9 December 2008

Micro Focus International plc
Interim results for the half-year to 31 October 2008

Micro Focus achieves record half-year revenue and profitability, driven by double digit organic growth and acquisitions

Micro Focus International plc ("Micro Focus", "the Company" or "the Group", LSE: MCRO.L) announces interim results for the half-year to 31 October 2008.

Key highlights

- Revenue up 24% to $135.6m (2007: $108.9m)
  - 11% organic revenue growth at constant currencies for the half-year
  - Licence fee organic revenue growth at constant currencies of 14%
  - Maintenance organic revenue growth at constant currencies of 11%
- Adjusted operating profit* up 39% to $56.7m (2007: $41.0m)
- Adjusted EBITDA* up 38% to $57.9m (2007: $41.8m)**, resulting in adjusted EBITDA margin of 42.7%
- Adjusted profit before tax* up 37% to $57.2m (2007: $41.7m)
- Adjusted earnings per share* 20.69 cents (2007: 14.58 cents)***
- Cash balance at 31 October 2008 of $40.7m (2007: $50.7m)
  - $61.8m cash utilised during H1 to fund the acquisition and restructuring of NetManage Inc. and Liant Software Corporation
- Cash generated from continuing operations $42.8m (2007: $28.5m)
- Interim dividend increased 25% to 4.5 cents per share (2007: 3.6 cents per share) reflecting the long-term earnings and cash flow potential of Micro Focus
- Integration of NetManage and Liant now complete, with margins in line with the existing business

Statutory results

- Operating profit $43.7m (2007: $31.9m)
- Profit before tax $44.1m (2007: $32.6m)
- Basic earnings per share 15.80 cents (2007: 11.40 cents) ***

* In assessing the performance of the business, the directors use non GAAP measures "Adjusted EBITDA", "Adjusted operating profit", "Adjusted profit before tax" and "Adjusted earnings per share", being the relevant statutory measures, prior to exceptional items, amortisation of purchased intangibles and share based compensation. Exceptional items, share based compensation and amortisation of purchased intangibles are detailed in note 9.

** EBITDA and Adjusted EBITDA is reconciled to operating profit in note 9

*** Earnings per share are detailed in note 7

press release

Stephen Kelly, Chief Executive Officer of Micro Focus, commented:

"In the first half of FY2009, solid organic growth combined with the beneficial impacts of two successful acquisitions, have driven continued strong growth for the Group.

In the current economic climate, senior executives across most industries are now firmly focused on a cost reduction agenda. Micro Focus' solutions allow companies across all segments to 'do more with less' through the effective modernisation of existing core IT applications, enabling companies to reduce cost. This also minimises risk and improves productivity.

While we continue to monitor the macroeconomic situation, we are encouraged by progress achieved to date and are currently well positioned for continued growth. We continue to benefit from having a business model with a high proportion of predictable and recurring revenue.

The trading outlook across the Group remains in-line with management expectations. Typically our second half-year revenue performance is above that achieved in the first half-year. However, after such a positive start to the year, and given the prevailing currency headwind, it is appropriate to assume that second half-year revenue from the core business will remain broadly similar to the first half-year. With the benefit of a full six month contribution from the two recent acquisitions, we would expect total revenues in the second half-year to marginally exceed those in the first half.

I am pleased with the strength of the balance sheet and our cash position remains strong with $42.8m generated from continuing operations during the first half of FY2009.

Over the longer term, our ambition is to achieve consistent double digit organic growth, at constant currencies, whilst maintaining an EBITDA margin of approximately 40%.

Whilst our key focus remains on organic growth we continue to review the potential for further complementary acquisitions in support of our strategy."

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About Micro Focus
Micro Focus, a member of the FTSE 250, provides innovative software that helps companies to dramatically improve the business value of their enterprise applications. Micro Focus Enterprise Application Modernisation software enables customers' business applications to respond rapidly to market changes and embrace modern architectures with reduced cost and risk.

Chairman's statement

In the past six months we have continued to grow the business. Significant organic revenue and margin growth has been achieved. In addition, the acquisition and rapid integration of both NetManage and Liant is pleasing. Both acquisitions have contributed positively to our first half-year performance.

Micro Focus' resilient business model has driven continued revenue growth. Combined with a firm control of expenses and a focus on improved sales productivity, this has resulted in a significant increase in profit. At the same time, continued impressive cash generation has helped maintain a strong balance sheet.

Despite the economic downturn, the strong fundamentals at Micro Focus mean that the company is well placed to perform positively on both sides of the economic cycle. These fundamentals are first rate technology solutions, a loyal and satisfied customer base, experienced and motivated employees and a highly relevant cost reduction proposition for today's market place.

In line with our strategy, we have now acquired and successfully integrated four companies in the past two years, two in the last six months. These acquisitions have provided further opportunities for profitable growth, to supplement our key focus on organic growth. Our recently announced agreement to acquire Relativity Technologies Inc. further supports this strategy.

As a result of continued strong revenue and profit growth in the first six months, I am pleased to announce a 25% increase in the interim dividend to 4.5 cents per share. We finished the half-year with cash of $40.7m, and generated $42.8m of cash from continuing operations. Our business model has a low ongoing capital requirement and delivers strong cash generation. During the first half-year, $61.8m of cash was used to fund the acquisitions and restructuring of NetManage and Liant. These acquisitions, together with the proposed acquisition of Relativity, which we expect to close before the end of December, underline our willingness and ability to pursue other acquisition opportunities that further our strategic aims. We have the financial strength and flexibility to pursue this growth option.

Micro Focus is a growing company and in the past six months, in line with plan, we have strengthened the team with a number of important management hires to further develop our strong blend of new and long serving talent in the business.

The Board would like to thank all our employees for their continued hard work and commitment throughout the half-year. Our foundations are well established and we are well placed for the future.

Kevin Loosemore, Chairman

Chief Executive Officer's statement

Strategy

By successfully executing against our strategic plan, Micro Focus has continued to achieve strong growth of both revenue and profits in the six months to 31 October 2008. We remain confident that all our solution areas, Application Development, Application Modernisation and Application Portfolio Management, can support solid growth over the long-term.

An increasing number of companies are selecting our IT modernisation approach in place of the high risk and costly alternatives of rewriting existing core applications or replacing them with a packaged solution with little business benefit.

Our key focus continues to be profitable organic growth, supplemented by complementary acquisitions that meet our strict criteria and support our strategic aims.

Execution

Strong growth in revenue and EBITDA has been supplemented by two further acquisitions, both of which have been rapidly brought up to margin levels consistent with the existing business.

Strong licence fee growth during the period is driving further growth in our maintenance fee revenue, which represents 48% of total revenue. In addition, we are making good progress in securing larger value licence fee transactions from Global 2000 ("G2000") companies. I am encouraged that we have again signed a number of such transactions in the first half-year, carrying on from previous success in this area.

While organic revenue growth is our key focus, we have made good progress on acquisitions over the last six months. On 17 June 2008 we acquired, NetManage for $73.3m (including a cash balance of $27.9m at the time of the completion of the acquisition). NetManage strengthens our SOA portfolio and provides technology that allows enterprises to web-enable their existing core applications. On 11 July 2008, we acquired Liant for $4.9m in cash. Liant further strengthens our application development solution. Both integrations have been rapid, drawing on our track record to acquire and bring acquisitions quickly into our own business models, with minimal disruption to our operations. Margins at these operations are in line with levels at the rest of the Group for the period since acquisition.

Corporate Developments

During the period, we have continued to benefit from our investment across the business. Our team has been further strengthened with a number of senior executives from international, high growth technology companies, and we are investing in our management development programmes across the company. We are benefiting from a wealth of experience from employees who have been with the company for much of its 32 year history, blended with new hires and their fresh perspective.

We have continued to invest in research and development activities to further improve our solution set and extend our market leadership position. Through both organic development and acquired technologies we have accelerated the delivery to market of new Micro Focus solutions in order to take advantage of the considerable market opportunity. In the last six months we have brought 18 new releases to market, compared to 11 in the same period in the prior year, including a simultaneous release on 57 platforms of our market leading application development solution. High quality has long been a valued strength of our products, and our transformation to an agile software methodology has spurred on additional significant gains, with a 61% reduction in the number of customer product issues for the latest application development solution release.

We have focused on proactive marketing and communication plans during the past six months. Building a positive Micro Focus brand is core to reaching senior decision makers and I am delighted that our thought leadership campaigns are positioning us as a leader in public debate around topics relevant to the modernisation agenda – for example 'IT skills and IT asset values'.

During the six month period, we entered into collaboration with Microsoft to deepen our working relationship. This collaboration is already producing results – in the last six months we have delivered eight new enterprise migrations together, and at Microsoft's recent Professional Developers Conference to launch the Microsoft 'cloud computing' Azure Services Platform, Micro Focus was the only Microsoft partner demonstrating a cloud solution for the enterprise. Our relevance to our other partners and software vendors is growing significantly.

Summary and Outlook

We are pleased with the continued progress made over the past six months, and we believe we are positioned to perform well despite the economic downturn.

Micro Focus benefits from having a business model with a high proportion of predictable and recurring revenue. In the period we saw revenue growth across all three major components of our business:

- High volume/lower value repeat business (typically average transaction size of $20k), which accounts for the majority of licence sales
- Larger value transactions (greater than $500k per licence transaction)
- OEM revenues

Maintenance growth is driven by the retention of existing customers as well as the addition of new maintenance revenue associated with the sale of new licences. The period has seen an encouraging performance in both of these areas. This robust maintenance revenue now provides 48% of our total revenue, up from 46% in the six months to 31 October 2007.

In the current economic environment, senior executives are firmly focused on cost reduction, productivity improvements and risk mitigation. We are well positioned to enable them to achieve these aims through IT application modernisation. The business logic of application modernisation, instead of costly package or rewrite IT strategies, is being increasingly recognised by our existing and prospective customers.

Motivation on the part of CIOs and company boards to get more out of their existing IT assets gives us confidence that we have the right proposition, particularly in current market conditions. In addition to meeting the cost reduction agenda, we can work with enterprises to equip them for the economic recovery. Micro Focus solutions are not only cost effective, but also provide significant productivity enhancements to help companies 'get more from existing IT assets'.

The integrations of NetManage and Liant are now complete. On 8 December we announced the agreement to acquire Relativity for $9.7m. The transaction is expected to close before the end of December and will further strengthen our Application Modernisation solution set. In addition, Relativity offers us strong partnership benefits through its close relationships with EDS, Software AG and IBM, as well as the major Indian outsourcing companies.

We have been encouraged by the Adjusted EBITDA margins achieved in the six months to 31 October 2008 (42.7%), higher than the full year to April 2008 (38.8%) and above the margin achieved in the first half-year last year (38.4%).

The trading outlook across the Group remains in-line with management expectations. Typically our second half-year revenue performance is above that achieved in the first half-year. However, after such a positive start to the year, and given the prevailing currency headwind, it is appropriate to assume that second half-year revenue from the core business will remain broadly similar to the first half-year. With the benefit of a full six month contribution from the two recent acquisitions, we would expect total revenues in the second half-year to marginally exceed those in the first half.

I am pleased with the strength of the balance sheet and our cash position remains strong with $42.8m generated from continuing operations during the first half of FY2009.

Over the longer term, our ambition is to achieve consistent double digit organic growth, at constant currencies, whilst maintaining an EBITDA margin of approximately 40%.

Stephen Kelly, Chief Executive

Chief Financial Officer's review

Revenue for the half-year ended 31 October 2008 increased by 24% to $135.6m, adjusted operating profit increased by 39% to $56.7m, adjusted profit before tax increased 37% to $57.2m and adjusted earnings per share increased by 42% to 20.69 cents per share.

In the report below we have provided detail of total revenue at actual exchange rates by both geography and revenue category. In addition, to facilitate comparison on a like-for-like basis we have excluded the impact of exchange rate movements and acquisitions. In making the like-for-like comparisons, the acquisitions of NetManage and Liant, which were completed in the current half-year have been excluded, whilst the impact of the acquisition of Acucorp, which contributed a full year contribution to the year ended 30 April 2008, is included. The results for the comparative periods are translated at the average exchange rate for the six months to 31 October 2008, in order to eliminate the effect of exchange rate fluctuations.

Revenue for the half-year by geographic region at actual reported $ is shown in the table below.

	31 October 2008 $m	%	30 April 2008 $m	%	31 October 2007 $m	%
North America	58.7	43.3	50.2	42.1	46.3	42.5
Europe and the Middle East	59.8	44.1	51.7	43.3	44.3	40.7
Rest of the World	17.1	12.6	17.4	14.6	18.3	16.8
Total revenue	135.6	100.0	119.3	100.0	108.9	100.0

North America and EMEA showed strong improvement over the prior period, whilst Rest of World showed a modest decrease. A large proportion of the NetManage and Liant revenue is derived from North America and this further contributed to the strong growth in this region. The Microsoft collaboration is already producing solid results with sale of development licences for the Windows platform up significantly over the prior period. Our modernisation solutions provide for compelling returns on investment.

Excluding the impact of exchange rate movements and the impact of acquisitions in the current half-year, revenues were as follows:

	31 October 2008 $m	30 April 2008 $m	31 October 2007 $m	Growth vs Oct 07 %
North America	50.7	50.1	46.3	10%
Europe and the Middle East	55.7	51.8	44.8	24%
Rest of the World	17.0	17.3	19.5	(13%)
Total revenue (pre acquisition and pre-currency)	123.4	119.2	110.6	11%
Acquisitions	12.2	-	-	
Currency	-	0.1	(1.7)	
Total revenue	135.6	119.3	108.9	24%

Our North America operations continued to perform well, achieving growth of 10% as compared to H1 last year. We continue to strengthen the sales operations in this region and the team delivered an increasing number of larger value transactions.

Our European operations also performed well. We have hired a new vice-president for the region, Jorge Dinares, and have committed to additional focus in a number of key markets such as Spain and Portugal where we see good revenue opportunities.

Our Rest of the World operations recorded a 13% fall in revenue compared to the same period last year when particularly strong results were achieved, and a 2% fall compared to the six months to 30 April 2008. We now have a firm focus to expand our business in other areas as we strengthen distributor relationships and hire direct staff into new territories. Japan comprises a significant element of Rest of World sales and it was encouraging to see revenues increase over the six months to 30 April 2008.

Revenue for the half-year by category at actual reported $ was as follows:

	31 October 2008 $m	%	30 April 2008 $m	%	31 October 2007 $m	%
Licence	64.2	47.3	60.2	50.5	53.1	48.7
Maintenance	65.4	48.2	53.9	45.2	50.3	46.2
Consultancy	6.0	4.5	5.2	4.3	5.5	5.1
Total revenue	135.6	100.0	119.3	100.0	108.9	100.0

All revenue categories recorded growth against the same period last year. Revenue for the half-year at constant currencies and excluding acquisitions was as follows:

	31 October 2008 $m	30 April 2008 $m	31 October 2007 $m	Growth vs Oct 07 %
Licence	61.4	60.3	53.8	14%
Maintenance	56.8	53.7	51.3	11%
Consulting	5.2	5.2	5.5	(6)%
Total revenue (pre acquisition and pre-currency)	123.4	119.2	110.6	11%
Acquisitions	12.2	-	-	
Currency	-	0.1	(1.7)	
Total revenue	135.6	119.3	108.9	24%

Licence revenue for the half-year recorded growth of 14% as compared to the six month period to 31 October 2007. We continue to make good progress signing larger value transactions. A number of large contracts remain in our pipeline although, by their very nature, they are unpredictable.

Maintenance revenues grew 11% driven by the growth in licence fees combined with strong renewals. Our renewal rate increased over the same period last year and when combined with strong licence fee sales, we have a high degree of confidence that maintenance revenues will continue to show growth.

Having delivered exceptionally strong growth in the year to 30 April 2008, consulting revenue reduced by 6% to $5.2m. Revenues were in line with those produced in the second half year. This line of business remains under 5% of total revenue and we expect it to remain so in the future.

Costs

All comments relate to costs at actual reported $.

Cost of sales for the half-year increased by 0.6% to $11.3m (2007: $11.2m). The costs in this category predominantly relate to our consulting and helpline support operations.

Selling and distribution costs increased by 25% to $37.2m (2007: $29.7m). We made significant investments in the sales and marketing functions during the year ended 30 April 2008 and the current half-year to support growth. Consistent with the prior half-year period, this cost category represents approximately 27% of sales and is expected to remain at a similar proportion going forwards.

Research and development expenses increased to $16.5m (2007: $14.3m), equivalent to approximately 12% of sales compared to 13% in the prior half-year. We have significantly expanded the development capability through our cost effective offshore development facility. We would expect these costs to remain at a similar percentage of sales in the future.

Administrative expenses, excluding exceptional items of $8.8m (2007: $6.1m), and stock compensation of $1.2m (2007: $0.9m), increased to $16.9m (2007: $14.7m). The increase in costs includes costs of the acquired businesses as well as expanding the Group's support functions to facilitate current and future growth. As the Group expands, our aim is to reduce the costs of this function as a percentage of revenue as we leverage efficiencies of scale. It was pleasing to see costs reduce to approximately 12.5% of revenue, compared to 13.5% in the previous half-year.

Currency impact

Approximately 50% of our revenue is contracted in US dollars and 50% in other currencies. In comparison, approximately 30% of our costs are US dollar denominated, with a significant proportion of the remainder being our sterling based head office costs, together with Euro denominated costs for our European sales operations.

This weighting of revenue and costs means that as the dollar has strengthened against sterling the reduction in reported US dollar revenue is materially offset by the reduction in our sterling cost base. As a result operating profit in US dollars is not materially different pre or post currency adjustments.

Operating profit

Operating profit was $43.7m (2007: $31.9m). Adjusted operating profit was $56.7m (2007: $41.0m), the improvement being driven by increased revenue and tightly controlled increases in costs.

Adjusted EBITDA

Adjusted EBITDA increased by 38% to $57.9m (2007: $41.8m) as a result of the factors described above.

Net finance income

Net finance income was $0.4m (2007: $0.8m). The reduction is principally due to the amortisation of £0.3m in respect of loan arrangement and facility fees in respect of the Group's undrawn $40m credit facility with HSBC Bank plc and Lloyds Bank plc, which expires in May 2009.

Taxation

Tax for the period was $12.4m (2007: $9.8m) based on increased profits. The Group's effective tax rate is 28.2% (2007: 30.0%).

Profit after tax

Profit after tax increased by 38.7% to $31.7m (2007: $22.8m), as a result of the improved operating performance of the Group.

Cash flow

At 31 October 2008, the Company's cash balance was $40.7m (2007 $50.7m). The Group generated cash from continuing operations of $42.8m (2007: $28.5m) which was offset by outflows of $61.8m in respect of the acquisition and restructuring of NetManage and Liant as well as corporation tax payments of $13.2m (2007: $5.9m) and dividends paid of $17.6m (2007:$14.0m).

Dividend

The Board continues to adopt a progressive dividend policy reflecting the long-term earnings and cash flow potential of Micro Focus whilst targeting a level of dividend cover for the financial year ending 30 April 2009 of approximately 2.5 times on a pre-exceptional earnings basis. In line with the above policy, the directors recommend payment of an interim dividend in respect of the half-year to 31 October 2008 of 4.5 cents per share, an increase of 25% above the interim dividend of 3.6 cents per share for the half-year to 31 October 2007. The interim dividend will be paid on 30 January 2009 to shareholders on the register on 5 January 2009.

The directors of Micro Focus International plc have concluded that the Company has sufficient reserves to enable the payment of the interim dividend.

Dividends will be paid in sterling based on an exchange rate of £ = $1.50, equivalent to 3.0 pence per share, being the rate applicable on 8 December 2008, the date of recommendation of the dividend by the Board.

Principal risks

The directors consider strategic, operational and financial risks and identify action to mitigate those risks. These risk profiles are updated formally at least annually.

The Annual Report and Accounts 2008 set out the principal risks that could affect the Group on its short and longer term financial performance and these have not changed since that date.

These include employee related risks, the timing of concluding contracts, acquisitions (additional acquisitions and integrating recent ones), research and development activities and foreign exchange and treasury risks.

Nick Bray, Chief Financial Officer

Micro Focus International plc
Consolidated income statement

	Note	Six months ended 31 October 2008 (unaudited) $'000	Six months ended 31 October 2007 (unaudited) $'000	Year ended 30 April 2008 (audited) $'000
Revenue	5	**135,551**	108,892	228,196
Cost of sales		**(11,310)**	(11,240)	(22,582)
Gross profit		**124,241**	97,652	205,614
Selling and distribution costs		**(37,175)**	(29,676)	(63,233)
Research and development expense		**(16,530)**	(14,262)	(29,484)
Administrative expenses		**(26,844)**	(21,829)	(38,105)
Operating profit	5	**43,692**	31,885	74,792
Analysed as:				
Operating profit before exceptional items		**52,457**	38,033	81,294
Exceptional items	9	**(8,765)**	(6,148)	(6,502)
Operating profit		**43,692**	31,885	74,792
Finance costs		**(326)**	(9)	(12)
Finance income		**748**	768	2,043
Profit before tax		**44,114**	32,644	76,823
Taxation	10	**(12,440)**	(9,816)	(21,404)
Profit after tax		**31,674**	22,828	55,419
Earnings per share expressed in cents per share	7			
- basic		**15.80**	11.40	27.67
- diluted		**15.36**	11.01	26.97
Earnings per share expressed in pence per share				
- basic		**8.38**	5.67	13.79
- diluted		**8.15**	5.47	13.44

The accompanying notes are an integral part of this condensed consolidated interim financial information

Micro Focus International plc
Consolidated balance sheet

	Note	31 October 2008 (unaudited) $'000	31 October 2007 (unaudited) $'000	30 April 2008 (audited) $'000
Assets				
Non-current assets				
Goodwill		**113,368**	70,830	65,784
Other intangible assets		**64,186**	36,310	35,282
Property, plant and equipment	**11**	**5,105**	4,169	4,359
Deferred tax assets		**19,516**	10,281	15,577
		202,175	121,590	121,002
Current assets				
Inventories		**138**	247	192
Trade and other receivables	**12**	**62,091**	57,957	59,205
Cash and cash equivalents		**40,735**	50,709	92,405
		102,964	108,913	151,802
Total assets		**305,139**	230,503	272,804
Liabilities				
Current liabilities				
Trade and other payables	**13**	**107,842**	86,432	103,859
Current tax liabilities		**19,835**	20,581	19,245
		127,677	107,013	123,104
Non-current liabilities				
Non-current deferred income		**7,066**	6,600	6,518
Deferred tax liabilities		**29,860**	14,916	16,660
		36,926	21,516	23,178
Net assets		**140,536**	101,974	126,522
Shareholders' equity				
Capital and reserves attributable to the Company's equity holders				
Share capital		**36,896**	36,819	36,837
Share premium		**104,279**	104,125	103,904
Profit and loss reserve (deficit)		**27,637**	(13,707)	12,679
Foreign currency translation reserve (deficit)		**(1,191)**	1,822	187
Other reserves (deficit)		**(27,085)**	(27,085)	(27,085)
Total shareholders' equity		**140,536**	101,974	126,522

The accompanying notes are an integral part of this condensed consolidated interim financial information

Micro Focus International plc
Consolidated cash flow statement

	Note	Six months ended 31 October 2008 (unaudited) $'000	Six months ended 31 October 2007 (unaudited) $'000	Year ended 30 April 2008 (audited) $'000
Cash flows from operating activities				
Net profit for the period		**31,674**	22,828	55,419
Adjustments for				
Net interest		**(422)**	(759)	(2,031)
Taxation		**12,440**	9,816	21,404
Depreciation		**937**	758	1,603
Loss on disposal of property, plant and equipment		**11**	2	9
Amortisation of intangibles		**6,042**	4,807	9,590
Share-based compensation		**1,168**	946	1,337
Exchange movements		**4,680**	(1,306)	(5,213)
Changes in working capital:				
Inventories		**54**	63	118
Trade and other receivables		**4,570**	(9,418)	(9,469)
Payables and other non-current liabilities		**(18,371)**	788	18,208
Cash generated from continuing operations		**42,783**	28,525	90,975
Interest received		**382**	775	2,051
Interest paid		**(42)**	(9)	(12)
Tax paid		**(13,172)**	(5,903)	(18,193)
Net cash from operating activities		**29,951**	23,388	74,821
Cash flows from investing activities				
Payments for intangible assets		**(4,510)**	(2,549)	(6,272)
Purchase of property, plant and equipment		**(438)**	(2,016)	(3,183)
Acquisition of subsidiaries	**15**	**(81,258)**	(41,647)	(41,576)
Net cash acquired with subsidiaries	**15**	**28,176**	678	678
Net cash used in investing activities		**(58,030)**	(45,534)	(50,353)
Cash flows from financing activities				
Proceeds from issue of ordinary share capital		**59**	52	71
Repayment of borrowings		**-**	(117)	(113)
Dividends paid to shareholders	**8**	**(17,592)**	(14,016)	(21,229)
Net cash used in financing activities		**(17,533)**	(14,081)	(21,271)
Effects of exchange rate changes		**(6,058)**	1,965	4,237
Net (decrease) increase in cash and casl equivalents		**(51,670)**	(34,262)	7,434
Cash and cash equivalents at beginning of period		**92,405**	84,971	84,971
Cash and cash equivalents at end of period		**40,735**	50,709	92,405

The accompanying notes are an integral part of this condensed consolidated interim financial information

Micro Focus International plc
Consolidated statement of changes in shareholders' equity (unaudited)

	Share capital	Share premium	Foreign currency translation reserve	Other reserves (deficit)	Profit and loss reserve (deficit)	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 May 2007	**36,767**	**104,054**	**1,163**	**(27,085)**	(23,394)	**91,505**
Currency translation differences	-	-	659	-	-	659
Profit for the period	-	-	-	-	22,828	22,828
Dividends	-	-	-	-	(14,016)	(14,016)
Issue of share capital	52	-	-	-	-	52
Movement in relation to share options	-	71	-	-	875	946
Balance as at 31 October 2007	**36,819**	**104,125**	**1,822**	**(27,085)**	**(13,707)**	**101,974**
Currency translation differences	-	-	(1,635)	-	-	(1,635)
Profit for the period	-	-	-	-	32,591	32,591
Dividends	-	-	-	-	(7,213)	(7,213)
Issue of share capital	18	-	-	-	-	18
Movement in relation to share options	-	(221)	-	-	612	391
Deferred tax on share options	-	-	-	-	396	396
Balance as at 30 April 2008	**36,837**	**103,904**	**187**	**(27,085)**	**12,679**	**126,522**
Currency translation differences	-	-	(1,378)	-	-	(1,378)
Profit for the period	-	-	-	-	31,674	31,674
Dividends	-	-	-	-	(17,592)	(17,592)
Issue of share capital	59	-	-	-	-	59
Movement in relation to share options	-	375	-	-	793	1,168
Deferred tax on share options	-	-	-	-	83	83
Balance as at 31 October 2008	**36,896**	**104,279**	**(1,191)**	**(27,085)**	**27,637**	**140,536**

.

The accompanying notes are an integral part of this condensed consolidated interim financial information

Micro Focus International plc
Notes to condensed consolidated half-yearly financial information

1. General

Micro Focus International plc is a limited liability company incorporated, domiciled and registered in the United Kingdom. The registered office address is The Lawn, 22-30 Old Bath Road, Newbury, Berkshire RG14 1QN.

The Company has its listing on the London Stock Exchange.

This condensed consolidated half-yearly financial information was approved for issue on 5 December 2008.

These interim financial results do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 30 April 2008 were approved by the board of directors on 31 July 2008 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

2. Basis of preparation

This condensed consolidated half-yearly financial information for the half-year ended 31 October 2008 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, "Interim Financial Reporting" as adopted by the European Union. The half-yearly condensed consolidated financial report should be read in conjunction with the annual financial statements for the year ended 30 April 2008, which have been prepared in accordance with IFRSs as adopted by the European Union.

3. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 April 2008, as described in those financial statements.

Adoption of new and revised International Financial Reporting Standards

At the date of approval of this half-yearly information, the following standards, interpretations and amendments were issued but not yet mandatory for the Group and early adoption has not been applied:

International Financial Reporting Standards ("IFRSs")

- IFRS 8, "Operating Segments" – 1 January 2009
- IFRS 3 (revised), "Business Combinations – 1 July 2009

International Financial Reporting Interpretations Committee (IFRIC")

- IFRIC 12, "Service Concession Arrangements" – 1 January 2008
- IFRIC 13, "Customer Loyalty Programmes" – 1 July 2008
- IFRIC 14, IAS19 - "The limit of a defined benefit asset, minimum funding requirements and their interaction" – 1 January 2009
- IFRIC 15, "Agreements for construction of real estates" – 1 January 2009

Amendments to existing standards

- Amendment to IAS 1, "Presentation of Financial Statements: A Revised Presentation" – 1 January 2009
- Amendment to IAS 23, "Borrowing Costs" – 1 January 2009

3. Accounting policies continued

- Amendment to IAS 27, “Consolidated and Separate Financial Statements” – 1 January 2009
- Amendment to IAS 32, “Financial Instruments: Presentation” and IAS 1 “Presentation of Financial Statements: Puttable Financial Instruments and Obligations Arising on Liquidation” – 1 January 2009
- Amendment to IFRS 2, “Share-based Payment: Vesting Conditions and Cancellations” – 1 January 2009
- Amendment to IAS 39, “Financial instruments: Recognition and Measurement” – 1 July 2008
- Amendment to IAS 39, “Financial instruments: Recognition and Measurement on eligible hedged items” – 1 July 2009

All the IFRSs, IFRIC interpretations and amendments to existing standards are yet to be endorsed by the EU at the date of approval of this condensed financial information with the exception of IFRS 8. The implementation date for the above will be the annual period beginning on or after the date shown.

The directors anticipate that the future adoption of these standards, interpretations and amendments listed above will not have a material impact on the consolidated financial statements.

4. Functional currency

Items included in the financial statements of each of the group’s entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated financial statements are presented in US Dollars, which is the Company’s functional currency.

5. Segment information

Geographical segments for the six months ended 31 October 2008:

	North America	**Europe and the Middle East**	**Rest of the world**	**Total**
	$’000	**$’000**	**$’000**	**$’000**
Total segment revenue	**58,668**	**59,756**	**17,127**	**135,551**
Segment operating result before exceptional items	11,830	40,202	425	52,457
Exceptional items	(5,165)	(3,600)	-	(8,765)
Segment operating profit	**6,665**	**36,602**	**425**	**43,692**

Geographical segments for the six months ended 31 October 2007:

	North America	Europe and the Middle East*	Rest of the world*	Total
	$’000	$’000	$’000	$’000
Total segment revenue	46,292	44,273	18,327	108,892
Segment operating result before exceptional items	5,734	31,871	428	38,033
Exceptional items	(3,114)	(3,034)	-	(6,148)
Segment operating profit	2,620	28,837	428	31,885

5. Segment information continued

There is no material difference between revenue by origin and revenue by destination. All revenue is derived from external customers.

* Certain costs have been reclassified between segments in the six months to 31 October 2007; the segmental operating result for the Rest of the World has been reduced by $782,000 and Europe and the Middle East increased by the same amount.

The results for the six months to 31 October 2008 include those of NetManage, Inc. which was acquired on 18 June 2008 and Liant Software Corporation acquired on 11 July 2008 - please refer to note 15.

6. Supplementary information

Set out below is an analysis of revenue recognised between the principal product categories.

	Six months ended 31 October 2008 (unaudited)	Six months ended 31 October 2007 (unaudited)
	$'000	$'000
Licence	**64,226**	53,035
Maintenance	**65,323**	50,319
Consulting	**6,002**	5,538
Total	**135,551**	108,892

7. Earnings per share

The calculation of basic earnings per share has been based on the earnings attributable to ordinary shareholders of the Company and the weighted average number of shares for each period. The weighted average number of shares used in the calculation was 200,526,000 (31 October 2007: 200,164,000; 30 April 2008: 200,268,000).

The diluted earnings per share has been calculated after taking account of the share options. The weighted average number of shares used in the calculation was 206,205,000 (31 October 2007: 207,312,000; 30 April 2008: 205,484,000).

Basic earnings per share, excluding exceptional items, share based compensation and amortisation of purchased intangibles ("adjusted earnings per share") was 20.69 cents (H1 2007: 14.58 cents, FY2008: 32.08 cents). Adjusted earnings per share is calculated after adjusting for the post-tax effect of exceptional items, share based compensation and amortisation of purchased intangibles of $9,821,000 (H1 2007: $6,347,000; FY2008: $8,831,000).

8. Dividends

A dividend of $17.6 million was paid during the period to 31 October 2008 of 9.4 cents per share (2007: $14.0 million or 7 cents per share).

In addition, the directors propose an interim dividend of 4.5 cents per share (2007: 3.6 cents per share) payable on 30 January 2009 to shareholders who are on the register at 5 January 2009. This interim dividend, amounting to $9.0 million (2007: $7.2 million) has not been recognised as a liability in this half-yearly report.

9. Reconciliation of operating profit to EBITDA

	Six months ended 31 October 2008 (unaudited)	Six months ended 31 October 2007 (unaudited)	Year ended 30 April 2008 (audited)
	$'000	$'000	$'000
Operating profit	**43,692**	31,885	74,792
Exceptional items – reorganisation costs	**8,765**	6,148	6,502
Share-based compensation charge	**1,168**	946	1,337
Amortisation of purchased intangibles	**3,103**	1,973	3,946
Adjusted operating profit	**56,728**	40,952	86,577
Depreciation	**937**	758	1,603
Amortisation of software	**193**	77	337
Adjusted EBITDA	**57,858**	41,787	88,517
EBITDA	**47,925**	34,693	80,678
Exceptional items – reorganisation costs	**8,765**	6,148	6,502
Share-based compensation charge	**1,168**	946	1,337
Adjusted EBITDA	**57,858**	41,787	88,517

The directors use EBITDA and EBITDA before exceptional items as key performance measures of the business.

10. Taxation

Tax for the half-year ended 31 October 2008 was $12.4 million (2007: $9.8 million). The Group's effective tax rate is 28.2% (2007: 30.0%).

In accordance with IAS 34 the tax expense recognised in the income statement for the half-year is calculated on the basis of the estimated effective full-year tax rate.

11. Property, plant and equipment

An analysis of the movements in the period has not been given due to the immaterial size of the transactions in the half year to 31 October 2008.

There are no significant commitments to purchase property, plant and equipment at 31 October 2008.

12. Trade and other receivables

	31 October 2008 (unaudited)	31 October 2007 (unaudited)	30 April 2008 (audited)
	$'000	$'000	$'000
Trade receivables	**55,181**	45,105	51,459
Other receivables	**582**	6,617	-
Prepayments	**4,875**	4,727	3,659
Accrued income	**1,453**	1,508	4,087
Total	**62,091**	57,957	59,205

13. Trade and other payables - current

	31 October 2008 (unaudited)	31 October 2007 (unaudited)	30 April 2008 (audited)
	$'000	$'000	$'000
Trade payables	**5,558**	5,562	4,964
Other tax and social security payable	**4,280**	4,214	4,477
Accruals	**30,701**	21,347	26,053
Deferred income	**67,303**	55,309	68,365
Total	**107,842**	86,432	103,859

14. Related party transactions

As described in the 2008 Annual Report, two non-executive directors of the Company were also directors in Golden Gate Capital who held 35% of the Company's issued share capital at that date. Since that date, the share holding has been reduced to 22.45% and Golden Gate Capital now has one non-executive director on the board. There were no related party transactions with this company or with any other company during the half-year ended 31 October 2008.

The group has taken advantage of the exemption available under IAS 24, "Related Party Disclosures", not to disclose details of transactions with its subsidiary undertakings.

Key management compensation:

	Six months ended 31 October 2008 (unaudited)	Six months ended 31 October 2007 (unaudited)
	$'000	$'000
Salaries and short-term employee benefits	**2,441**	2,485
Post-employment benefits	**57**	58
Share-based payments	**432**	382
Total	**2,930**	2,925

15. Business combinations

NetManage Inc. - On 17 June 2008, the Group acquired 100% of the share capital of the company for $73.4 million, paid in full on completion.

A fair value review was carried out on the assets and liabilities of the business, resulting in the identification of intangible assets. The fair values are based on a provisional assessment pending final determination of some assets and liabilities.

The acquired business contributed revenue of $10.9 million to the Group for the period from date of acquisition to 31 October 2008. The company's operations have been restructured and mostly integrated into existing Micro Focus businesses and therefore it is not practicable to ascertain the result of these businesses for the period from 17 June 2008 to 31 October 2008. If the company had been acquired from the start of the period, it would have contributed revenue of $14.2 million to the Group's results.

15. Business combinations continued

Details of the net assets acquired and goodwill are as follows:

	Carrying value at acquisition $'000	Provisional fair value $'000
Intangible assets	**4,168**	**27,000**
Property, plant and equipment	**1,081**	**1,081**
Trade and other receivables	**5,821**	**5,821**
Cash and cash equivalents	**27,930**	**27,930**
Taxation	**(281)**	**(281)**
Trade and other payables	**(5,941)**	**(7,160)**
Deferred income	**(11,541)**	**(11,541)**
Deferred tax liability	**-**	**(6,516)**
Net assets	**21,237**	**36,334**
Goodwill		**39,906**
Consideration		**76,240**
Consideration satisfied by:		
Cash		**76,240**

Outflow of cash to acquire business, net of cash acquired:

Cash consideration	**73,406**
Acquisition costs	**2,834**
Cash acquired	**(27,930)**
Total	**48,310**

The intangible assets acquired as part of the acquisition can be analysed as follows:

Software	**10,000**
Customer relationships	**17,000**
Total	**27,000**

Goodwill includes non-identifiable intangible assets which do not meet the separable and reliably measurable criteria including business processes, know-how and work force related industry specific knowledge and technical skills.

Liant Software Corporation - On 11 July 2008, the Group acquired 100% of the share capital of the company for $4.9 million, paid in full on completion.

A fair value review was carried out on the assets and liabilities of the business, resulting in the identification of intangible assets. The fair values are based on a provisional assessment pending final determination of some assets and liabilities.

The acquired business contributed revenue of $1.3 million to the Group for the period from date of acquisition to 31 October 2008. The company's operations have been restructured and mostly integrated into existing Micro Focus businesses and therefore it is not practicable to ascertain the result of these businesses for the period from 11 July 2008 to 31 October 2008. If the company had been acquired from the start of the period, it would have contributed revenue of $2.6 million to the Group's results.

15. Business combinations continued

Details of the net assets acquired and goodwill are as follows:

	Carrying value at acquisition	Provisional fair value
	$'000	$'000
Intangible assets	-	3,435
Property, plant and equipment	176	176
Trade and other receivables	1,269	1,269
Cash and cash equivalents	246	246
Taxation	(65)	(65)
Trade and other payables	(1,827)	(3,917)
Deferred tax liability	-	(1,374)
Net liabilities	(201)	(230)
Goodwill		5,248
Consideration		5,018
Consideration satisfied by:		
Cash		5,018

Outflow of cash to acquire business, net of cash acquired:

Cash consideration	4,910
Acquisition costs	108
Cash acquired	(246)
Total	4,772

The intangible assets acquired as part of the acquisition can be analysed as follows:

Software	1,535
Customer relationships	1,900
Total	3,435

Goodwill includes non-identifiable intangible assets which do not meet the separable and reliably measurable criteria including business processes, know-how and work force related industry specific knowledge and technical skills.

Other – During the six months to 31 October 2008 adjustments were made in respect of goodwill on prior year acquisitions of $2.4 million, due to changes in the tax rates at which the deferred tax liabilities in respect of the intangible assets recognised will unwind.

16. Events after the balance sheet date

On 8 December 2008, the Company announced that it had reached agreement to acquire Relativity Technologies Inc., a leader in Enterprise Application Modernisation solutions for approximately $9.7 million in cash. The offer is subject to customary closing conditions and approval by Relativity Technologies, Inc. shareholders and is expected to close before the end of December 2008.

Statement of directors' responsibilities

The directors confirm that this set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The directors of Micro Focus International plc are as listed in the Micro Focus International plc Annual Report for 30 April 2008 with the exception of Prescott Ashe who resigned on 12 September 2008. A list of current directors is maintained on the Company's website: www.microfocus.com

By order of the board

Stephen Kelly	Nick Bray
Chief Executive Officer	Chief Financial Officer
8 December 2008	8 December 2008

Independent review report to Micro Focus International plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 October 2008, which comprises the income statement, balance sheet, statement of changes in equity, cash flow statement and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other reason. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 October 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
Reading
8 December 2008

Notes:

(a) The maintenance and integrity of the Micro Focus International plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the web site.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.