group for the financial year ended 31 March 2001, the unaudited interim results of Sopheon in respect of the six months period ended 30 June 2001 and the unaudited results of Orbital in respect of the six months period ended 30 September 2001;
- (c) the rules of the Sopheon Share Option Schemes;
- (d) the material contracts referred to in paragraphs 8 and 9 above;
- (e) the written consents referred to in paragraph 12 above;
- (f) copies of the irrevocable undertakings referred to in paragraph 5.2(b)(i) above; and
- (g) copies of the lock-in agreements referred to in paragraph 10 above.

22 October 2001

## APPENDIX 6

### DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

“Act”	the Companies Act 1985 (as amended)
“Admission”	the admission of New Sopheon Shares to trading on AIM becoming effective in accordance with the AIM Admission Rules
“AIM”	the Alternative Investment Market of the London Stock Exchange
“AIM Admission Rules”	the “AIM Rules for Companies” published by the London Stock Exchange
“Aventis Group”	Aventis S.A., Strasbourg, France created through the merger of Hoechst AG of Germany and Rhône-Poulenc SA of France in December 1999
“Aventis Research Technologies”	Aventis Research & Technologies GmbH & Co. KG
“Broadview”	Broadview International Limited of 23 King Street, London SW1Y 6QY
“certificated” or “in certificated form”	a share or other security which is not in uncertificated form (that is, not in CREST)
“City Code”	The City Code on Takeovers and Mergers
“Closing Price”	the closing middle market price of an Orbital Share or a Sopheon Share (as the case may be) as derived from the Daily Official List
“conditions”	the conditions of the Offer described in Part A of Appendix 1 to this document and “condition” means any one of them
“CREST”	the relevant system (as defined in the Regulations) in respect of which CRESTCo is the Operator (as defined in the Regulations)
“CRESTCo”	CRESTCo Limited
“CREST member”	a person who has been admitted by CRESTCo as a system-member (as defined in the Regulations)
“CREST participant”	a person who is, in relation to CREST, a system-participant (as defined in the Regulations)
“CREST sponsor”	a CREST participant admitted to CREST as a CREST sponsor
“CREST sponsored member”	a CREST member admitted to CREST as a CREST sponsored member
“Daily Official List”	the Daily Official List of the London Stock Exchange
“Enlarged Group”	Sopheon as enlarged by the proposed acquisition by Sopheon of Orbital
“Escrow Agent”	Capita IRG Plc in its capacity as escrow agent as defined in the CREST manual dated May 1996
“Extraordinary General Meeting”	the extraordinary general meeting of Sopheon to be held at the offices of Hammond Suddards Edge, 7 Devonshire Square, Cutlers Gardens, London EC2M 4YH at 10.00 a.m. on 7 November 2001

“First Closing Date”	12 November 2001
“Form of Acceptance”	the form of acceptance and authority relating to the Offer accompanying this document
“HSBC Investment Bank”	HSBC Investment Bank plc
“Inland Revenue”	The UK Inland Revenue
“ISA”	Individual Savings Account
“London Stock Exchange”	London Stock Exchange plc
“member account ID”	the identification code or number attached to any member account in CREST
“New Sopheon Shares”	the ordinary shares of 5 pence each in the capital of Sopheon to be issued credited as fully paid pursuant to the Offer
“NPD”	new product development
“Notice of Extraordinary General Meeting”	the notice of the Extraordinary General Meeting
“Offer”	the recommended offer being made by HSBC Investment Bank on behalf of Sopheon to acquire all of the issued and to be issued Orbital Shares, subject to the terms and conditions set out in this document and the Form of Acceptance and, where the context so requires, any subsequent revision, variation, extension or renewal thereof
“Offer Period”	the period commencing on 14 September 2001 until whichever of the following shall be the latest: (i) 12 November 2001 on the First Closing Date, (ii) the time and date on which the Offer lapses; and (iii) the time and date on which the Offer becomes or is declared unconditional as to acceptances
“Official List”	the official list of the UK Listing Authority
“Orbital” or the “Company”	Orbital Software Holdings plc
“Orbital Directors”	the directors of Orbital
“Orbital Group”	Orbital and its subsidiaries, Orbital Software, Orbital Software Europe Limited and Orbital Software Inc.
“Orbital Shares”	the ordinary shares of 5 pence each in the capital of Orbital
“Orbital Shareholders”	holders of Orbital Shares
“Orbital Share Option Schemes”	the Orbital Software Holdings plc Approved Share Option Scheme, the Orbital Software Holdings plc Unapproved Share Option Scheme, the Orbital Software Group Limited Employee Share Option Scheme (Approved and Unapproved), the Orbital Software Group Limited 2000 Stock Option/Stock Issuance Plan and the Orbital Software Holdings plc Stock Option/Stock Issuance Plan
“Orbital Software”	Orbital Software Group Limited, a subsidiary of Orbital
“Overseas Shareholders”	Orbital Shareholders who are resident in, citizens of or nationals of countries other than the UK and who have not given Orbital an address in the UK for service of notices
“Panel”	The Panel on Takeovers and Mergers

“participant ID”	the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant
“Pre-Announcement”	the announcement by Sopheon and Orbital that talks were taking place in relation to a possible offer by or on behalf of Sopheon for the issued and to be issued Orbital Shares made on 14 September 2001
“R&D”	research and development
“Receiving Agent”	New Issues Department, Capita IRG Plc, PO Box 166, Bourne House, 34 Beckenham Road, Beckenham, Kent, BR3 4TH
“Reference Number”	the reference number next to Box 6 on each Form of Acceptance
“Regulations”	the Uncertificated Securities Regulations 1995
“Sopheon”	Sopheon plc
“Sopheon Convertible Loan Stock”	the issued 6 per cent. convertible loan stock 2002 of Sopheon constituted by an instrument dated 19 June 2001
“Sopheon Directors”	the directors of Sopheon as at the date of this document
“Sopheon Group”	Sopheon and its subsidiaries and subsidiary and associated undertakings
“Sopheon Share Option Schemes”	the rules of the PolyDoc Unapproved Share Option Scheme dated 28 August 1996, the rules of the PolyDoc Executive Share Option Scheme (as at 26 February 1997), the rules of the Sopheon UK Unapproved Share Option Scheme 1997 and the Sopheon plc (2000) Share Option Scheme
“Sopheon Shares”	ordinary shares of 5 pence each in the capital of Sopheon
“Sopheon Shareholders”	holders of Sopheon Shares
“Sopheon Warrants”	the warrants to subscribe for Sopheon Shares created by a deed poll dated 19 June 2001
“TFE instruction”	a Transfer from Escrow instruction (as defined by the CREST Manual issued by CRESTCo)
“TTE instruction”	a Transfer to Escrow instruction (as defined by the CREST Manual issued by CRESTCo)
“UK Listing Authority”	the Financial Services Authority being the authority acting in its capacity as the competent authority for the purposes of the Financial Services Act 1986 in respect of admissions of securities to the Official List
“uncertificated” or “in uncertificated form”	in relation to a share or other security, a share or other security, title to which is recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST, and title to which, by virtue of the Regulations, may be transferred by means of CREST
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“U.S.”, “USA” or “United States”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia and all other areas subject to its jurisdiction
“U.S. Person”	as defined in Regulation S of the United States Securities Act 1933 (as amended)

