MICRO FOCUS

8 December 2010

Micro Focus International plc reports
Interim results for the half-year to 31 October 2010

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 2010.

Key highlights

- Interim results in line with pre-close trading update
- Total Group revenue up 8.7% to $215.6m (2009: $198.4m)
    - 11.1% revenue growth at constant currencies
- Like for Like Group constant currency revenues declined by 4.8%
    - Cobol Development, Modernization and Migration (“CDMM”) revenues increased by 3.4% to $145.3m (2009: $140.5m).
    - Application Management and Quality (“AMQ”) declined by 18.2% to $70.3m from pro-forma[1] revenues of $85.9m
- Maintenance revenues represent 53.8% of Group revenues (2009: 50.9%)
    - AMQ renewals rates improved to 80%
- Adjusted operating profit* up 0.9% to $76.2m (2009: $75.5m)
- Adjusted EBITDA** up 1.3% to $79.0m (2009: $78.0m), after $6.6m impact on underlying performance of three previously highlighted items
    - Foreign Exchange charge of $3.6m (2009: $0.3m)
    - Credit note issued for $2.1m (2009: $Nil)
    - Property related charges $0.9m (2009: $Nil)
- Net capitalisation of Research & Development in the period of $4.3m (2009: $3.1m)
- Adjusted EBITDA margin of 36.6% (2009: 39.3%), with an underlying margin of 39.3%
- Adjusted earnings per share* up 8.1% to 26.60 cents (2009: 24.58 cents)***
- Strong cash conversion in the period
    - Net debt at 31 October 2010 reduced to $40.4m (2009: $104.1m net debt balance)
    - Cash generated from operations as a percentage of Adjusted EBITDA less exceptional items was 99% (2009: 49%)
- Rebalancing of interim and final dividend
    - Interim dividend increased by 28.6% to 7.2 cents per share (2009: 5.6 cents per share)
- Recruitment of new senior management team complete

Statutory results

- Operating profit $66.7m (2009: $42.1m)
- Profit before tax $63.2m (2009: $38.8m)
- Basic earnings per share 26.92 cents (2009: 14.06 cents) ***

[1] Businesses creating AMQ were acquired on 29 May 2009 and 27 July 2009 respectively. Pro-forma revenues represent management’s estimate of the comparable revenue if the businesses had been owned throughout the six months ended 31 October 2009.

* In assessing the performance of the business, the directors use non GAAP measures “Adjusted EBITDA”, “Adjusted operating profit” 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.

press release

Nigel Clifford, Chief Executive Officer of Micro Focus, commented:

"The six months to 31 October 2010 has seen considerable change in the executive management team at Micro Focus. The new senior managers join an operating board that has many years of experience within Micro Focus and this newly combined team believes that the Group has established an excellent platform for the future growth of the business.

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 53.8% of total revenue (2009: 50.9%) continues to provide a strong recurring revenue stream for the Group, and benefits from high renewal rates. The key to double digit revenue growth in the medium term will be the growth in licence fee revenue in Modernization and Migration and in the AMQ business whilst maintaining our leadership in Cobol Development.

Financial guidance for the full year remains unchanged. In looking at the immediate challenges of the business and the ambition of the Group in the medium term, the management are focused on operational execution and maximising the return from investments in sales, marketing and systems funded through the rebalancing of existing expenditure from other areas. The positive revenue impact from such measures is expected to build through 2011 and into 2012."

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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 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

Overview and Corporate Developments

In the past six months, Micro Focus has gone through a significant change in senior executive management. Nigel Clifford was appointed Chief Executive Officer with effect from 1 May 2010, Malcolm Collins was appointed President of Sales with effect from 1 August 2010, Mike Phillips was appointed Chief Financial Officer with effect from 4 October 2010, the same day that Jim Cassidy joined as Chief Marketing Officer. Together with Julian Critchfield, who joined on 6 April 2010, as Senior Vice President Product Development these new employees joined an operating board that has extensive experience of Micro Focus.

This management team is responsible for delivering on the strategy of the Group which is unchanged. Micro Focus aims to grow revenues organically, generate cash and use that cash to invest in the business to achieve organic growth, to make selective acquisitions that enhance such growth or increase the size of the Group's addressable market and optimise the Group's financial structure. The management team believes that in the medium term double digit revenue growth should remain the aim for the Group. This ambition will be achieved through maintaining the Group's leadership in Cobol Development and driving growth in Modernization and Migration and AMQ revenue.

The strong focus on seeking large deals in the Global 2000 in both AMQ and in Modernization and Migration has adversely affected the revenue growth of the Group in the current year. Sales cycles for larger transactions are significantly longer and this resulted in a loss of focus from the Group's traditional target Migration market place of medium sized companies accessed directly and through Partners. The net effect has been to slow the progress of the Modernization and Migration business in the period under review. The team are addressing this through direct, indirect and partner channels. As indicated in the pre-close trading update on 10 November 2010, the Group anticipates that current year revenues will be broadly similar to last year's pro-forma constant currency revenues of $453m. (Throughout this statement references to constant currency comparison use average exchange rates for the six months to 31 October 2010 to convert last year's reported revenues).

Partners continue to be a key component for Micro Focus's medium term aims. The Group has some world class partnerships and these need to be built upon in key geographies over the coming years. Ensuring that Micro Focus is easy to do business with and provides the correct level of Partner support is essential as the scale and commitment of our partners has increased. This is an area where we can continue to improve.

The business model and strong fundamentals of Micro Focus mean that the Group expects to perform robustly throughout the economic cycle. Maintenance revenue, which accounted for 53.8% of total revenue (2009: 50.9%) continues to provide a strong recurring revenue stream for the Group, and benefits from high renewal rates. Cash conversion during the period was 99% which was a significant recovery from last year's figure of 49%.

Acquisitions have provided significant inorganic growth for the Group in recent years and the management team believes that they will feature in the future growth of the Group. Whilst maintaining awareness of appropriate acquisition opportunities, management recognises that in the short term there are operational issues that need to be addressed within the existing business and this is where it will be concentrating its efforts.

In the light of the Group's strong continued cash flow from operations and rapidly reducing current net debt position the Board is keeping the Group's capital structure under review. In determining the appropriate structure the Board will take account of a desire to invest appropriately in the business, preserve flexibility for acquisitions and maintain appropriate leverage in the balance sheet.

Operational and Financial review

Micro Focus's primary reporting segments are its AMQ business segment and for CDMM its three geographic regions (i) North America, (ii) Europe, Middle East and Latin America, and (iii) Rest of the World. In AMQ and CDMM, product sets are sold via a combination of direct sales, Partners and Independent Software Vendors.

The operational performance in the period has been mixed. After a disappointing performance in the first three months of the period in all lines of business the Group's CDMM lines of business recovered well to deliver year on year constant currency revenue growth of 3.4% for the six months to 31 October 2010. Without the impact of the credit note (described in more detail below) this would have been a 4.9% increase. The Group's AMQ business, formed through the acquisition of Borland and the ASQ Division of Compuware, had a disappointing six months with revenues of $70.3m declining by 18.2% compared to pro-forma constant currency revenues for the same period last year. The pro-forma revenues for 2009 represent management's estimates of the revenues that AMQ would have delivered if the businesses had been owned for the whole of the comparative period. Compared to the six months ended 30 April 2010, revenues for AMQ in the period under review have declined by 10.8% on a constant currency basis.

Prior to acquisition, the last annual reported revenues for Borland were $172m for the year ended 31 December 2008 and an operating loss before exceptional items of $25.1m. In the three months to 31 March 2009, Borland reported revenues of $35m which benefited from $6.6m of the revenues from an $18m deal with HP that was signed on 31 March 2009. None of the remaining HP revenues was recognised after completion of the

acquisition in July 2009. The ASQ Division of Compuware had annual revenues based on management accounts for the year to 31 March 2009 of $74m. The revenues of both businesses had been declining for some years prior to acquisition and the price paid for both acquisitions reflected this decline and the need for restructuring the businesses.

Following completion of the Borland acquisition in July 2009, Micro Focus indicated that annual revenues from the combined business would be $150m and this was later increased to $164m based on the annualised revenues in the second half of the year to 30 April 2010. The restructuring and integration of the businesses was undertaken in a very short period of time and has resulted in both planned and unplanned attrition of the staff with AMQ.

The consolidation of the testing product sets of two competing testing businesses onto one platform also led to delay in some purchasing decisions. Whilst there are other products (eg Visibroker) within the AMQ portfolio that are unlikely to grow revenues in future, the new management team believes that the combined testing product set is competitive and that there is a significant market opportunity to be addressed.

The focus of the recovery plan for the business is around stabilisation and to ensure that the proper structures are in place to grow the revenues back to levels previously indicated by Micro Focus and then beyond. Key actions include driving increased pipeline through improvements in marketing and online presence, fresh leadership in key geographies and continued improvements in products and partnerships. However, this level of improvement in AMQ revenues is unlikely to be seen in the current financial year where a more realistic target is to achieve the same revenues in the second half that were delivered in the first six months of the year.

As AMQ was not owned for the whole of the comparable period, management provide the following pro-forma revenues for the business on an as reported and constant currency basis for the six months to 31 October 2009:

	As reported 6m to 31 Oct 2009	Pro-forma adjustment	Pro-forma 6m to 31 Oct 2009	Constant currency pro-forma 6m to 31 Oct 2009
	$m	$m	$m	$m
Licence	19.5	12.4	31.9	31.3
Maintenance	30.0	16.4	46.4	45.4
Consulting	5.8	3.5	9.3	9.2
	55.3	32.3	87.6	85.9

The “as reported” figures include the large transaction of c$5m for Visibroker which was highlighted in the interim results last year.

The CDMM business produced a good performance in the period and it is anticipated that revenues will continue to improve. CDMM has two business lines with different potential growth profiles. Cobol Development (“CD”) is a robust revenue stream but is not anticipated to benefit in the future from significant growth. The revenues from CD in the period have increased by 3.5% to $100.4m (2009: $97.0m). Modernisation and Migration (“MM”) revenues grew by 3.2% to $44.9m (2009: $43.5m) for the reasons outlined above and would have grown more without the impact of the credit note issue detailed below. (2009 figures are at constant currency and all figures are management estimates). Management believes that MM is an area of the business which is capable of growing significantly in future periods as it has done in prior periods.

Total revenue for the half-year ended 31 October 2010 increased by 8.7% to $215.6m, Adjusted EBITDA increased by 1.3% to $79.0m, at a margin of 36.6% adjusted operating profit increased by 0.9% to $76.2m, adjusted profit before tax increased 1.0% to $72.7m and adjusted earnings per share increased by 8.1% to 26.60 cents per share.

The reported results are impacted by three items highlighted in the pre-close trading update issued on 10 November 2010. Without the impact of these items the Adjusted EBITDA margin would have been 39.3%.

Credit note
The reported revenues for MM are net of a credit note of $2.1m issued in respect of licence fee revenue taken in the period to 30 April 2010 on sales to the Group’s former distributor in Brazil. If this adjustment had not been necessary then the year on year growth on a constant currency basis for Modernization and Migration would have been 8%.

Foreign exchange on intercompany balances
Intercompany loan arrangements within the Group are denominated in the local currency of the subsidiary. Consequently, any movement in the respective local currency and US$ will have an impact on converted US$ value of the loans. This foreign exchange movement is taken to the income statement. During the period there

was a significant movement on Euro:US$ and Yen:US$ exchange rates that gave rise to the majority of the foreign exchange loss of approximately $3.6m (2009: $0.3m). In the full year to 30 April 2010 there was an overall positive benefit on this foreign exchange movement of approximately $2.5m.

Property consolidation
A large number of properties were acquired when the Group acquired Borland. As part of the initial rapid integration of the acquisition a number of those properties were closed and relevant property provisions taken. The new management team is reviewing the remaining property portfolio of the Group and has made a decision to consolidate the Group's two UK property locations, Twyford and Newbury, into Newbury and to review the provisions for dilapidations on all of the Group's properties. The closure of Twyford will lead to a one off charge of $0.6m relating to an onerous lease provision and a charge to the income statement of $0.3m in respect of dilapidations.

It is not currently anticipated that there will be any further property consolidation charges in the current year.

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

	6m to 31 Oct 2010 $m	%	6m to 31 Oct 2009 $m	%
North America	103.6	48.1	92.6	46.7
Europe, The Middle East and Latin America	81.5	37.8	75.9	38.3
Rest of the World	30.5	14.1	29.9	15.0
Total revenue	215.6	100.0	198.4	100.0

The revenue by geography for both CDMM and AMQ at constant currency is set out in the table below:

	6m to 31 Oct 2010 $m	%	6m to 31 Oct 2009 $m	%
North America	67.9	46.7	65.8	46.8
Europe, The Middle East and Latin America	55.5	38.2	56.2	40.0
Rest of the World	21.9	15.1	18.5	13.2
CDMM	145.3	100.0	140.5	100.0
North America	35.7	50.8	24.8	46.3
Europe, The Middle East and Latin America	26.0	37.0	22.0	41.0
Rest of the World	8.6	12.2	6.8	12.7
AMQ	70.3	100.0	53.6	100.0
Revenue at constant currency	215.6		194.1	
Currency	-		4.3	
Total revenue	215.6		198.4	

CDMM is managed on a regional basis, whilst AMQ is managed globally.

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

	6m to 31 Oct 2010 $m	%	6m to 31 Oct 2009 $m	%
Licence	82.7	38.4	84.5	42.6
Maintenance	116.1	53.8	100.9	50.9
Consultancy	16.8	7.8	13.0	6.5
Total revenue	215.6	100.0	198.4	100.0

The pro-forma revenue for the half-year at constant currency is shown in the table below. The results for the comparative period are translated at the average rate for the six months to 31 October 2010 in order to eliminate the effect of exchange rate fluctuations.

	6m to 31 Oct 2010 $m	6m to 31 Oct 2009 $m	Growth v October 2009 %
As reported	215.6	198.4	8.7
Currency impact	-	(4.3)	
Revenue at constant currency	215.6	194.1	11.1
Pro-forma adjustment for AMQ revenues for three months to 31 July 2009	-	32.3	
Total revenue	215.6	226.4	(4.8)

Revenue for the half-year at constant currency was as follows with AMQ revenues on the pro-forma basis for 2009:

	6m to 31 Oct 2010 $m	6m to 31 Oct 2009 $m	Growth v October 2009 %
CDMM			
Licence	63.1	63.8	(1.1)
Maintenance	74.4	69.8	6.6
Consultancy	7.8	6.9	13.0
	145.3	140.5	3.4
AMQ			
Licence	19.6	31.3	(37.4)
Maintenance	41.7	45.4	(8.1)
Consultancy	9.0	9.2	(2.2)
	70.3	85.9	(18.2)
Total revenue	215.6	226.4	(4.8)

The licence fee revenue in CDMM is after taking account of the credit note for $2.1m issued in Brazil and without the impact of this item licence fees would have grown marginally. Maintenance revenue in CDMM continues to grow and the renewal rates for the period are 88% (2009: 90%). In AMQ, the reduction in licence fee revenues is partially explained by the large licence fee transaction of $5m highlighted last year and not expected to recur. However, without this item licence fees on a pro-forma basis have reduced by 25.5%. The product transition together with planned and unplanned attrition within the sales organization has resulted in reduced sales productivity. The focus of the recovery plan is to stabilise and then grow licence fee revenues. AMQ

maintenance renewals have recovered from very low rates in the six months to 31 October 2009, to 73% in the six months to 30 April 2010 and have now reached 80% in the period under review. Consulting is a growing part of our business as we continue to sell more complex migration solutions.

Costs

All comments relate to costs at actual reported $.

Cost of sales for the half-year increased by 20.2% to $30.3m (2009: $25.2m excluding exceptional items of $0.3m). The costs in this category predominantly relate to our consulting and helpline support operations. The majority of the cost growth came from increased consulting revenues and the impact of having owned Borland and Compuware throughout the current six months.

Selling and distribution costs increased by 14.2% to $62.6m (2009: $54.8m excluding exceptional items of $0.7m) reflecting the impact of a full six months cost for Borland and Compuware.

Research and development expenses decreased slightly to $26.8m (2009: $27.0m excluding exceptional items of $0.5m), equivalent to approximately 12.4% of revenue compared with 13.6% in the prior half-year. The charge to the income statement in the period is after taking account of the net capitalisation of research and development in the period. Additions to capitalised research and development in the period were $9.8m (2009: $6.6m) less amortisation of previously capitalised research and development of $5.5m (2009: $3.5m) resulting in a net credit to the income statement of $4.3m (2009: $3.1m). At 31 October 2010 the net book value of capitalised research and development on the balance sheet was $21.8m (2009: $13.0m).

Administrative expenses, excluding exceptional items of $Nil (2009: $24.0m), and share based compensation of $1.6m (2009: $1.4m) increased by 23.2% to $27.6m (2009: $22.4m). The current period includes a charge of $3.6m (2009: $0.3m) in respect of mainly foreign exchange losses on intercompany balances denominated in Euros and Yen and a $0.9m charge for office closure and dilapidation provision. The remaining increase relates to full half-year costs of the acquired businesses.

Currency impact

52.4% of our revenue is contracted in US dollars and 47.6% in other currencies. In comparison, 40.4% 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 other than the $3.6m exchange rate losses on intercompany balances.

Operating profit

Operating profit was $66.7m (2009: $42.1m). Adjusted operating profit was $76.2m (2009: $75.5m). The improvement in the adjusted operating profit was driven by increased revenue from both the core business and the recent acquisitions.

Net finance costs

Net finance costs were $3.5m (2009: costs $3.4m), being the amortisation of $2.1m of loan arrangement and facility fees incurred on the Group's bank loan facility (2009: $2.1m) and loan interest of $1.5m (2009: $1.4m) offset by $0.1m of interest received (2009: $0.1m).

Exceptional costs

There are no exceptional costs for the half-year ended 31 October 2010.

Exceptional costs for the previous half-year were $25.5m relating to restructuring programmes arising from the acquisition of Borland and Compuware. These costs comprised severance, office closures and onerous contract costs.

Taxation

Tax for the period was $8.0m (2009: $10.3m) resulting in the Group's effective tax rate being 12.6% (2009: 26.5%). During the period the Group recognised additional deferred tax assets of $12.6m in respect of US tax losses arising from acquisitions made in prior periods. $5.8m of these deferred tax assets relate to the Borland acquisition and have been adjusted in the acquisition balance sheet. The remaining $6.8m relates to earlier acquisitions and so has been taken to the income statement and gives rise to a lower effective tax rate for the period. Excluding the impact of this adjustment the Group's effective tax rate would be 23.4% for the period. The effective tax rate for the full year is expected to be approximately 18%, including the benefit arising from the

recognition of the additional losses in the first half. The Group's medium term effective tax rate is currently expected to be approximately 26%. Further explanation is provided in note 10.

Profit after tax

Profit after tax increased by 94.0% to $55.3m (2009: $28.5m).

Cash flow

The Group's operating cash flow from continuing operations $77.9m (2009: $25.6m after exceptional costs).

At 31 October 2010, the Group's net borrowings balance was $40.4m (2009: net borrowings $104.1m). During the half-year, the Group repaid $28.0m, and currently anticipates being net cash positive by 30 April 2011.

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 of approximately 2.5 times on a pre-exceptional earnings basis. The interim dividend will normally represent one-third of the anticipated full year dividend. In line with the above policy, the directors announce a payment of an interim dividend in respect of the half-year to 31 October 2010 of 7.2 cents per share which represents an increase of 28.6% on the amount declared at the interims last year and is one third of the full year dividend declared last year of 21.6 cents. The interim dividend will be paid on 28 January 2011 to shareholders on the register on 7 January 2011.

Dividends will be paid in sterling equivalent to 4.58 pence per share, based on an exchange rate of £ = $1.57, being the rate applicable on 7 December 2010, the date on which the Board resolved to pay the interim dividend.

People

In order that the Company can achieve its objectives it needs to recruit and retain excellent staff. The results in the period could not have been achieved without the dedication and commitment of our existing staff and the management team thank them.

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 2010. 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 20 – 21 in the Annual Report and Accounts 2010 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.

Outlook

The executive management team believes that the Group presents an excellent platform for future growth. The Group has grown significantly in recent years through acquisitions and investment in organic growth. The strategy remains unchanged, however, the challenges for the short term remain related to execution.

The recovery plan within AMQ is focused around stabilisation and ensuring that the proper structures are in place to grow the revenue stream back to levels previously indicated by Micro Focus and then beyond. However, this level of improvement in AMQ revenues is unlikely to be seen in the current financial year. The CDMM business had a good performance in the period and it is anticipated that revenues will continue to improve. Consequently, the Group is anticipating that revenues in the current year will be broadly in line with last year's pro-forma constant currency figure of $453m and Adjusted EBITDA broadly similar to market expectations at the time of the pre-close trading update of $179m. This would produce an Adjusted EBITDA margin of 39.5% which is in line with the Group's medium term target of 40%.

In looking at the challenges of the business and the ambition of the Group in the medium term, the executive

management team will look to make appropriate investments in the current financial year. These investments, which will be funded through a rebalancing of existing expenditure from other areas, will focus on sales and marketing expenditure and improving the existing systems of the Group whilst still being alert to the availability of appropriate acquisitions. The revenue impact is expected to build through 2011 and into 2012.

Directors' responsibilities

The directors confirm that, to the best of their knowledge, these condensed interim financial statements have been prepared in accordance with IAS 34 as adopted by the European Union. 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 of the financial year 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 2010 with the exception of Mike Phillips appointed on 7 September 2010. A list of current directors is maintained on the Company's website: www.microfocus.com.

By order of the Board

Nigel Clifford
Chief Executive Officer
8 December 2010

Mike Phillips
Chief Financial Officer

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

	Note	**Six months ended 31 October 2010**	Six months ended 31 October 2009	Year ended 30 April 2010
		(unaudited)	(unaudited)	(audited)
		$'000	$'000	$'000
Revenue	**5,6**	**215,578**	198,393	432,579
Cost of sales		**(30,286)**	(25,455)	(52,244)
Gross profit		**185,292**	172,938	380,335
Selling and distribution costs		**(62,610)**	(55,508)	(128,137)
Research and development expense		**(26,813)**	(27,478)	(56,773)
Administrative expenses		**(29,183)**	(47,811)	(90,008)
Operating profit	**5**	**66,686**	42,141	105,417
Analysed as:				
Operating profit before exceptional items		**66,686**	67,689	150,505
Exceptional items	**9**	**-**	(25,548)	(45,088)
Operating profit		**66,686**	42,141	105,417
Finance costs		**(3,553)**	(3,501)	(7,726)
Finance income		**101**	128	634
Profit before tax		**63,234**	38,768	98,325
Taxation	**10**	**(7,981)**	(10,286)	(21,967)
Profit for the period		**55,253**	28,482	76,358
Other comprehensive income				
Currency translation differences		**1,172**	833	(1,980)
Other comprehensive income for the period		**1,172**	833	(1,980)
Total comprehensive income for the period		**56,425**	29,315	74,378
Profit attributable to:				
Equity holders of the Company		**56,425**	29,315	74,378
Earnings per share expressed in cents per share		cents	cents	cents
- basic	**7**	**26.92**	14.06	37.49
- diluted	**7**	**26.27**	13.74	36,71
Earnings per share expressed in pence per share		pence	pence	pence
- basic	**7**	**16.83**	8.69	23.44
- diluted	**7**	**16.42**	8.49	22.95

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 2010 (unaudited) $'000**	31 October 2009 (unaudited) $'000	Restated * 30 April 2010 (audited) $'000
ASSETS				
Non-current assets				
Goodwill		**275,498**	317,766	275,498
Other intangible assets	**11**	**113,066**	119,316	116,827
Property, plant and equipment	**12**	**9,271**	10,850	10,385
Deferred tax assets		**57,629**	28,950	55,560
		455,464	476,882	458,270
Current assets				
Inventories		**165**	144	153
Trade and other receivables	**13**	**111,814**	118,780	126,288
Cash and cash equivalents		**32,553**	43,430	32,829
		144,532	162,354	159,270
Total assets		**599,996**	639,236	617,540
Liabilities				
Current liabilities				
Trade and other payables	**14**	**196,246**	218,583	218,154
Borrowings	**15**	**73,000**	-	101,000
Current tax liabilities		**33,114**	35,959	24,921
		302,360	254,542	344,075
Non-current liabilities				
Borrowings	**15**	**-**	147,500	-
Non-current deferred income		**11,865**	8,064	10,529
Deferred tax liabilities		**42,860**	46,266	43,530
		54,725	201,830	54,059
Total liabilities		**357,085**	456,372	398,134
Net assets		**242,911**	182,864	219,406
EQUITY				
Share capital		**37,666**	37,487	37,583
Share premium		**115,220**	110,937	112,700
Profit and loss reserve		**122,267**	65,041	102,537
Foreign currency translation (deficit) reserve		**(5,157)**	(3,516)	(6,329)
Other reserves (deficit)		**(27,085)**	(27,085)	(27,085)
Total equity		**242,911**	182,864	219,406

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

* Balances as at 30 April 2010 have been restated to reflect adjustments made in respect of goodwill on prior year acquisitions totalling $4.0m, following a revision to payables and the valuation of realisable tax losses.

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

	Note	Six months ended 31 October 2010 (unaudited) $'000	Six months ended 31 October 2009 (unaudited) $'000	Year ended 30 April 2010 (audited) $'000
Cash flows from operating activities				
Net profit for the period		**55,253**	28,482	76,358
Adjustments for				
Net interest payable		**3,452**	3,373	7,092
Taxation		**7,981**	10,286	21,967
Depreciation		**2,176**	1,774	4,202
Loss on disposal of property, plant and equipment		**178**	41	197
Loss on disposal of intangible asset		**224**	-	-
Amortisation of intangibles		**13,928**	7,100	23,631
Share-based compensation		**1,635**	1,430	3,069
Exchange movements		**2,690**	(2,264)	(2,780)
Changes in working capital:				
Inventories		**(12)**	(16)	(25)
Trade and other receivables		**14,473**	(21,275)	(27,703)
Payables and other non-current liabilities		**(24,120)**	(3,345)	(3,224)
Cash generated from continuing operations		**77,858**	25,586	102,784
Interest received		**101**	128	634
Interest paid		**(1,449)**	(1,383)	(3,776)
Tax paid		**(3,495)**	(13,196)	(20,856)
Net cash from operating activities		**73,015**	11,135	78,786
Cash flows from investing activities				
Payments for intangible assets	**11**	**(10,341)**	(4,721)	(18,209)
Purchase of property, plant and equipment		**(900)**	(4,010)	(4,950)
Acquisition of subsidiaries	**17**	**-**	(184,258)	(185,227)
Net cash acquired with subsidiaries	**17**	**-**	139,635	139,635
Repay Borland loan notes		**-**	(114,984)	(114,984)
Net cash used in investing activities		**(11,241)**	(168,338)	(183,735)
Cash flows from financing activities				
Proceeds from issue of ordinary share capital		**1,700**	5,132	4,703
Proceeds from bank borrowings	**15**	**-**	163,500	163,500
Repayment of bank borrowings	**15**	**(28,000)**	(16,000)	(62,500)
Bank loan costs		**(2,104)**	(4,300)	(6,695)
Dividends paid to owners	**8**	**(35,262)**	(22,365)	(33,599)
Net cash used in financing activities		**(63,666)**	125,967	65,409
Effects of exchange rate changes		**1,616**	3,097	800
Net decrease in cash and cash equivalents		**(276)**	(28,139)	(38,740)
Cash and cash equivalents at beginning of period		**32,829**	71,569	71,569
Cash and cash equivalents at end of period		**32,553**	43,430	32,829

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 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**
Balance as at 1 May 2010	**37,583**	**112,700**	**(6,329)**	**(27,085)**	**102,537**	**219,406**
Currency translation differences	**-**	**-**	**1,172**	**-**	**-**	**1,172**
Profit for the period	**-**	**-**	**-**	**-**	**55,253**	**55,253**
Total comprehensive income	**-**	**-**	**1,172**	**-**	**55,253**	**56,425**
Transactions with owners:						
Dividends	**-**	**-**	**-**	**-**	**(35,262)**	**(35,262)**
Issue of share capital	**83**	**2,520**	**-**	**-**	**(903)**	**1,700**
Movement in relation to share options	**-**	**-**	**-**	**-**	**1,635**	**1,635**
Deferred tax on share options	**-**	**-**	**-**	**-**	**(993)**	**(993)**
Balance as at 31 October 2010	**37,666**	**115,220**	**(5,157)**	**(27,085)**	**122,267**	**242,911**

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

Micro Focus International plc
Notes to the consolidated 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 2010.

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 30 April 2010 were approved by the board of directors on 11 August 2010 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.

This consolidated financial information has been reviewed, not audited.

2. Basis of preparation

This condensed consolidated interim financial information for the half-year ended 31 October 2010 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 condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 30 April 2010, 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 2010, 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 2010 and have been adopted in this interim financial information.

- 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 rather than added to the cost of the investment, that changes to contingent consideration following a business combination are shown in the statement of comprehensive income rather than changing goodwill, and that changes to deferred tax assets relating to business combinations are only reflected within goodwill if they occur within the measurement period. Furthermore, purchase accounting only applies at the point when control is achieved. The financial effect of adopting this standard can only be ascertained when any future transactions are entered into.

- IAS 27 (Revised), "Consolidated and Separate Financial Statements". – The Group has adopted IFRS 3 (Revised), it is required to adopt IAS 27 (Revised) at the same time. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains or losses.

(b) The following standards, interpretations and amendments to existing standards were effective during the period to 31 October 2010 but had no material impact on this consolidated interim financial information:

- 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.
- IFRIC 18, "Transfers of Assets from Customers", applies for periods beginning on or after 31 October 2010.
- IAS 39, "Financial Instruments, Recognition and Measurement", effective 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'. Inflation risk can only be hedged if contractually specified and it is possible to use purchased options as a hedging instrument.
- IAS 39, "Financial Instruments, Recognition and Measurement", effective on or after 1 July 2009, amended to clarify the treatment of embedded derivatives where transactions are reclassified from Fair Value Through Profit or Loss ('FVTPL'). Where transactions are reclassified embedded derivatives may need to be separated from the host and continue to be treated as FVTPL.

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:

- IAS 24 (Revised), “Related Party Disclosures”, for periods beginning on or after 1 January 2011 and supersedes IAS 24, “Related Party Disclosures” which was issued in 2003.
- Amendment to IFRIC 14, “Prepayments of a Minimum Funding Requirement”, effective on or after 1 January 2011.
- IFRIC 19, “Extinguishing Financial Liabilities with Equity Instruments”, effective on or after 1 July 2010.

(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:

- 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.
- Improvements to International Financial Reporting Standards – was issued in May 2010 with effective dates varying standard by standard.

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. Operating segments are consistent with those used in internal management reporting and the measure used by the Operating Board is the adjusted operating profit as set out in note 9. In prior years, costs were reported on a geographical basis. Resources are now managed on a global basis and accordingly the Operating Board does not measure costs or operating profit by segment, and therefore the Group no longer reports operating profit by segment.

Operating segments for the half-year ended 31 October 2010:

	North America	Europe, The Middle East and Latin America	Rest of the world	Total CDMM	AMQ	Total
	$’000	$’000	$’000	$’000	$’000	$’000
Total segment revenue	**67,882**	**55,499**	**21,940**	**145,321**	**70,257**	**215,578**
Operating profit						66,686
Share based compensation charge						1,635
Amortisation of purchased intangibles						7,858
Adjusted operating profit (note 9)						**76,179**
Total assets						**599,996**
Total liabilities						**357,085**

5. Segmental reporting continued

Operating segments for the half-year ended 31 October 2009:

	North America	Europe, The Middle East and Latin America	Rest of the world	Total CDMM	AMQ	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Total segment revenue	65,846	58,104	19,193	143,143	55,250	198,393
Operating profit						42,141
Exceptional items						25,548
Share based compensation charge						1,430
Amortisation of purchased intangibles						6,331
Adjusted operating profit (note 9)						75,450
Total assets						639,236
Total liabilities						456,372

6. Analysis of revenue by type

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

	6m to 31 Oct 2010 (unaudited)	6m to 31 Oct 2010 (unaudited)
	$'000	$'000
Licence	**82,664**	84,537
Maintenance	**116,156**	100,850
Consulting	**16,758**	13,006
Total	**215,578**	198,393

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.

	6m to 31 Oct 2010 (unaudited)				6m to 31 Oct 2009 (unaudited)			
	Earnings $'000	**Weighted average number of shares '000**	**Per share amount cents**	**Per share amount pence**	Earnings $'000	Weighted average number of shares '000	Per share amount cents	Per share amount pence
Basic EPS								
Earnings attributable to ordinary shareholders	**55,253**	**205,256**	**26.92**	**16.82**	28,482	202,609	14.06	8.68
Effect of dilutive securities								
Options		**5,053**				4,753		
Diluted EPS								
Earnings attributable to ordinary shareholders	**55,253**	**210,309**	**26.27**	**16.42**	28,482	207,362	13.74	8.48
Supplementary adjusted EPS								
Basic EPS	**55,253**	**205,256**	**26.92**	**16.83**	28,482	202,609	14.06	8.68
Tax impact of US tax losses [1]	**(6,842)**							
Adjusted items[2]	**9,493**				33,309			
Tax relating to above items	**(3,297)**				(11,985)			
Basic EPS – adjusted	**54,607**	**205,256**	**26.60**	**16.63**	49,806	202,609	24.58	15.17
Diluted EPS	**55,253**	**210,309**	**26.27**	**16.42**	28,482	207,362	13.74	8.48
Tax impact of US taxes losses[1]	**(6,842)**							
Adjusted items[2]	**9,493**				33,309			
Tax relating to above items	**(3,297)**				(11,985)			
Diluted EPS – adjusted	**54,607**	**210,309**	**25.97**	**16.23**	49,806	207,362	24.02	14.83

[1] As disclosed in note 10, the tax charge for the period includes a credit in respect of the recognition of an additional deferred tax asset of $6.8m in respect of US tax losses. This credit does not result from the performance of the business in the period and has therefore been excluded in calculating Adjusted EPS.

[2] 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 $1.60 to £1 (2009: $1.62 to £1).

8. Dividends

A dividend of $35.3m was paid during the period to 31 October 2010 of 16.2 cents per share (2008: $22.4m or 11.1 cents per share).

The directors announce an interim dividend of 7.2 cents per share (2009: 5.6 cents per share) payable on 28 January 2011 to shareholders who are on the register at 7 January 2011. This interim dividend, amounting to $14.8m (2009: $11.5m) has not been recognised as a liability in this half-yearly report.

9. Reconciliation of operating profit to EBITDA

	6m to 31 Oct 2010 (unaudited)	6m to 31 Oct 2010 (unaudited)	12m to 30 Apr 2010 (audited)
	$'000	$'000	$'000
Operating profit	**66,686**	42,141	105,417
Exceptional items – reorganisation costs	**-**	25,548	45,088
Share-based compensation charge	**1,635**	1,430	3,069
Amortisation of purchased intangibles	**7,858**	6,331	14,399
Adjusted operating profit	**76,179**	75,450	167,973
Depreciation	**2,176**	1,774	4,202
Amortisation of software	**604**	769	1,166
Adjusted EBITDA	**78,959**	77,993	173,341
EBITDA	**77,324**	51,015	125,184
Exceptional items – reorganisation costs	**-**	25,548	45,088
Share-based compensation charge	**1,635**	1,430	3,069
Adjusted EBITDA	**78,959**	77,993	173,341

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 period was $8.0m (2009: $10.3m). The Group's effective tax rate is 12.6% (2009: 26.5%).

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, with the exception that "discrete" items are recognised in the period to which they relate. During the period the Group reviewed its deferred tax assets in respect of US tax losses acquired as part of the acquisitions made in prior periods. The directors concluded that due to increased certainty over the utilisation of future losses it was appropriate to increase the value of losses recognised as a deferred tax asset. $6.8m has been recognised through the income statement in respect of losses acquired as part of the acquisitions of NetManage, Relativity and Liant. A further $5.8m deferred tax asset has been recognised as a reduction to the goodwill arising on the acquisition of Borland, for which the final purchase accounting adjustments were made in the period (see note 17).

Excluding the impact of the recognition of these additional deferred tax assets the Group's effective tax rate would be 23.4% for the period. The effective tax rate for the full year is expected to be approximately 18%, including the benefit arising from the recognition of the additional losses in the first half.

11. Other intangible assets

Expenditure totalling $10.3m (2009: $4.7m) was made in the period. This consisted of $9.8m in respect of development costs and $0.5m in respect of purchased software.

12. 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 2010. Capital expenditure of $0.9m was made in the period. There are no significant commitments to purchase property, plant and equipment as at 31 October 2010.

13. Trade and other receivables

	31 Oct 2010 (unaudited)	31 Oct 2009 (unaudited)	30 Apr 2010 (audited)
	$'000	$'000	$'000
Trade receivables	**97,715**	91,076	100,389
Prepayments	**11,969**	25,248	21,540
Accrued income	**2,130**	2,456	4,359
Total	**111,814**	118,780	126,288

14. Trade and other payables - current

	31 Oct 2010 (unaudited)	31 Oct 2009 (unaudited)	Restated * 30 Apr 2010 (audited)
	$'000	$'000	$'000
Trade payables	**8,367**	5,961	10,744
Other tax and social security payable	**9,420**	9,208	7,977
Accruals	**57,632**	80,802	73,781
Deferred income	**120,827**	122,612	125,652
Total	**196,246**	218,583	218,154

* Balances as at 30 April 2010 have been restated to reflect adjustments made in respect of goodwill on prior year acquisitions of $1.7m following a revision of the valuation of trade and other payables.

15. Borrowings

	31 Oct 2010 (unaudited)	31 Oct 2009 (unaudited)	30 Apr 2010 (audited)
	$'000	$'000	$'000
Bank loan secured	**73,000**	147,500	101,000

At 31 October 2010, the Group had a three year secured $215m revolving credit facility in place, denominated in US dollars, which expires on 6 May 2012. Interest on the facility is payable at US Dollar Libor plus 2.25% from 30 April 2010 depending on covenant ratios.

16. 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.

17. Business combinations

Prior period

i) AMQ business acquired from Compuware Corporation

On 29 May 2009, the Group acquired from Compuware Corporation, its Testing and ASQ division. Details of this business combination were disclosed in note 29 of the Group's Annual Report and Accounts 2010.

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. Details of this business combination were disclosed in note 29 of the Group's Annual Report and Accounts 2010.

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 were based on a provisional assessment pending final determination of some assets and liabilities. During the twelve months following the acquisition, the provisional amounts disclosed previously have been finalised.

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

	Carrying value at acquisition	Provisional fair value	Measurement adjustments	Final fair value
	$'000	$'000	$'000	$'000
Intangible assets	20,148	41,800	-	41,800
Property, plant and equipment	6,996	4,481	-	4,481
Receivables	34,670	31,105	-	31,105
Cash and cash equivalents	139,635	139,635	-	139,635
Payables	(51,536)	(64,711)	(1,733)	(66,444)
Deferred income	(39,518)	(35,606)	-	(35,606)
Convertible bonds	(114,984)	(114,984)	-	(114,984)
Deferred tax assets	-	24,480	5,768	30,248
Net assets / (liabilities)	(4,589)	26,200	4,035	30,235
Goodwill		93,883	(4,035)	89,848
Consideration		120,083	-	120,083
Consideration satisfied by:				
Cash		120,083		

The measurement adjustments relate to payables and deferred tax assets and are made up as follows:-

	$'000
Increase in provisions relating to onerous leases and dilapidations on properties acquired	843
Tax liabilities and refunds received relating to pre-acquisition period	(197)
Litigations relating to pre-acquisition period	747
Rent underpaid in pre-acquisition period on property acquired	330
Deferred tax asset on losses relating to pre-acquisition period	(5,768)
Other	10
Total	**(4,035)**

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.

Independent review report to Micro Focus International plc

Introduction

We have been engaged by the Company to review the consolidated interim information in the interim financial report for the six months ended 31 October 2010, 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 interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the consolidated interim financial information.

Directors' responsibilities

The interim financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim 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 interim 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 interim 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 interim financial report for the six months ended 31 October 2010 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 2010

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.