9 December 2009

Micro Focus International plc reports
Interim results for the half-year to 31 October 2009

Record half-year revenue and profitability, driven by
organic growth and rapid integration of recent acquisitions

Micro Focus International plc ("Micro Focus", "the Company" or "the Group", LSE: MCRO.L), announces unaudited interim results for the half-year to 31 October 2009.

Key highlights

- Total Group revenue up 46% to $198.4m (2008: $135.6m)
  - 5% comparable organic revenue growth at constant currencies
  - Borland and the Testing/ASQ division acquired from Compuware added revenue of $55.3m
- Adjusted EBITDA* up 35% to $78.0m (2008: $57.9m)**, resulting in adjusted EBITDA margin of 39%
- Adjusted profit before tax* up 26% to $72.1m (2008: $57.2m)
- Adjusted earnings per share* up 19% to 24.58 cents (2008: 20.69 cents)***
- Net debt at 31 October 2009 reduced to $104.1m (2008: $40.7m net cash balance)
- Interim dividend increases 24% to 5.6 cents per share (2008: 4.5 cents per share) reflecting the long-term earnings and cash flow potential of Micro Focus
- Integration of Borland and Compuware now close to completion and within original budget
  - First half adjusted EBITDA* contribution of $19.0m, resulting in adjusted EBITDA margin of 35%

Statutory results

- Operating profit $42.1m (2008: $43.7m)
- Profit before tax $38.8m (2008: $44.1m)
- Basic earnings per share 14.06 cents (2008: 15.80 cents) ***

press release

* 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 are reconciled to operating profit in note 9

*** Earnings per share are detailed in note 7

Kevin Loosemore, Chairman of Micro Focus, commented:

"In the first half of FY2010, the Group achieved strong growth thanks to solid organic growth combined with the beneficial impacts of the two recent acquisitions, Borland and the Testing/ASQ division acquired from Compuware ("Compuware"). Organic growth benefitted from robust maintenance revenue growth and an 8% increase in revenues from larger value transactions; which have a strong pipeline for the second half. The integrations are nearing completion and we continue to be encouraged by the strong margin progression across the Group. As stated in the 11 November pre-close statement, the twelve month run rate revenue contribution for the two acquisitions is expected to be $160m, approximately $10m ahead of initial guidance. The Group also reiterates its increase to guidance for combined EBITDA margin expectations for these acquired businesses, anticipating 30% for the first full year of ownership compared to previous guidance of 15%. This is as a result of improved revenue expectations and larger than anticipated cost synergies.

I am pleased with our strong cash generation in the period and we are making good progress in repaying existing debt. Micro Focus expects to return to a net cash position ahead of our initial expectations.

As stated in the recent pre-close statement on 11 November 2009, the trading outlook across the Group remains in-line with management expectations and we enter the second half confident in the Group's ability to deliver superior shareholder returns. As a logical extension to the integration of recent acquisitions, the Group has conducted additional cost management measures in the core business that we expect to have a positive impact on profitability in the second half and ensure that the business is optimally positioned to capitalise on the opportunities we have identified. The Group expects to report an EBITDA margin in the second half of approximately 40%.

I am pleased to report that the interim dividend will be increased by 24% to 5.6 cents per share reflecting the long-term earnings and cash flow potential of the Group.

The search for a new Chief Executive Officer is progressing as planned."

Enquiries

Micro Focus Tel: +44 (0)1635 32646

Nick Bray, Chief Financial Officer
Tim Brill, IR Director

Financial Dynamics Tel: +44 (0)20 7831 3113
Charles Palmer
Haya Herbert-Burns
Nicola Biles

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 Modernization, Testing and Management software enables customers' business applications to respond rapidly to market changes and embrace modern architectures with reduced cost and risk.

INTERIM MANAGEMENT REPORT

1 Overview and Corporate Developments

In the past six months, Micro Focus has pursued its growth strategy and increased both revenue and profit at the total and organic levels. We completed the Borland and Compuware acquisitions and the integrations are close to completion.

The business model and strong fundamentals of Micro Focus mean that the Company expects to perform robustly throughout the economic cycle. Maintenance revenue, which accounted for 51% of total revenue (2008: 48%) provides a strong recurring revenue stream for the Group, and benefits from high renewal rates.

On 29 May 2009 we acquired the Testing/ASQ businesses of Compuware Corporation for $62.5m, excluding costs and on 27 July 2009 we acquired Borland Software Corporation for $111.7m, again excluding costs. In line with our strategy, we have now acquired and integrated seven companies in the past four years and the Group's recent integration experience has enabled the Borland and Compuware integrations to be executed on an accelerated timeframe. These acquisitions have provided further opportunities for profitable growth and also broaden our total addressable market opportunity. Our immediate operational priority is to further focus our people, technology and investments around key solution areas and align our operating models with the most attractive and profitable customer demand in all our addressable markets.

We continue to experience strong demand as customers select our IT modernization 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. This trend has led to application modernization and migration contracts becoming the fastest growing Micro Focus revenue sector. The enhanced Micro Focus proposition adds a Testing/ASQ solution and this is attracting significant customer and partner interest.

2. Product Strategy

Micro Focus provides leading application management and modernization solutions and benefits from a heritage of more than 30 years of technology innovation and experience. During the first half year, the Group developed enhanced customer propositions in its core technologies and completed the integrations of solution sets from the acquisitions in FY2009 of NetManage, Liant and Relativity Technologies.

In the last six months we delivered significant releases across our solutions including a new version of our flagship Migration product Studio/Server Enterprise Edition V6.0. Other releases were Modernization Workbench, Database Connectors, Application Analyzer, Business Rule Manager, Application Architect, and Enterprise View with enhanced support for Micro Focus COBOL, PL/I, Natural, Java, C++, IDMS, IMS, DB2, and SQL Server.

The Borland and Compuware acquisitions present new, complementary technologies in the Testing and ASQ markets. The Group has announced a clear integrated Testing product roadmap which, as planned, is leading to enhanced versions of all Testing and ASQ products, along with publication of the customer migration plans for Testing and Requirements management solutions. Customer feedback has been positive and the combined Testing 'go to market' teams are motivated to drive customer and revenue growth. Scheduled maintenance releases of all current major product lines are on plan and the integration of development teams, systems and technologies from the Borland, Compuware and Relativity acquisitions were also completed. The Group is now able to start offering a combined solution portfolio to customers, with a clear roadmap for future product development across the complete software development lifecycle.

The Micro Focus addressable market now totals approximately $6.4bn; up from $2.4bn this time last year and $620m in 2006. In addition to an enlarged application management and modernization product portfolio, the Group has started to invest in cloud computing solutions, attracting significant interest from customers and partners as they recognise the 'platform neutral' benefits of Micro Focus enabled solutions in this area.

3. Financial review

Revenue for the half-year ended 31 October 2009 increased by 46% to $198.4m, adjusted operating profit increased by 33% to $75.5m, adjusted profit before tax increased 26% to $72.1m and adjusted earnings per share increased by 19% to 24.58 cents per share.

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

	31 October 2009 $m	%	31 October 2008 $m	%
North America	93.7	47	58.7	43
Europe and the Middle East	70.4	36	59.8	44
Rest of the World	34.3	17	17.1	13
Total revenue	198.4	100	135.6	100

In the analysis below we have provided details of total revenue at actual exchange rates by both geography and revenue category. In addition, to facilitate comparison on a comparable basis we have excluded the impact of exchange rate movements and acquisitions. In making the comparisons, the acquisitions of Relativity, Borland and Compuware, which were completed in the last twelve months have been excluded, and the impact of the acquisitions of NetManage and Liant, which contributed a partial contribution to the year ended 30 April 2009, have been included. The results for the comparative periods are translated at the average exchange rate for the six months to 31 October 2009 in order to eliminate the effect of exchange rate fluctuations.

Excluding the impact of exchange rate movements, the comparable revenues were as follows:

	31 October 2009 $m	31 October 2008 $m	Growth v October 2008 %
North America	63.2	58.7	8
Europe and the Middle East	51.2	54.0	(5)
Rest of the World	22.7	18.3	24
Core Micro Focus	137.1	131.0	5
Acquisitions before 30 April 2009	6.0		
Acquisitions after 1 May 2009	55.3		
Currency	-	4.6	
Total revenue	198.4	135.6	46

Larger value transactions total revenue grew 8% at Group level and the pipeline for larger value transactions is strong across all three regions for the second half of 2010. The revenue mix of large transactions in the first half contributed to solid growth in North America and Rest of the World and a modest decline in EMEA.

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

	31 October 2009 $m	%	31 October 2008 $m	%
Licence	84.5	43	64.2	47
Maintenance	100.9	51	65.4	48
Consultancy	13.0	6	6.0	5
Total revenue	198.4	100	135.6	100

Revenue for the half-year at constant currencies and excluding acquisitions was as follows:

	31 October 2009 $m	31 October 2008 $m	Growth v October 2008 %
Licence	62.0	61.8	-
Maintenance	68.4	63.5	8
Consultancy	6.7	5.7	18
Core Micro Focus	137.1	131.0	5
Acquisitions before 30 April 2009	6.0		
Acquisitions after 1 May 2009	55.3		
Currency	-	4.6	
Total revenue	198.4	135.6	46

The licence fee revenue in the core business showed a very marginal increase on H109. As anticipated, we experienced a small decline in revenue from our channel partners offset by improved revenue from our own sales force. Maintenance revenue continues to grow as a result of a good maintenance renewal rate and growing licence fee revenue. Consulting is a growing part of our business as we continue to sell more complex migration solutions.

Borland and Compuware

Revenue from these recent acquisitions started strongly with revenue of $55.3m from five months of Compuware trading and three months from Borland trading. Aggressive cost management actions were taken very early in the integration process which enabled better than expected EBITDA margins of 35% to be achieved by 31 October 2009. It should be noted that these results contain one large revenue transaction which cannot be guaranteed to be repeated in future periods. As a result, management considers that a true reflection of the underlying EBITDA margin for results reported in the first-half year to be approximately 30%.

Costs

All comments relate to costs at actual reported $.

Cost of sales for the half-year increased by 125% to $25.5m (2008: $11.3m). The costs in this category predominantly relate to our consulting and helpline support operations. The majority of the cost growth came from the costs related to Borland and Compuware revenue.

Selling and distribution costs increased by 49% to $55.5m (2008: $37.2m). As planned, we made significant investments in the sales and marketing functions in the second half of the last financial year. The other significant cost growth relates to the sales and distribution costs of the recent acquired businesses. In line with the prior half-year period, this cost category represents approximately 28% (2008: 27%) of revenue and is expected to remain at a similar proportion going forward.

Research and development expenses increased to $27.5m (2008: $16.5m), equivalent to approximately 14% of revenue compared with 12% in the prior half-year. We have significantly expanded the development capability through our cost effective offshore development facilities and the additional capability from the Borland and Compuware acquisitions.

Administrative expenses, excluding exceptional items of $25.5m (2008: $8.8m), and stock compensation of $1.4m (2008: $1.2m), increased to $20.9m (2008: $16.9m), now representing 11% of revenue (2008:13%). 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.

Currency impact

Approximately 44% of our revenue is contracted in US dollars and 56% in other currencies. In comparison, approximately 38% 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 weakened against sterling, the increase in reported US dollar revenue is materially offset by the increase 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 $42.1m (2008: $43.7m). Adjusted operating profit was $75.5m (2008: $56.7m). The improvement in the adjusted operating profit was driven by increased revenue from both the core business and the recent acquisitions. Operating profit declined primarily as a result of the higher exceptional charges resulting from the restructuring of Borland and Compuware.

Adjusted EBITDA

Adjusted EBITDA increased by 35% to $78.0m (2008: $57.9m) as a result of the factors described above.

Net finance costs

Net finance costs were $3.4m (2008: income $0.4m). The increase in net finance costs is due to the amortization of $2.1m of loan arrangement and facility fees incurred on the Group's bank loan facility and loan interest of $1.4m (2008: $0.3m) offset by $0.1m of interest received (2008: $0.7m)

Exceptional costs

Exceptional costs for the half year were $25.5m. These related to restructuring programmes arising from the acquisition of Borland and Compuware. These costs comprise severance, office closures and onerous contract costs. The restructuring process is ongoing and we expect further charges, in line with previous guidance, to the income statement in subsequent periods as the restructuring is completed and various offices are closed.

Taxation

Tax for the period was $10.3m (2008: $12.4m) based on lower taxable profits after deducting the higher level of exceptional costs in the half-year compared with last year. The Group's effective tax rate was 26.5% (2008: 28.2%).

Profit after tax

Profit after tax decreased by 10% to $28.5m (2008: $31.7m) due to the higher level of exceptional costs in the period.

Cash flow

The Group's operating cash flow from continuing operations after exceptional costs was $28.5m (2008: $31.7m).

At 31 October 2009, the Group's net borrowings were $104.1m (2008: cash balance $40.7m). During the half-year, the Group drew down $163.5m to finance the acquisitions made in the period and $16m was repaid in October 2009 reducing outstanding bank loans to $147.5m.

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 announce a payment of an interim dividend in respect of the half-year to 31 October 2009 of 5.6 cents per share, an increase of 24% above the interim dividend of 4.5 cents per share for the half-year to 31 October 2008. The interim dividend will be paid on 29 January 2010 to shareholders on the register on 4 January 2010.

Dividends will be paid in sterling based on an exchange rate of £ = $1.65, equivalent to 3.39 pence per share, being the rate applicable on 7 December 2009, the date on which the Board resolved to pay the interim dividend.

4. People

This has been a period of continued growth and change for our people as we sought to drive operational efficiencies at the same time as address a larger market opportunity. Accordingly, we have focused our resources and investments around key solution areas. During the period we continued to hire experienced and effective senior executives to sustain our profitable growth trajectory. Our employees understand the business challenges of our customers, enabling them to achieve cost reductions, reduce risk and improve productivity and innovation within their organisations. We thank them for their dedication, professionalism and commitment to delivering the very best to our customers.

5. Group risk factors

As with all businesses, the Group is affected by certain risks, not wholly within our control, which could have a material impact on the Group's long-term performance and cause actual results to differ materially from forecast and historic results.

The principal risks and uncertainties facing the Group have not changed from those set out in the Annual Report and Accounts 2009. These include retention and recruitment of employees, the timing of concluding contracts, risks associated with making and integrating acquisitions, conditions attached to the bank loan facility, continuing success of the Group's research and development activities, changes in foreign exchange rates, changes in economic, political and market conditions and changes in the legal protection afforded to our intellectual property.

Please refer to pages 17 – 18 in the Annual Report and Accounts 2009 for more detailed analysis on the key risks relevant to the Group.

As well as the foregoing, the primary risk and uncertainty related to the Group's performance for the remainder of the year is the challenging macro-economic environment, which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause results to differ materially from expected and historic results.

6. Outlook

As stated in the recent pre-close statement on the 11 November 2009, the trading outlook across the Group remains in-line with management expectations and we enter the second half confident in the Group's ability to deliver superior shareholder returns. As a logical extension to the integration of recent acquisitions, the Group has conducted additional cost management measures in the core business that we expect to have a positive impact on profitability in the second half and ensure that the business is optimally positioned to capitalise on the opportunities we have identified. The Group expects to report an EBITDA margin in the second half of approximately 40%.

The twelve month run rate revenue contribution for the two recent acquisitions, Borland and Compuware, is expected to be $160m, approximately $10m ahead of initial guidance. The Group also reiterates its increase to guidance for combined EBITDA margin expectations for these acquired businesses, anticipating 30% for the first full year of ownership compared to previous guidance of 15%. This is as a result of improved revenue expectations and larger than anticipated cost synergies.

7. Directors' responsibilities

The directors confirm that this set of condensed interim financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim management report 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 and Accounts 2009 with the exception of Stephen Kelly who resigned as a director on 8 September 2009. A list of current directors is maintained on the Company's website: www.microfocus.com

By order of the Board

Kevin Loosemore	**Nick Bray**
Non-executive Chairman	**Chief Financial Officer**
8 December 2009	

Micro Focus International plc
Consolidated statement of comprehensive income (unaudited)

	Note	Six months ended 31 October 2009 (unaudited) $'000	Six months ended 31 October 2008 (unaudited) $'000	Year ended 30 April 2009 (audited) $'000
Revenue	5,6	**198,393**	135,551	274,731
Cost of sales		**(25,455)**	(11,310)	(22,377)
Gross profit		**172,938**	124,241	252,354
Selling and distribution costs		**(55,508)**	(37,175)	(78,128)
Research and development expense		**(27,478)**	(16,530)	(34,127)
Administrative expenses		**(47,811)**	(26,844)	(48,888)
Operating profit	5	**42,141**	43,692	91,211
Analysed as:				
Operating profit before exceptional items		**67,689**	52,457	106,118
Exceptional items	9	**(25,548)**	(8,765)	(14,907)
Operating profit		**42,141**	43,692	91,211
Finance costs		**(3,501)**	(326)	(756)
Finance income		**128**	748	994
Profit before tax		**38,768**	44,114	91,449
Taxation	10	**(10,286)**	(12,440)	(25,419)
Profit for the period		**28,482**	31,674	66,030
Other comprehensive income				
Currency translation differences		**833**	(1,378)	(4,536)
Other comprehensive income for the period		**833**	(1,378)	(4,536)
Total comprehensive income for the period		**29,315**	30,296	61,494
Profit attributable to:				
Equity holders of the Company		**29,315**	30,296	61,494
Earnings per share expressed in cents per share		Cents	cents	cents
- basic	7	**14.06**	15.80	32.87
- diluted	7	**13.74**	15.36	31.92
Earnings per share expressed in pence per share		Pence	pence	pence
- basic	7	**8.69**	8.38	19.93
- diluted	7	**8.49**	8.15	19.36

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

Micro Focus International plc
Consolidated statement of financial position (unaudited)

	Note	31 October 2009 (unaudited) $'000	31 October 2008 (unaudited) $'000	30 April 2009 (audited) $'000
ASSETS				
Non-current assets				
Goodwill		**317,766**	113,368	119,813
Other intangible assets		**119,316**	64,186	66,349
Property, plant and equipment	**11**	**10,850**	5,105	5,112
Deferred tax assets		**28,950**	19,516	17,625
		476,882	202,175	208,899
Current assets				
Inventories		**144**	138	128
Trade and other receivables	**12**	**118,780**	62,091	67,089
Cash and cash equivalents		**43,430**	40,735	71,569
		162,354	102,964	138,786
Total assets		**639,236**	305,139	347,685
Liabilities				
Current liabilities				
Trade and other payables	**13**	**218,583**	107,842	121,120
Current tax liabilities		**35,959**	19,835	22,187
		254,542	127,677	143,307
Non-current liabilities				
Borrowings	**14**	**147,500**	-	-
Non-current deferred income		**8,064**	7,066	7,085
Deferred tax liabilities		**46,266**	29,860	28,565
		201,830	36,926	35,650
Net assets		**182,864**	140,536	168,728
EQUITY				
Share capital		**37,487**	36,896	37,092
Share premium		**110,937**	104,279	106,200
Profit and loss reserve		**65,041**	27,637	56,870
Foreign currency translation (deficit) reserve		**(3,516)**	(1,191)	(4,349)
Other reserves (deficit)		**(27,085)**	(27,085)	(27,085)
Total equity		**182,864**	140,536	168,728

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

Micro Focus International plc
Consolidated statement of cash flow (unaudited)

	Note	Six months ended 31 October 2009 (unaudited) $'000	Six months ended 31 October 2008 (unaudited) $'000	Year ended 30 April 2009 (audited) $'000
Cash flows from operating activities				
Net profit for the period		**28,482**	31,674	66,030
Adjustments for				
Net interest payable/(receivable)		**3,373**	(422)	(238)
Taxation		**10,286**	12,440	25,419
Depreciation		**1,774**	937	1,910
Loss on disposal of property, plant and equipment		**41**	11	418
Loss on disposal of intangible asset		**-**	-	7
Amortisation of intangibles		**7,100**	6,042	13,729
Share-based compensation		**1,430**	1,168	2,407
Exchange movements		**(2,264)**	4,680	3,444
Changes in working capital:				
Inventories		**(16)**	54	64
Trade and other receivables		**(21,275)**	4,570	1,567
Payables and other non-current liabilities		**(3,345)**	(18,371)	(9,726)
Cash generated from continuing operations		**25,586**	42,783	105,031
Interest received		**128**	382	994
Interest paid		**(1,383)**	(42)	(756)
Tax paid		**(13,196)**	(13,172)	(19,991)
Net cash from operating activities		**11,135**	29,951	85,278
Cash flows from investing activities				
Payments for intangible assets		**(4,721)**	(4,510)	(8,609)
Purchase of property, plant and equipment		**(4,010)**	(438)	(2,650)
Disposal of property, plant and equipment		**-**	-	18
Acquisition of subsidiaries	**16**	**(184,258)**	(81,258)	(92,111)
Net cash acquired with subsidiaries	**16**	**139,635**	28,176	28,444
Repay Borland loan notes		**(114,984)**	-	-
Net cash used in investing activities		**(168,338)**	(58,030)	(74,908)
Cash flows from financing activities				
Proceeds from issue of ordinary share capital		**5,132**	59	1,517
Proceeds from bank borrowings	**14**	**163,500**	-	-
Repayment of bank borrowings	**14**	**(16,000)**	-	-
Bank loan costs		**(4,300)**	-	-
Dividends paid to owners	**8**	**(22,365)**	(17,592)	(26,076)
Net cash used in financing activities		**125,967**	(17,533)	(24,559)
Effects of exchange rate changes		**3,097**	(6,058)	(6,647)
Net decrease in cash and cash equivalents		**(28,139)**	(51,670)	(20,836)
Cash and cash equivalents at beginning of period		**71,569**	92,405	92,405
Cash and cash equivalents at end of period		**43,430**	40,735	71,569

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

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

	Share capital	Share premium	Foreign currency translation reserve (deficit)	Other reserves (deficit)	Profit and loss reserve	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 May 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
Total comprehensive income	-	-	(1,378)	-	31,674	30,296
Transactions with owners:						
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**

Balance as at 1 May 2009	**37,092**	**106,200**	**(4,349)**	**(27,085)**	**56,870**	**168,728**
Currency translation differences	-	-	833	-	-	833
Profit for the period	-	-	-	-	28,482	28,482
Total comprehensive income	-	-	833	-	28,482	29,315
Transactions with owners:						
Dividends	-	-	-	-	(22,365)	(22,365)
Issue of share capital	395	4,737	-	-	-	5,132
Movement in relation to share options	-	-	-	-	1,430	1,430
Deferred tax on share options	-	-	-	-	624	624
Balance as at 31 October 2009	**37,487**	**110,937**	**(3,516)**	**(27,085)**	**65,041**	**182,864**

The accompanying notes are an integral part of this interim 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 interim financial information was approved for issue on 8 December 2009.

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 2009 were approved by the board of directors on 12 August 2009 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 2009 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 2009, which have been prepared in accordance with IFRSs as adopted by the European Union.

3. Accounting policies

Other than as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 April 2009, as described in those financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual taxable profits.

(a) The following new standards, interpretations and amendments to standards were effective during the period to 31 October 2009 and have been adopted in this interim financial information.

- IFRS 8, "Operating Segments" – The standard replaced IAS 14 "Segment Reporting", and aligns operating segments reported to those segments reported internally to senior management. The basis for the segments under IFRS 8 is set out in note 5 below. The standard does not change the recognition, measurement or disclosure of transactions in the consolidated financial statements.
- IAS 1 R "Presentation of financial statements "– The amendment requires "non-owner" and "owner" changes in equity to be presented separately. It also requires that where a balance sheet is restated that the opening balance sheet is also disclosed. Entities can also choose whether to present one or two performance statements. The Group has chosen to present one performance statement. A further impact of the amendment is that the primary statements have been renamed.
- IFRS 2 (Amendment), "Share-based payment" – The amendment to the standard limits vesting conditions to service conditions and performance conditions. The amendment also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment, i.e. acceleration of the expense based on the grant date fair value. This amendment had no material impact on the Group's consolidated interim financial information.

(b) The following standards, interpretations and amendments to existing standards were effective during the period to 31 October 2009 but had no material impact on this consolidated interim financial information:

- Amendments issued as part of annual improvements to IFRSs (May 2008),
- IFRIC 13, "Customer loyalty programmes"
- IFRIC 15, "Agreements for construction of real estates"
- IFRIC 16, "Hedges of a net investment in a foreign operation"
- IAS 23 R , "Borrowing costs" – the amendment requires that borrowing costs incurred in the construction and production of qualifying assets commenced after 1 January 2009 are capitalized.

3 Accounting policies continued

(c) The following standards, interpretations and amendments to existing standards are not yet effective and have not been early adopted by the Group:

- IFRS 3 (Revised), "Business combinations" – effective for the Group from 1 May 2010. The revised standard requires that all acquisition-related costs are to be expensed to the income statement in the period incurred. Furthermore, purchase accounting only applies at the point when control is achieved.
- IAS 27 (Revised), "Consolidated and Separate Financial Statements" – effective for the Group for accounting periods beginning on or after 1 July 2009. The revised standard requires that acquisitions and disposals that do not result in a change of control are accounted for within equity. Any difference between the change in the minority interest and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the parent.

(d) The following standards, interpretations and amendments to existing standards are not yet effective, have not yet been endorsed by the EU and have not been adopted early by the Group:

- IFRIC 17, "Distributions of non-cash assets to owners" – applies for periods beginning on or after 1 July 2009: clarifies the accounting where assets other than cash are distributed to shareholders.
- IAS 28, "Investments in Associates", for periods beginning on or after 1 July 2009, amended to reflect changes to IFRS 3 R.
- IAS 31, "Interests in Joint Ventures", for periods beginning on or after 1 July 2009, amended to reflect changes to IFRS 3 R.
- IAS 39, "Financial Instruments; Recognition and Measurement", for periods beginning on or after 1 July 2009, amended to clarify how existing principles should be applied in respect of "a one sided risk in a hedged item" and "inflation in a financial hedged item".
- IAS 39 "Financial Instruments; Recognition and Measurement", for periods beginning on or after 30 June 2009, amended to clarify the treatment of embedded derivatives where transactions are reclassified from Fair Value Though Profit or Loss.
- IFRS 9, "Financial Instruments", for periods beginning on or after 1 January 2013 - will replace IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for classifying and measuring financial assets.

4. Functional currency

The presentation currency of the Group is US dollars. Items included in the financial statements of each of the Group's entities are measured in the functional currency of each entity.

5. Segmental reporting

In accordance with IFRS 8, "Operating Segments", the Group has derived the information for its operating segments using the information used by the Chief Operating Decision Maker. Micro Focus has identified the Executive Committee as the Chief Operating Decision Maker as it is responsible for the allocation of resources to operating segments and assessing their performance. Operating segments are consistent with those used in internal management reporting and the profit measure used by the Executive Committee is the adjusted operating profit as set out in note 9.

The Group considers both geographical segments and product categories:

Notes to the consolidated interim financial information

5. Segmental reporting continued

Geographical segments for the six months ended 31 October 2009:

	North America	**Europe and the Middle East**	**Rest of the world**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Total segment revenue	**93,713**	**70,400**	**34,280**	**198,393**
Segment operating result before exceptional items	24,370	40,856	2,463	67,689
Exceptional items	(14,690)	(8,810)	(2,048)	(25,548)
Segment operating profit	**9,680**	**32,046**	**415**	**42,141**
Total assets	**400,082**	**182,608**	**27,596**	**610,286**

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
Total assets	202,981	72,720	9,922	285,623

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

The results for the six months to 31 October 2009 include those of the Testing and ASQ business, acquired from Compuware on 29 May 2009 and Borland Software Corporation acquired on 27 July 2009 - please refer to note 16.

Reportable segments' assets are reconciled to total assets as follows:

	31 October 2009 (unaudited)	31 October 2008 (unaudited)	30 April 2009 (audited)
	$'000	$'000	$'000
Total segment assets	**610,286**	285,623	330,060
Deferred tax assets	**28,950**	19,516	17,625
Total	**639,236**	305,139	347,685

6. Analysis of revenue by product

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

	Six months ended 31 October 2009 (unaudited)	Six months ended 31 October 2008 (unaudited)
	$'000	$'000
Licence	**84,537**	64,226
Maintenance	**100,850**	65,323
Consulting	**13,006**	6,002
Total	**198,393**	135,551

7. Earnings per share

The calculation of the basic earnings per share has been based on the earnings attributable to ordinary shareholders and the weighted average number of shares for each period.

	Six months ended 31 October 2009 (unaudited)			Six months ended 31 October 2008 (unaudited)		
	Earnings $'000	**Weighted average number of shares '000**	**Per share amount cents**	Earnings $'000	Weighted average number of shares '000	Per share amount cents
Basic EPS						
Earnings attributable to ordinary shareholders	**28,482**	**202,609**	**14.06**	31,674	200,526	15.80
Effect of dilutive securities						
Options		**4,753**			5,679	
Diluted EPS						
Earnings attributable to ordinary shareholders	**28,482**	**207,362**	**13.74**	31,674	206,205	15.36
Supplementary EPS to exclude exceptional items						
Basic EPS	**28,482**	**202,609**	**14.06**	31,674	200,526	15.80
Adjusted items[1]	33,309			13,036		
Tax relating to above items	(11,985)			(3,216)		
Basic EPS – adjusted	**49,806**	**202,609**	**24.58**	41,494	200,526	20.69
Diluted EPS	**28,482**	**207,362**	**13.74**	31,674	206,205	15.36
Adjusted items[1]	33,309			13,036		
Tax relating to above items	(11,985)			(3,216)		
Diluted EPS – adjusted	**49,806**	**207,362**	**24.02**	41,494	206,205	20.12

[1] Adjusted items comprise amortisation of acquired intangibles, share-based compensation and exceptional costs. Estimated tax relief on these items is as shown above.

Earnings per share expressed in pence has used the average exchange rate for the period of $1.62 to £1 (2008: $1.89 to £1).

Notes to the consolidated interim financial information

8. Dividends

A dividend of $22.4m was paid during the period to 31 October 2009 of 11.1 cents per share (2008: $17.6m or 9.4 cents per share).

The directors announce an interim dividend of 5.6 cents per share (2008: 4.5 cents per share) payable on 29 January 2010 to shareholders who are on the register at 4 January 2010. This interim dividend, amounting to $11.5m (2008: $9.0m) has not been recognised as a liability in this half-yearly report.

9. Reconciliation of operating profit to EBITDA

	Six months ended 31 October 2009 (unaudited)	Six months ended 31 October 2008 (unaudited)	Year ended 30 April 2009 (audited)
	$'000	$'000	$,000
Operating profit	**42,141**	43,692	91,211
Exceptional items – reorganisation costs	**25,548**	8,765	14,907
Share-based compensation charge	**1,430**	1,168	2,407
Amortisation of purchased intangibles	**6,331**	3,103	7,123
Adjusted operating profit	**75,450**	56,728	115,648
Depreciation	**1,774**	937	1,910
Amortisation of software	**769**	193	1,037
Adjusted EBITDA	**77,993**	57,858	118,595
EBITDA	**51,015**	47,925	101,281
Exceptional items – reorganisation costs	**25,548**	8,765	14,907
Share-based compensation charge	**1,430**	1,168	2,407
Adjusted EBITDA	**77,993**	57,858	118,595

The directors use EBITDA and EBITDA before exceptional items and share based compensation charge ("Adjusted EBITDA") as key performance measures of the business.

10. Taxation

Tax for the half-year ended 31 October 2009 was $10.3m (2008: $12.4 m). The Group's effective tax rate is 26.5 % (2008: 28.2%).

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 2009. Capital expenditure of $4.7m was made in the period. The acquisition of Borland resulted in additions to property, plant and equipment with a net book value of $3.2m.

There are no significant commitments to purchase property, plant and equipment as at 31 October 2009.

Notes to the consolidated interim financial information

12. Trade and other receivables

	31 October 2009 (unaudited)	31 October 2008 (unaudited)	30 April 2009 (audited)
	$'000	$'000	$'000
Trade receivables	**91,076**	55,181	61,679
Other receivables	**8,489**	582	-
Prepayments	**16,759**	4,875	4,514
Accrued income	**2,456**	1,453	896
Total	**118,780**	62,091	67,089

13. Trade and other payables - current

	31 October 2009 (unaudited)	31 October 2008 (unaudited)	30 April 2009 (audited)
	$'000	$'000	$'000
Trade payables	**5,961**	5,558	4,477
Other tax and social security payable	**9,208**	4,280	3,876
Accruals	**80,802**	30,701	33,403
Deferred income	**122,612**	67,303	79,364
Total	**218,583**	107,842	121,120

14. Borrowings

	31 October 2009 (unaudited)	31 October 2008 (unaudited)	30 April 2009 (audited)
	$'000	$'000	$'000
Drawn down	**163,500**	-	-
Repaid	**(16,000)**	-	-
Total	**147,500**	-	-

15. Related party transactions

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. There are no other external related parties.

Key management compensation:

	Six months ended 31 October 2009 (unaudited)	Six months ended 31 October 2008 (unaudited)
	$'000	$'000
Salaries and short-term employee benefits	**2,155**	2,441
Post-employment benefits	**52**	57
Share-based payments	**295**	432
Total	**2,502**	2,930

16. Business combinations

i) - Testing and ASQ business acquired from Compuware Corporation - On 29 May 2009, the Group acquired from Compuware Corporation, its Testing and ASQ division for $65.0 m, inclusive of $2.5 m related costs, 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 deferred income value has been reduced by $0.8m in arriving at the fair value of the acquired deferred maintenance revenue.

From the date of acquisition to 31 October 2009, the business contributed $17.1m to revenue and $1.0m to adjusted EBITDA. If the company had been acquired from the start of the period, it would have contributed revenue of $19.9m to the Group's results.

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

	Carrying value at acquisition $'000	Provisional fair value $'000
Intangible assets	-	14,100
Property, plant and equipment	344	344
Receivables	390	390
Deferred income	(19,099)	(18,295)
Net liabilities	(18,365)	(3,461)
Goodwill		68,503
Consideration		65,042
Consideration satisfied by:		
Cash		65,042

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

Cash consideration	62,508
Acquisition costs	2,534
Total	65,042

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

Software	7,200
Customer relationships	6,900
Total	14,100

Goodwill represents the value of the assembled workforce at the time of acquisition with specific knowledge and technical skills. It also represents the prospective future economic benefits expected to accrue from enhancing the portfolio of products and services available to the Company's existing customer base with those of the Testing and ASQ division acquired from Compuware.

Notes to the consolidated interim financial information

16. Business combinations continued

ii) - Borland Software Corporation - On 27 July 2009, the Group acquired 100% of the share capital of the company for $119.2m, inclusive of $7.5m related costs, 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 deferred income value has been reduced by $3.9m in arriving at the fair value of the acquired deferred licence and maintenance revenue.

From the date of acquisition to 31 October 2009, the business contributed $38.2m to revenue and $18.0m to adjusted EBITDA. If the company had been acquired from the start of the period, it would have contributed revenue of $76.3m to the Group's results.

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

	Carrying value at acquisition $'000	Provisional fair value $'000
Intangible assets	20,148	41,800
Property, plant and equipment	6,996	3,199
Receivables	34,670	31,105
Cash and cash equivalents	139,635	139,635
Payables	(51,536)	(66,184)
Deferred income	(39,518)	(35,606)
Convertible bonds	(114,984)	(114,984)
Deferred tax liabilities	-	(9,199)
Net liabilities	(4,589)	(10,234)
Goodwill		129,450
Consideration		119,216
Consideration satisfied by:		
Cash		119,216

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

Cash consideration	111,703
Acquisition costs	7,513
Cash acquired	(139,635)
Total	(20,419)

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

Software	25,300
Customer relationships	16,500
Total	41,800

Goodwill represents the value of the assembled workforce at the time of acquisition with specific knowledge and technical skills. It also represents the prospective future economic benefits expected to accrue from enhancing the portfolio of products and services available to the Company's existing customer base with those of Borland.

Notes to the consolidated interim financial information

Independent review report to Micro Focus International plc

Introduction

We have been engaged by the Company to review the consolidated financial statements in the half-yearly financial report for the six months ended 31 October 2009, which comprises the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flow, consolidated statement of changes in equity 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 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 consolidated financial statements included in this half-yearly financial report have 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 consolidated 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 purpose. 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 consolidated financial statements in the half-yearly financial report for the six months ended 31 October 2009 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 2009

Notes:

(a) The maintenance and integrity of Micro Focus International plc's website 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 financial statements since they were initially presented on the website.

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