1 September 2005

SOPHEON PLC

RESULTS FOR THE 6 MONTHS TO 30 JUNE 2005
BUSINESS REVIEW AND OUTLOOK

Sopheon plc ("Sopheon") the international provider of software and services that improve the return from innovation and product development investments, announces its unaudited interim results for the six months ended 30 June 2005 together with a business review and outlook.

HIGHLIGHTS:

- Turnover: £1.9m (2004: £2.1m)
  Loss for the period: £0.9m (2004: £1.3m)
  LBITDA: £0.8m (2004: £0.7m)

- Twenty transactions were closed in the first half of 2005, comprising 11 new or extension license sales and 9 proof-of-concept and consulting assignments. Offsetting the delayed closure of certain key license orders in June, maintenance and services revenues both increased by 50% over the same period in 2004, reflecting our growing client base of more than 60 licensed customers. Including other closed business, revenue visibility from signed orders and maintenance run rates for full year 2005 now stands at £3.1m, over 70% of reported 2004 revenues.
- Sopheon's pipeline mix has a growing proportion of sales opportunities that are individually larger in potential value and complexity than the historic average. These opportunities generate revenue volatility, but also raise the potential for significant growth. Since the half year point Sopheon has been working on seven such opportunities, one of which has signed its license order, three have engaged Sopheon in a proof of concept project, and the other three have identified Accolade as their preferred solution.
- Microsoft continued to demonstrate a commitment to its strategic partnership with Sopheon by supporting a new release of Sopheon's software both through R&D investment and through marketing activity in Europe and America. Accolade version 6.0, which features integration of core Microsoft technologies, was introduced in the second quarter.
- In the period Sopheon raised £1 million in new equity, increasing cash resources to more than £2 million and arming Sopheon to take timely advantage of possible new opportunities for business expansion, maintain investment in product development and market research, and protect and extend its established lead in its chosen markets.

Sopheon's Chairman, Barry Mence said:
"As we reported in July, we were disappointed with the delays in closing certain key contracts in June. However, these have either closed or are in the process of doing so, and we remain confident in the underlying direction of our business. Current levels of field activity, market reaction to the latest version of Accolade, and the emerging impact of our partner relationships are encouraging. There are good indications that our sales pipeline will deliver revenue growth and a positive financial contribution from operations in the second half of the year."

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

CHAIRMAN'S STATEMENT

FINANCIAL OVERVIEW

Consolidated revenues for the period amounted to £1.9 million (2004: £2.1 million). Maintenance and services revenues for the period were both 50% higher than such revenues during the first half of 2004, reflecting greater stability in the revenue base of the business. However, this was offset by delays in closing certain license transactions. Of the total revenues reported in the period, the ratio between license, service and maintenance was 1:1:1. We expect this ratio to return to our historic 3:1:1 shape in the second half of the year.

Taking into account new orders and recurring maintenance streams, and including contracted license revenue conditional on acceptance decisions, visibility of 2005 revenues stands today at £3.1 million, over 70% of the total revenues recorded in 2004.

Gross margin, which is arrived at after charging direct costs such as royalties and payroll for client services staff, stood at 76% for the period compared to 81% in 2004, reflecting the relatively fixed costs of our services business. Going forward, although we expect our service business to continue its pattern of steady growth, operating margins will be impacted by the engagement of recently trained service partners who are beginning to provide implementation support.

The overall loss for the period improved to £0.9m (2004: £1.3m) due to the restructuring of the group's loan note, which eliminated interest costs, and due to the elimination of the remaining goodwill in the prior year. The LBITDA, which does not include these elements, increased moderately to £0.8 million (2004: £0.7million).

During the period the group raised £1 million by way of an equity placing in London, increasing cash resources to more than £2 million and arming Sopheon to take timely advantage of possible new opportunities for business expansion. Examples of this are market research we have commissioned in respect of the US healthcare industry, and a proposed investment in our Australasian reseller. Further details of both these initiatives are given below. At the period end, consolidated net assets stood at a positive £1.4 million, compared with £1.6 million excluding goodwill at 30 June 2004.

TRADING

As previously announced, the Company was endeavoring to close on several transactions prior to the end of June. A number of sales were concluded following Sopheon's Annual General Meeting held on 17 June, bringing the count for the first half of the year to eleven new and extension license sales among a total of twenty sales transactions. Of the three licenses that were verbally committed and identified in our announcement of 15 July, one has completed, the second is fully negotiated awaiting final signature, and the third has Accolade chosen as the preferred solution, but remains in contract discussions. The fourth license opportunity identified in our July announcement has been removed from our pipeline due to budgetary issues in the customer's current fiscal year.

As we have previously noted, a new development in 2004 was the signing of larger transactions (ranging from two to four times the historical $250,000 average) and which are more complex in scope (enterprise wide instead of a single department). Sopheon is currently working on seven opportunities that have this potential. Of these, one has signed a license order, and three have already engaged Sopheon to deliver proof of concept services – one of which has already contracted for its license, subject to an acceptance decision due in the fourth quarter. The remaining three have identified Accolade as their preferred solution and are working through their contracting process. Although the added complexity of such opportunities can slow our sales cycles, they have the potential to significantly increase the scale of license revenues in the second half of 2005. In addition to pursuing these significant opportunities, Sopheon continues to work on several transactions at normal order values, including a number of extension orders expected from existing customers.

Including other new business, Sopheon's customer base counts over 60 licensed customers, and Accolade is now being used in 48 countries around the globe.

BUSINESS DEVELOPMENT

We have noted in earlier communication that Sopheon is actively developing partnerships to bolster both our strategic and channel strength in this changing competitive landscape. We have recently hired a partnership program director who is focusing his attention on partner relationship development.

The alignment of Accolade with Microsoft technology is a key example of partnership efforts, and the benefits have come through firmly in the latest release of our solution. Accolade Version 6.0 was a landmark release, supported by Microsoft both in terms of R&D investment and marketing activity in Europe and America, and has been very well received by market analysts. Having selected Sopheon in late 2004 as a supplier participant in its Collaborative Product Development pilot program, Microsoft has judged the initiative to be a business success and is now taking steps to implement it on a global scale. Microsoft also continues to introduce potential partners to Sopheon.

Sopheon's drive to sign up resellers and consultancy partners has resulted in agreements with Deloitte & Touche in South Africa, Inogate in Portugal, Team Progress in New Zealand and Australia, ASI in South Korea, and Tata Consultancy Services of India. Second quarter revenues included our first sale in Australia, a license transaction completed by Team Progress. Other potential consultancy partners are actively supporting our initial work with global sales opportunities. We will provide further details of these relationships in due course.

As demand continues to escalate, Sopheon has also begun developing partnerships to help it scale in its provision of implementation support to new clients. Based on these efforts, we now have an expanding infrastructure of trained implementation partners capable of delivering on-demand service support to Sopheon customers around the globe. For instance, Tata Consultancy Services Limited, one of the world's leading information technology consulting and services companies, is expanding its Sopheon team to eight professionals over the third quarter. Partners are currently providing service support at a number of our newest accounts.

New markets represent another area of emerging opportunity. We have begun implementing a strategy to sell Accolade to discrete manufacturers, a move that is being facilitated by our relationships with a number of partners who are already established suppliers to this market. These efforts are benefiting from the fact that prominent discrete manufacturers such as Parker Hannifin, the world leader in the production of motion control systems can serve as references. We are in discussion with additional, prospective partners who are focused on discrete markets, and have sought and received advice from industry experts regarding alignments that would yield the greatest strategic and near-term business development benefit.

In a further initiative we have commissioned an independent authority in the healthcare industry to conduct research aimed at determining the feasibility and advisability of building on our European healthcare business to pursue the application of Accolade into the U.S. healthcare market. The project is scheduled for completion late in the third quarter. Key to this exploration is determining how we can take advantage of the potential opportunity without interrupting our progress in core vertical markets.

In parallel with these developments, Sopheon has also given serious consideration to a small number of potential M&A transactions. We previously announced the signature of a letter of intent to augment our relationship with Team Progress in Australasia through a financial investment in their Sopheon reseller business. This initial investment will underpin a long-term objective of establishing a Sopheon owned support centre in each major world time zone. These discussions continue and are expected to conclude in the near term.

OUTLOOK

With the rate of market change growing in speed and complexity, and the volume of competitor activity steadily escalating, the board believes that Sopheon must protect and extend its established lead in the market for product portfolio and process management solutions and that this will require continued, and in some cases accelerated, investment in resources. Therefore, while the cost base remains tightly controlled, the recent strengthening of the group's balance sheet will enable Sopheon to take timely advantage of possible new opportunities for business expansion, as described above.

The board believes that prospects for the group remain positive. From product and strategic positioning standpoints, it believes that Sopheon remains at the forefront of a software segment that is attracting considerable corporate and industry interest. Notwithstanding the headline reduction in revenues for the period, there are good indications that our sales pipeline will deliver a return to revenue growth, and a positive financial contribution from operations, in the second half of the year.

Barry Mence 1 September 2005
CHAIRMAN

GROUP PROFIT AND LOSS ACCOUNT FOR THE 6 MONTHS TO 30 JUNE 2005 (UNAUDITED)

	6 months to 30 June 2005 £'000	*6 months to 30 June 2004 £'000*
Turnover	**1,909**	**2,083**
Cost of sales	(466)	(389)
Gross profit	**1,443**	**1,694**
Administrative, research and development and distribution expenses	(2,328)	(2,435)
Operating loss before amortization of goodwill	**(885)**	**(741)**
Amortization of goodwill	-	(251)
Operating loss	**(885)**	**(992)**
Bank interest receivable	33	13
Interest payable and similar charges	(42)	(282)
Loss on ordinary activities before and after taxation	**(894)**	**(1,261)**
Loss per share - basic and diluted	(0.7p)	(1.2p)
Loss on an EBITDA basis	**(838)**	**(674)**

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (UNAUDITED)

	6 months to 30 June 2005 £'000	*6 months to 30 June 2004 £'000*
Loss for the financial period	**(894)**	**(1,261)**
Exchange difference on retranslation of net assets of subsidiary undertakings	2	(48)
Total gains and losses recognised relating to the period and since the annual report	**(892)**	**(1,309)**

GROUP BALANCE SHEET AS AT 30 JUNE 2005
(UNAUDITED)

	As at 30 June 2005 £'000	*As at 30 June 2004 £'000*
Fixed assets		
Goodwill and investments	-	189
Tangible assets	97	138
	97	**327**
Current assets		
Debtors	1,142	1,675
Cash and short term deposits	2,106	1,955
	3,248	**3,630**
Creditors: falling due within one year	**1,989**	**2,158**
Net current assets	**1,259**	**1,472**
Total assets less current liabilities	**1,356**	**1,799**
Creditors: falling due after more than one year	-	-
	1,356	**1,799**
Capital and reserves		
Called up share capital	6,077	5,361
Shares to be issued	1,364	2,534
Share premium account and merger reserve	67,759	66,283
Other reserves	4,157	4,164
Profit and loss account	(78,001)	(76,543)
Shareholders' funds (all equity interests)	**1,356**	**1,799**

GROUP STATEMENT OF CASH FLOWS FOR THE 6 MONTHS TO 30 JUNE 2005
(UNAUDITED)

	6 months to 30 June 2005 £'000	*6 months to 30 June 2004 £'000*
Net cash inflow/(outflow) from operating activities	**23**	**(983)**
Return on investment and servicing of finance	(9)	(269)
Capital expenditure	(18)	(9)
Management of liquid resources	(909)	(1,066)
Financing	994	2,418
Increase in cash excluding short term deposits	**81**	**91**
Increase in short term deposits	909	1,066
Increase in cash including short term deposits	**990**	**1,157**

A reconciliation of the operating loss to the net cash outflow from operating activities is presented in Note 5.

NOTES

1. Basis of preparation of interim financial information

The interim financial information has been prepared on the basis of accounting policies set out in the group's financial statements for the year ended 31 December 2004, as amended by the adoption of FRS25 (see note 4 below), prepared under the historical cost convention and in accordance with applicable accounting standards, and on the going concern basis.

Following a placing of new equity for £1,000,000 in May of this year, the consolidated net current assets reported at 30 June 2005 are £1,259,000 and net cash resources are £2,073,000. The group has access to a $1,000,000 (£522,000) bank line of credit with Silicon Valley Bank, which is secured against the trade debtors of Sopheon Corporation Minnesota. At 30 June 2005, $43,000 (£24,000) was drawn against this facility. The facilities with Silicon Valley Bank have been in place since 1999, and are renewable annually in October.

The directors believe that these cash resources supplemented by the additional facilities described above provide it with adequate funding to support its activities through to the point at which they anticipate that trading will become cash generative on a sustained basis.

The ability of the group to become cash generative is dependent on the group continuing to achieve year-on-year revenue growth. During 2004 the group's revenues from continuing operations grew by over 60%, which together with the cost restructuring and divestments completed in 2003 reduced its total losses on an EBITDA (earnings before interest, tax, depreciation and amortisation) basis by over 70%. Revenues reported for the first half of 2005 were £1,909,000 compared to £2,083,000 for the same period in 2004. This reduction in revenue is not considered to be indicative of the business ceasing to grow, and the directors remain positive about the underlying direction, focus and momentum of the group. The directors believe that there are good indications that in the second half of the year, the sales pipeline will deliver a return to revenue growth and there will be a positive financial contribution from operations.

Should this not be the case, or should the group require additional funding for operational or investment purposes, Sopheon continues to have access to its equity line of credit facility from GEM Global Yield Fund Limited ("GEM") for an aggregate of €10 million over the two year life of the instrument, which comes to an end on 22 December 2005. In March 2004, Sopheon made a first call on the equity line of credit facility, raising just under €1 million before expenses and accordingly, leaving €9 million available under the instrument. The directors are considering whether it is appropriate to seek an extension to the life of the instrument in order to provide continued access to the facility for the foreseeable future.

The directors believe that together, the points above will enable the group to continue as a going concern. However, uncertainties remain as to the achievement of the expected sales growth and the continued availability of facilities to the group. If the expected sales growth is not achieved and facilities are not available, the going concern basis may cease to be appropriate. The interim financial information does not reflect any adjustments which would be required if this were the case. The precise extent and quantification of such adjustments has not been determined but these could include the reclassification of any unconverted element of the group's convertible unsecured loan stock to creditors falling due within one year, and provision for additional liabilities.

2. Earnings per share

The calculation of basic loss per ordinary share is based on a loss of £894,000 (2004: loss of £1,261,000) and 129,189,451 (2004: 101,284,981) ordinary shares, being the weighted average number of ordinary shares in issue during the period, including 11,998,200 ordinary shares, representing the weighted average effect of the classification as equity of the group's Interest Free Mandatory Convertible Loan Stock. The effect of all potential ordinary shares is anti-dilutive in 2005 and 2004.

3. LBITDA

LBITDA represents loss before interest, tax, depreciation and amortisation of goodwill.

4. Adoption of Financial Reporting Standard 25

'Shares to be issued' consists of the outstanding amount of the group's Interest Free Mandatory Convertible Loan Stock (the "Stock"). In accordance with existing UK accounting standards, the Stock was classified as part of equity shareholders' funds in the group's balance sheet as at 30 June 2004 and 31 December 2004. The convergence of UK and international accounting standards has led to the introduction of Financial Reporting Standard 25 'Financial Instruments: Disclosure and Presentation' ("FRS25"). The presentation requirements of FRS25 are applicable to the group for reporting periods beginning on or after 1 January 2005. At 1 January 2005, FRS25 requires an entity to split a compound financial instrument into separate liability and equity components. The group has accounted for the adoption of FRS 25 as a change in accounting policy. However, the terms of the Stock are such that it is only repayable in cash upon the occurrence of certain events relating to the group's ability to continue in business, which the directors consider to be very remote. Accordingly no fair value is attributable under FRS25 to the liability component, and consequently the entire amount of the Stock remains presented within equity shareholders' funds in the group's balance sheet.

5. Reconciliation of operating loss to net cash outflow from operating activities

	6 months to 30 June 2005 £'000	*6 months to 30 June 2004 £'000*
Operating loss	**(885)**	**(992)**
Depreciation	38	66
Amortization of goodwill	-	251
(Increase)/decrease in debtors	759	(529)
Increase in creditors and provisions	111	221
Net cash inflow/(outflow) from operating activities	**23**	**(983)**

6. Interim Report

This Interim Report is available from Sopheon's registered office at Surrey Technology Centre, 40 Occam Road, Guildford, Surrey GU2 7YG and from the company's website at www.sopheon.com.

7. Financial information

The financial information set out above does not constitute the group's financial statements as defined in section 240 of the UK Companies Act 1985 and is unaudited. Financial statements for the years ended 31 December 2003 and 2004 have been delivered to the registrar of companies and an unqualified audit opinion was issued thereon.

8. Cautionary Statement

Sopheon has made forward-looking statements in this press release, including but not limited to statements about the benefits of our products and services; our acquisitions and divestments; financial results; product development plans and achievements; 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.