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THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about 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.

If you have sold or otherwise transferred all your Sopheon Shares, please send this document and the accompanying documentation 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.

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.

Recommended Offer

by

HSBC 

on behalf of

Sopheon plc

for

Orbital Software Holdings plc

Circular to shareholders

and

Notice of Extraordinary General Meeting

Your attention is drawn to the letter from the Executive Chairman of Sopheon which is set out on pages 3 to 8 of this document and which recommends that you vote in favour of the resolutions to be proposed at the Extraordinary General Meeting referred to below.

Notice of an 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 is set out at the end of this document.

Application will be made to the London Stock Exchange for the admission to the Alternative Investment Market of the London Stock Exchange of the New Sopheon Shares. The New Sopheon Shares will not be available in whole or in part to the public in connection with the application for them to be admitted to the Alternative Investment Market of the London Stock Exchange. It is expected that 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. 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.

A Form of Proxy for use at the Extraordinary General Meeting is enclosed. To be valid, Forms of Proxy should be completed, signed and returned so as to be received by the Registrars of Sopheon, Capita IRG Plc, Balfour House, 390-398 High Road, Ilford, Essex, IG1 1NQ, as soon as possible, but in any event, so as to be received by not later than 10.00 a.m. on 5 November 2001.

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Expected timetable of principal events

Posting of this document	22 October 2001
Latest time and date for receipt of Forms of Proxy for the Extraordinary General Meeting	10.00 a.m., 5 November 2001
Extraordinary General Meeting	10.00 a.m., 7 November 2001
First closing date for the Offer	3.00 p.m., 12 November 2001

Letter from the Executive Chairman of Sopheon



*Sopheon plc
Stirling House
Surrey Research Park
Guildford, Surrey
GU2 5RF*

*Registered in England
Company Number 3217859*

Directors:

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

22 October 2001

To Sopheon Shareholders and, for information only, participants in the Sopheon Share 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 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

The Offer, which is made on the terms and subject to the conditions and further terms set out in the Offer Document (a copy of which accompanies this document for information purposes only) 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 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.

4. Current trading update

As described in Sopheon's interim statement set out in 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 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. 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 the Enlarged Group's board, to assist with transition and

integration of the businesses. 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.

7. 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 7.

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.

8. Extraordinary General Meeting

The Offer is conditional, *inter alia*, upon the passing of resolutions by Sopheon Shareholders at the 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, such resolutions being numbered 1 and 2 in the Notice of the Extraordinary General Meeting. You will find a notice of 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 set out at the end of this document. A Form of Proxy to be used in connection with the Extraordinary General Meeting is also enclosed.

An ordinary resolution will be proposed at the Extraordinary General Meeting to increase the authorised share capital of Sopheon from £5,884,332.75 to £6,250,000. This would amount to an increase in the authorised share capital of 6.2 per cent. The increase is required to accommodate the following:

- the issue of New Sopheon Shares to existing Orbital Shareholders who accept the Offer;
- any issue of New Sopheon Shares to Orbital option holders who exercise their options whilst the Offer remains open and subsequently accept the Offer;
- any issue of New Sopheon Shares pursuant to the exercise of Sopheon share options by persons who roll over their Orbital share options into Sopheon share options pursuant to the proposals under rule 15 of the Code to be made to certain Orbital option holders; and
- the proposed increase in headroom for Sopheon employee share options to reflect the increase in the number of employees in the Sopheon Group in the event of the Offer becoming or being declared unconditional in all respects and to reflect the proposals under rule 15 of the Code to be made to certain Orbital option holders.

An ordinary resolution will also be proposed at the Extraordinary General Meeting to increase the Sopheon Directors' authority to allot shares. The increase will be consistent with the increase in the authorised share capital described above in this paragraph 8.

In addition to the resolutions described above, upon the passing of which the Offer is conditional, an ordinary resolution will also be proposed at the Extraordinary General Meeting which, subject to the Offer becoming or being declared unconditional in all respects, would authorise the adoption by Sopheon of the Orbital Share Schemes, in order to allow those Orbital option holders who accept the option proposals (to be made under rule 15 of the Code) to exchange their option rights over Orbital shares for equivalent option rights over New Sopheon Shares.

An ordinary resolution will also be proposed at the Extraordinary General Meeting which, subject to the Offer becoming or being declared unconditional in all respects, would increase the maximum number of shares over which options may be granted (the "headroom") under Sopheon's employee share option schemes when aggregated with options granted under any other employee share option schemes to 4,250,000 ordinary shares. The reason for increasing the number of options available under the Sopheon UK Schemes is to reflect the increase in the number of employees in the Sopheon Group in the event of the Offer becoming or being declared unconditional in all respects. A further ordinary resolution will be proposed at the Extraordinary General Meeting to increase the headroom to the extent required to accommodate the proposals to be made to certain Orbital option holders under rule 15 of the Code.

Following the passing of these resolutions, and assuming all Orbital Shareholders accept the Offer in respect of all their existing issued Orbital Shares, the Sopheon Directors will have authority to allot 42,854,079 million shares.

Details of Sopheon's share capital, at present and as it would be upon completion of the Offer, are set out in paragraph 2 of Appendix 1 to this document.

The Sopheon Share Schemes and the Orbital Share Schemes will be available for inspection at the Extraordinary General Meeting.

9. 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 information memorandum. Like the existing Sopheon Shares, the New Sopheon Shares traded on the stock market of the Euronext Amsterdam N.V. will be settled through Nederlands Interprofessioneel Effectencentrum NIEC B.V.

10. Recommendation

Your Directors believe that the proposed acquisition of Orbital is in the best interests of Sopheon and its shareholders as a whole. Accordingly, your Directors unanimously recommend that you vote in favour of the resolutions to be proposed at the Extraordinary General Meeting, as they intend to do in respect of their own beneficial holdings of 5,145,854 Sopheon Shares, representing approximately 12.2 per cent. of the issued share capital of Sopheon.

11. Action to be taken

You will find enclosed with this document a Form of Proxy to be used in connection with the Extraordinary General Meeting. The Form of Proxy should be completed and signed, whether or not you intend to be present at the Extraordinary General Meeting, in accordance with the instructions printed thereon and returned to the Registrars of Sopheon, Capita IRG Plc, Balfour House, 390-398 High Road, Ilford, Essex IG1 1NQ, as soon as possible but in any case so as to be received not later than 10.00 a.m. on 5 November 2001.

The completion and return of a Form of Proxy will not preclude you from attending the Extraordinary General Meeting and voting in person, if you so wish.

Your attention is drawn to the additional information set out in Appendix 1 which forms part of this document.

Yours faithfully

Barry Mence
Executive Chairman

APPENDIX 1

ADDITIONAL INFORMATION

1. Responsibility

The Sopheon Directors, whose names are set out at the top of the letter from the Executive Chairman of Sopheon on page 3 of this document, accept responsibility for the information contained in this document save that the only responsibility accepted by them in respect of the information relating to the Orbital Group and the Orbital Directors, which has been compiled from public sources, has been to ensure that such information has been correctly and fairly reproduced and presented. Save as aforesaid, 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 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 authorised share capital of Sopheon is £5,884,332.75, comprising 117,686,655 ordinary shares of 5 pence each. The issued share capital of Sopheon is 42,140,659 ordinary shares of 5 pence each.

Following the passing of the proposed resolutions the authorised share capital will be £6,250,000, comprising 125,000,000 ordinary shares of 5 pence each.

3. Documents available for inspection

The documents referred to in paragraph 13 of Appendix 5 of the accompanying Offer Document will be available for inspection at the offices of Hammond Suddards Edge at 7 Devonshire Square, Cutlers Gardens, London EC2M 4YH while the Offer remains open for acceptances.

APPENDIX 2

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

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>
Loss for the financial period	(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	<u>(12,549)</u>	<u>(3,328)</u>	<u>(737)</u>
Prior year adjustment	–	–	(373)
Total gains and losses recognised since annual report	<u>(12,549)</u>	<u>(3,328)</u>	<u>(1,110)</u>

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>
Fixed assets			
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>
Current assets			
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>
Creditors: falling due within one year	<u>6,869</u>	<u>7,809</u>	<u>3,810</u>
Net current assets	<u>4,225</u>	<u>4,726</u>	<u>22,792</u>
Total assets less current liabilities	<u>31,277</u>	<u>38,318</u>	<u>30,358</u>
Creditors: falling due after more than one year	<u>3,034</u>	<u>22</u>	<u>40</u>
	<u>28,243</u>	<u>38,296</u>	<u>30,318</u>
Capital and reserves			
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	<u>(33,376)</u>	<u>(20,827)</u>	<u>(12,309)</u>
Shareholders' funds (all equity interests)	<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>
Net cash outflow from operating activities	(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
Increase in cash excluding short term deposits	2,188	45
(Decrease)/increase in short term deposits	(2,058)	15,500
Increase in cash including short term deposits	130	15,545

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

DEFINITIONS

“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. Kb
“the Code”	The City Code on Takeovers and Mergers
“Closing Price”	the closing middle market price of an Orbital Share or Sopheon Share (as the case may be) as derived from the Daily Official List of the London Stock Exchange plc
“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
“Form of Acceptance”	the form of acceptance and authority relating to the Offer accompanying the Offer Document
“Form of Proxy”	the form of proxy enclosed with this document to be used in connection with the Extraordinary General Meeting
“HSBC Investment Bank”	HSBC Investment Bank plc
“London Stock Exchange”	London Stock Exchange plc
“New Sopheon Shares”	new ordinary shares of 5p each in the capital of Sopheon
“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 the Offer Document and the Form of Acceptance and, where the context so requires, any subsequent revision, variation, extension or renewal thereof
“Offer Document”	the offer document sent to the shareholders of Orbital on 22 October 2001 pursuant to which the Offer was made
“Orbital”	Orbital Software Holdings plc
“Orbital Directors”	the directors of Orbital as at the date of this document
“Orbital Group”	Orbital and its subsidiaries, Orbital Software Group Limited, Orbital Software Europe Limited and Orbital Software Inc.
“Orbital Shares”	the ordinary shares of 5p each in the capital of Orbital
“Orbital Share Schemes”	the Orbital Software Group Limited Employee Share Option Scheme as at 3 May 2000 and the Orbital Software Group Limited 2000 Stock Option/Stock Issuance Plan

“Sopheon”	Sopheon plc
“Sopheon Directors”	the directors of Sopheon as at the date of this document
“Sopheon Share 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 Group”	Sopheon and its subsidiaries and subsidiary and associated undertakings

NOTICE OF EXTRAORDINARY GENERAL MEETING

Sopheon plc

(Incorporated and registered in England and Wales No. 03217859)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the Company will be held at the offices of Hammond Suddards Edge, 7 Devonshire Square, Cutlers Gardens, London EC2M 4YH on 7 November 2001 at 10.00 a.m. at which the following resolutions will be proposed as ordinary resolutions:

ORDINARY RESOLUTIONS

1. that subject to the Offer becoming or being declared unconditional in all respects (save for in respect of paragraph 1(b) of Part A of Appendix 1 to the Offer Document) the authorised share capital of the Company be increased from £5,884,332.75 consisting of 117,686,655 ordinary shares of 5p each to £6,250,000 by the creation of 7,313,345 new ordinary shares of 5p each.
2. that subject to the Offer becoming or being declared unconditional in all respects (save for in respect of paragraph 1(b) of Part A of Appendix 1 to the Offer Document) that the directors of the Company be generally and unconditionally authorised (in substitution for any previous authority) pursuant to and in accordance with section 80(2) of the Companies Act 1985 to exercise all powers of the Company to allot relevant securities (within the meaning of that section) up to in any event a maximum aggregate nominal amount of £4,142,967.05 but so that such authority (unless previously reviewed, revoked or varied) is to expire on 31 July 2002 or at the conclusion of the annual general meeting of the Company to be held in 2002, (whichever is the earlier), but so that the Company may, before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors of the Company may allot relevant securities pursuant to any such offer or agreement as if such authority had not expired.
3. that subject to the Offer becoming or being declared unconditional in all respects :
 - (a) the maximum number of shares over which options may be granted under the Company's employee share option schemes shall be increased to 4,250,000 and that each of the relevant rules of the Sopheon Share Schemes and each of the relevant rules of the Orbital Share Schemes which have been adopted pursuant to resolution 4 below be amended accordingly (subject, where appropriate, to the approval of the Inland Revenue); and
 - (b) if the directors of the Company make proposals to certain Orbital option holders to release their option rights (the "old rights") under the Orbital Share Schemes in consideration for the grant of rights which are equivalent to the old rights but which relate to shares in the Company (the "new rights"), then the maximum number in resolution 3(a) above shall be increased by an amount equal to the number of Sopheon Shares over which the new rights are granted.
4. that subject to the Offer becoming or being declared unconditional in all respects:
 - (a) the Orbital Software Group Limited Employee Share Option Scheme, as approved by an ordinary resolution of Orbital on 29 June 1998 and as amended by special resolutions of Orbital on 20 April 2000 and 3 May 2000 (the "Orbital UK Scheme"), be and is hereby approved and adopted and the directors of the Company be and are hereby authorised to grant options over shares in Sopheon under the Orbital UK Scheme and to do all acts and things necessary to carry the Orbital UK Scheme into effect; and
 - (b) the Orbital Software Group Limited 2000 Stock Option/Stock Issuance Plan as approved by an ordinary resolution on 20 April 2000 and as amended by a special resolution on 3 May 2000 (the "Orbital US Scheme") be and is hereby approved and adopted and the directors of the Company

be and are hereby authorised to grant options over shares in Sopheon under the Orbital US Scheme and to do all acts and things necessary to bring the Orbital US Scheme into effect.

Registered Office:
Stirling House
Surrey Research Park
Guildford
Surrey
GU2 7RF

BY ORDER OF THE BOARD
Arif Karimjee
Secretary
22 October 2001

Notes:

1. A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll or a show of hands, vote instead of him. A proxy need not be a member of the Company.
2. To be valid a Form of Proxy together with any power of attorney or other authority under which it is signed, or notarially certified copy of such power or authority, must reach the Company's registrars, Capita IRG Plc, Balfour House, 390-398 High Road, Ilford, Essex, IG1 1NQ, by no later than 48 hours before the EGM. A Form of Proxy is enclosed with this notice.
3. In the case of a corporation, the Form of Proxy must be executed under its common seal or the hand of an officer or attorney duly authorised.
4. Completion and return of the Form of Proxy will not preclude members from attending in person if they so wish.
5. Pursuant to regulation 34 of the Uncertificated Securities Regulation 1995 for the purpose of determining who is entitled to attend and vote (whether on a show of hands or poll) at the meeting a member must be entered on the register of member of the Company not more than 48 hours before the time fixed for the meeting. Changes to the register of members after this time shall be disregarded in determining the rights of any person to attend and vote at the meeting.