Interim Results For Six Months Ended 31 October 2012

Kevin Loosemore

Mike Phillips

6th December 2012

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Financial Review

Mike Phillips

Key Highlights

- **Interim dividend increased by 45.1% to 11.9 cents per share (2011: 8.2 cents per share)**
  - reflecting move to 2 times dividend cover on pre-exceptional earnings basis
- **Adjusted EBITDA ahead of market expectations**
- **Revenue in line with market expectations and previous guidance**
- **Return of Value of 50 pence per share (equivalent to 78.8 cents per share) approved by shareholders and payment made on 12 November 2012 at total cost of $129.3m**
- **Strong cash conversion in the period**
  - Cash generated from operations as a percentage of Adjusted EBITDA less exceptional items was 92.8% (2011: 99.8%)
  - Net debt at 31 October 2012 reduced to $96.2m (2011: $46.5m) from $113.2m at 30 April 2012:
    - during this period payment of the final dividend of $39.7m
    - Net debt to Adjusted EBITDA multiple of 0.5 times (2011: 0.3 times) would have increased to 1.2 times if Return of Value had been paid by 31 October 2012
- **Further Returns of Value planned in November 2013 and November 2014**

Income Statement: Six Months to 31 October 2012

- **Total revenues**
  - Reported revenues declined by 5.4% to $207.3m (2011: $219.1m)
  - Constant currency revenues declined from $211.7m, a 2.1% reduction
- **Revenue by type at constant currency**
  - Licence fee revenue increased by 0.4% to $85.3m (2011: $85.0m)
  - Maintenance revenue increased by 0.1% to $113.4m (2011: $113.3m)
    - Represents 54.7% of total revenue (2011: 53.5%)
  - Consulting revenue declined by 35.8% to $8.6m (2011: $13.4m)
- **Revenue by geography at constant currency**
  - North America declined by 10.0% to $91.3m (44% of Group)
  - International increased by 0.6% to $78.0m (38% of Group)
  - Asia Pacific and Japan increased by 16.2% to $38.0m (18% of Group)
- **Revenue by product at constant currency**
  - CDMS increased by 4.3% to $152.8m (2011: $146.5m)
  - Borland, comprising Test & Niche, declined by 16.4% to $54.5m (2011: $65.2m)
  - Maintenance renewal rates improved from 89.4% to 92.2% in CDMS and from 80.6% to 83.1% in Borland

Adjusted EBITDA – Underlying

	Six months ended 31 October 2012 as reported	Six months ended 31 October 2011 as reported	Year ended April 2012 as reported
	$m	$m	$m
Reported and Underlying Revenue	207.3	219.1	434.8
Adjusted EBITDA	92.2	89.2	179.8
Foreign Exchange credit	(0.8)	(1.5)	(3.6)
Net Capitalization of Development Costs	(1.8)	(1.3)	(3.3)
Underlying Adjusted EBITDA	**89.6**	**86.4**	**172.9**
Underlying Adjusted EBITDA Margin	**43.2%**	**39.4%**	**39.8%**

Guidance range of 37% to 42% for Underlying Adjusted EBITDA now increased to 40% to 45%.

Micro Focus primary reporting number will still be Adjusted EBITDA

Income Statement: Six Months to 31 October 2012

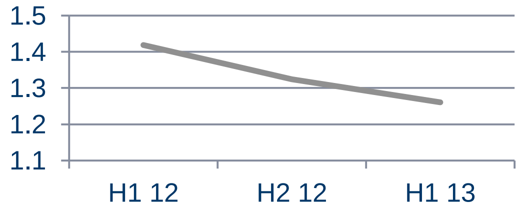
- **Adjusted Operating Costs at constant currency reduced to $117.2m (2011: $126.5m)**
  - Cost savings of $5.5m associated with reduction in Consultancy Fee Revenues
  - Other Personnel Cost savings of $0.7m
  - Property related cost savings from fewer buildings and Headquarters purchase of $1.0m
  - Bid Defence Costs in H1 2011 of $1.1m
  - Lower Depreciation charge of $0.3m
  - Fixed Asset disposal gain of $0.4m
  - Other costs reduced by $0.5m
  - Cost impact of $0.7m from reduced foreign exchange gain (2012: $0.8m; 2011: $1.5m)
  - Cost benefit of $0.5m from increased level of net capitalization of development cost (2012: $1.8m; 2011: $1.3m)
- **Adjusted EBITDA increased by 3.4% to $92.2m (2011: $89.2m)**
  - Adjusted EBITDA margin of 44.5% (2011: 40.7%)
- **Exceptional items were $Nil (2011:credit of $1.8m)**
- **EPS and dividend**
  - Diluted EPS increased by 13.3% to 35.60 cents (2011: 31.42 cents)
  - Adjusted diluted EPS increased by 15.3% to 40.04 cents (2011: 34.74 cents)
  - Interim dividend up by 45.1% to 11.9 cents per share (2011: 8.2 cents per share)

Currency Impact

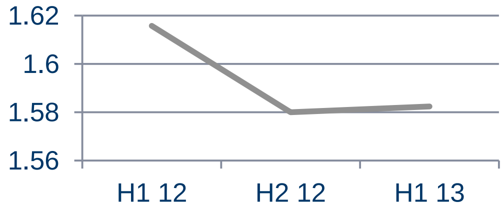
The revenue and cost profile of the main currencies is:

	Revenue	Cost
US$	52.5%	31.9%
Euro	19.8%	18.8%
GBP	4.8%	25.4%
Yen	9.9%	3.6%

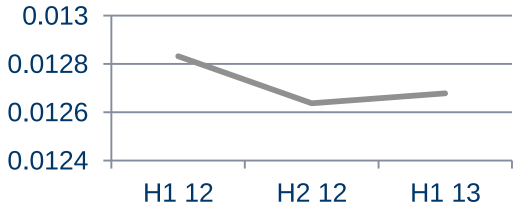
USD to Euro



USD to GBP



USD to Yen



The impact of exchange rate movements can be seen by the changes to prior year reported numbers when they are stated at CCY. For the six months to 31 October 2011 CCY revenues are 3.4% lower at $211.7m and profit before tax before the exchange gain below of $1.5m is 2.0% lower at $73.3m than the reported numbers.

The greatest movement in exchange rates continues to be in the US$ to Euro where the average US$:Euro exchange rate in the 6 months to 31 October 2012 was $1.2602:€1 which is 11.2% lower than the average for the six months to 31 October 2011 and 4.8% lower than the six months to 30 April 2012.

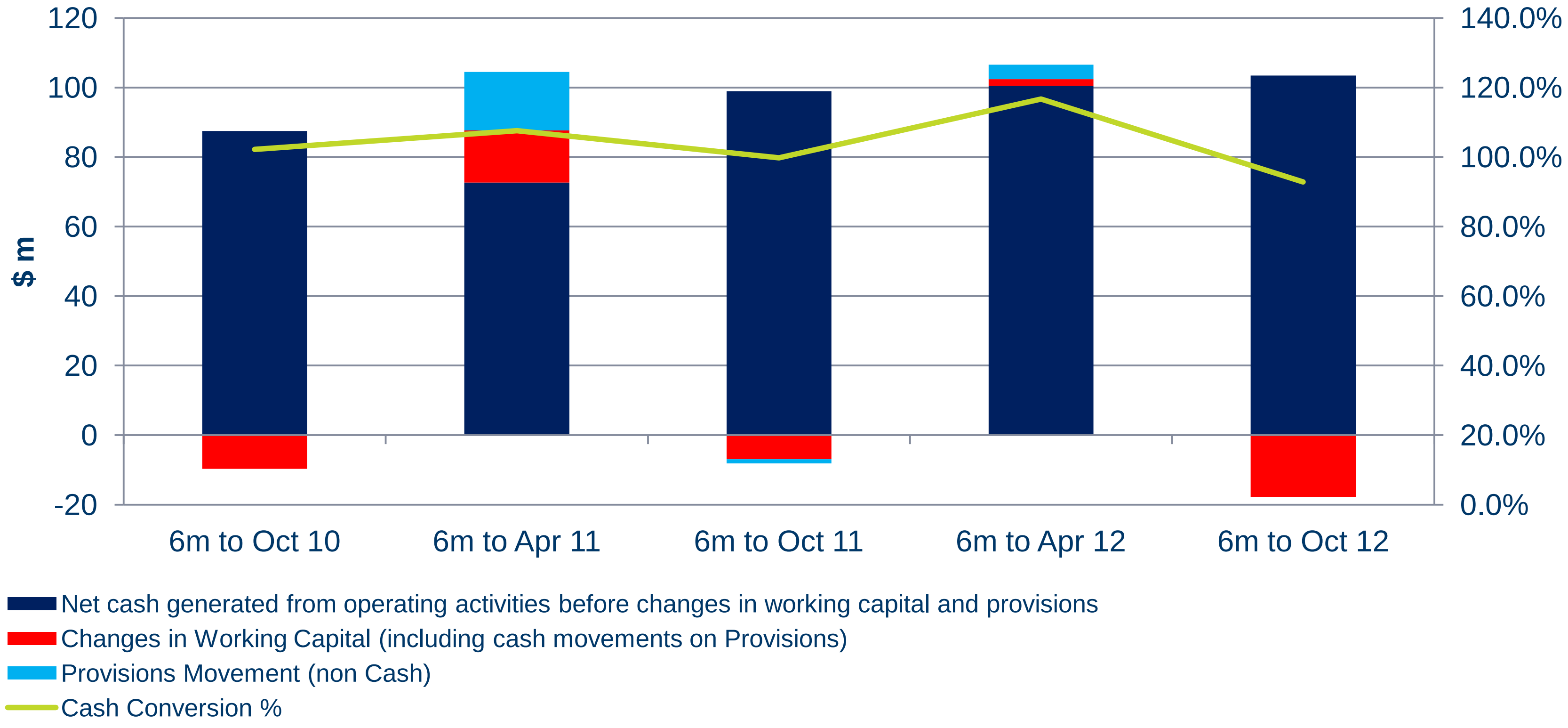
The exchange gain of $0.8m in the six months to 31 October 2012 arose mostly from the revaluation of short-term intercompany balances and the significant movement on Euro:US$ exchange rate. (2011: $1.5m)

Cash Flow & Balance Sheet

- **Cash Flow**
  - Net cash generated from operating activities of $85.6m (2011: $90.8m)
  - Cash flow conversion of Adjusted EBITDA less exceptional items is 92.8% (2011: 99.8%)

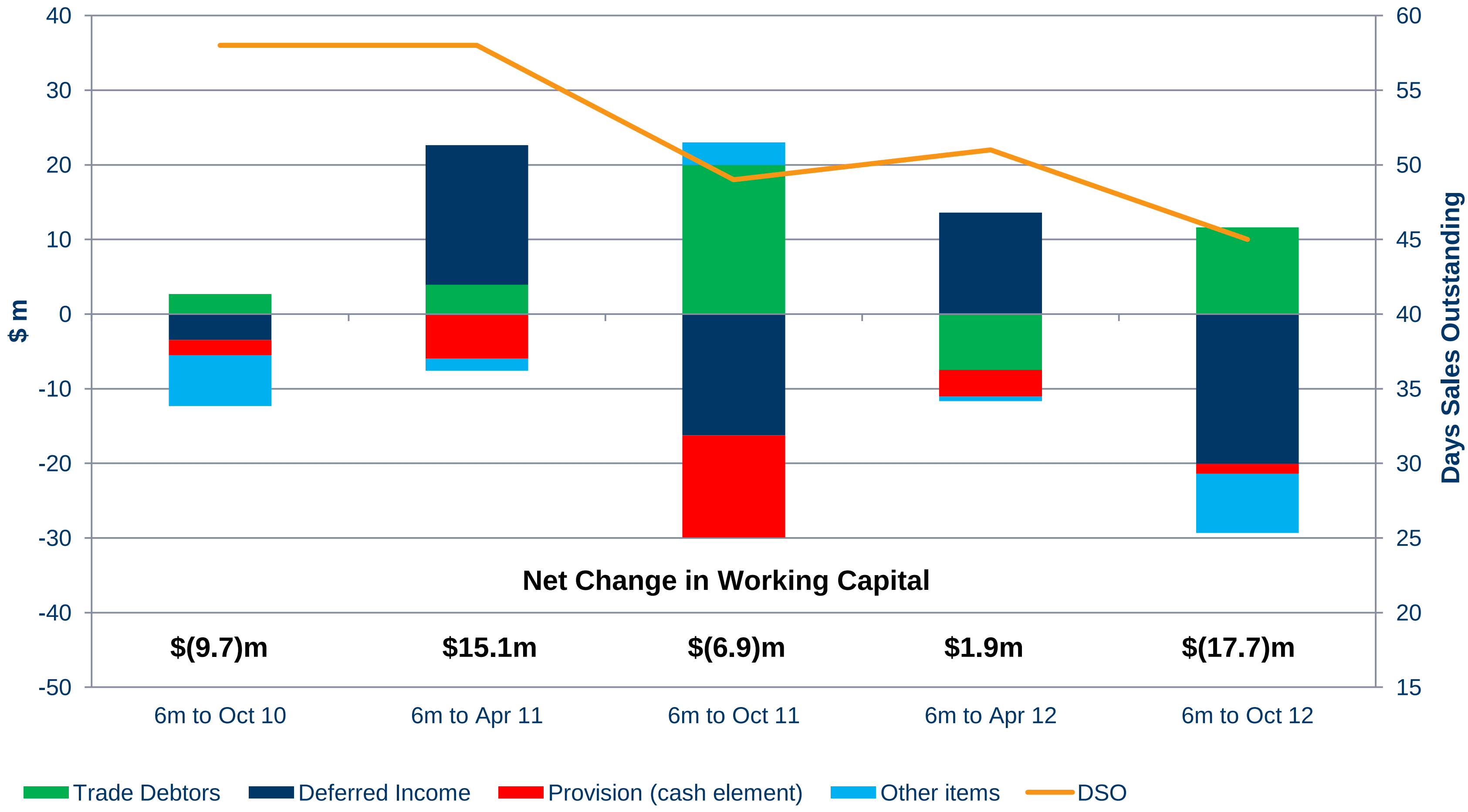
- **Balance Sheet**
  - Net debt at 31 October 2012 of $96.2m (31 October 2011: $46.5m)
  - Return of Value in January 2012 of $129.6m
  - Dividends paid in last 12 months of $55.0m
  - Further Return of Value of $129.3m recognized as a liability at 31 October 2012
    - Cash paid to shareholders on 12 November 2012

Cash Conversion



- Reduction in cash conversion ratio in H1 due to negative working capital movement
- Anticipated to be reduced in H2 due to timing of maintenance billings
- DSO at 45 days at 31 October 2012.

Changes in Working Capital



Profitability by Region

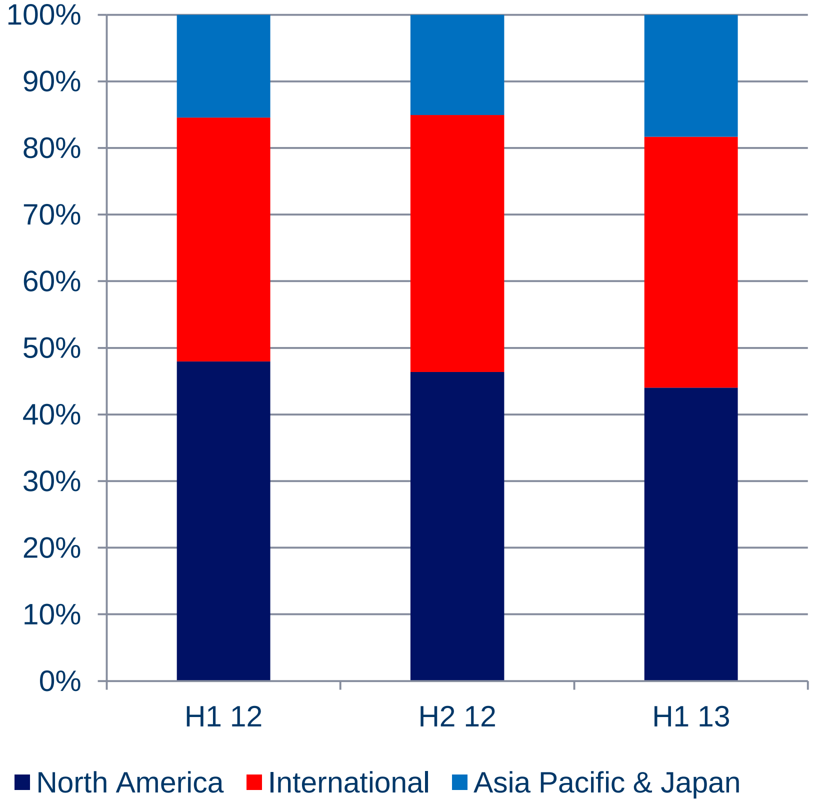
Six Months to 31 October 2012	North America	International	Asia Pacific & Japan	Total
	$'000	$'000	$'000	$'000
Segment revenue	**91,295**	**77,961**	**38,049**	**207,305**
Directly managed costs	(15,787)	(25,217)	(9,251)	(50,255)
Allocation of centrally managed costs	(32,687)	(25,855)	(8,356)	(66,898)
Total segment costs	**(48,474)**	**(51,072)**	**(17,607)**	**(117,153)**
Adjusted operating profit	42,821	26,889	20,442	90,152
Share based compensation charge				(3,251)
Amortization of purchased intangibles				(7,851)
OPERATING PROFIT				**79,050**

Six Months to 31 October 2011	North America	International	Asia Pacific & Japan	Total
As Reported	$'000	$'000	$'000	$'000
Segment revenue	**101,475**	**84,555**	**33,072**	**219,102**
Directly managed costs	(18,842)	(33,594)	(7,881)	(60,317)
Allocation of centrally managed costs	(34,838)	(28,926)	(8,301)	(72,065)
Total segment costs	**(53,680)**	**(62,520)**	**(16,182)**	**(132,382)**
Adjusted operating profit	47,795	22,035	16,890	86,720
Exceptional items				1,805
Share based compensation charge				(1,980)
Amortization of purchased intangibles				(7,851)
OPERATING PROFIT				**78,694**

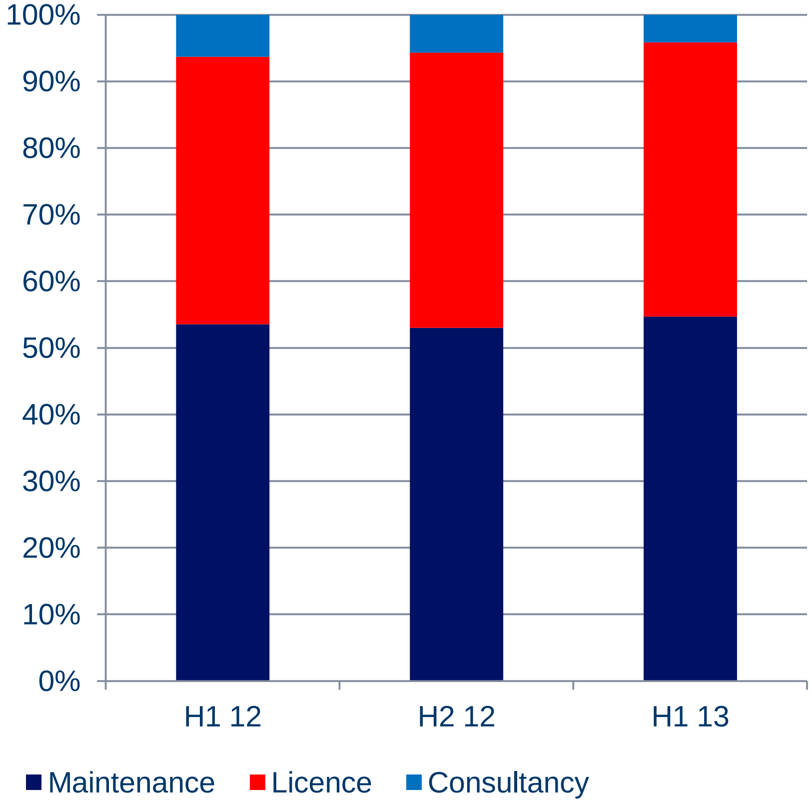
- **Regional Profit & Loss Accounts**
  - Directly managed costs under control of Regional Presidents
  - Centrally managed costs allocated to regions
  - Compensation weighted towards Adjusted EBITDA for the Regions

Revenue at Constant Currency by Half Year

Revenue by region (%)



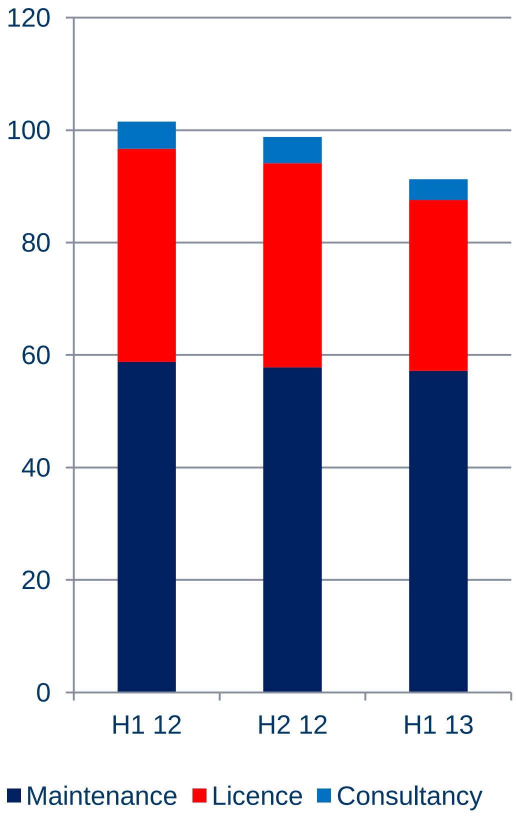
Revenue by type (%)



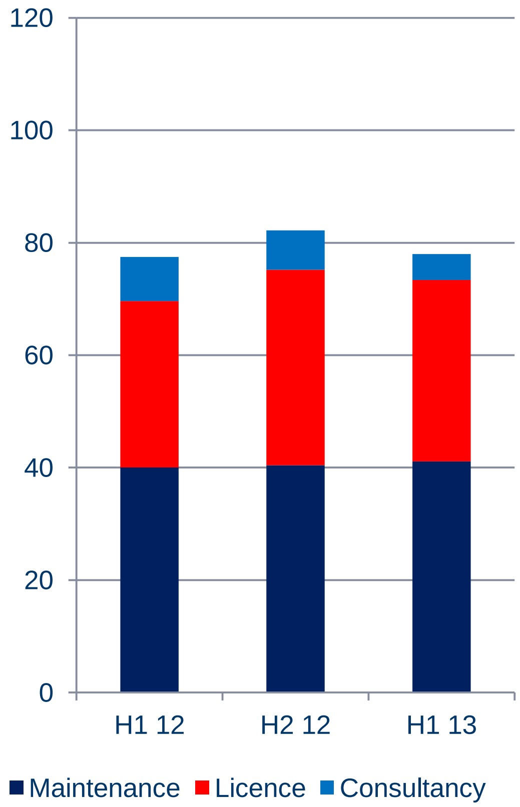
Revenue at Constant Currency by Half Year

Region Revenue by type ($m)

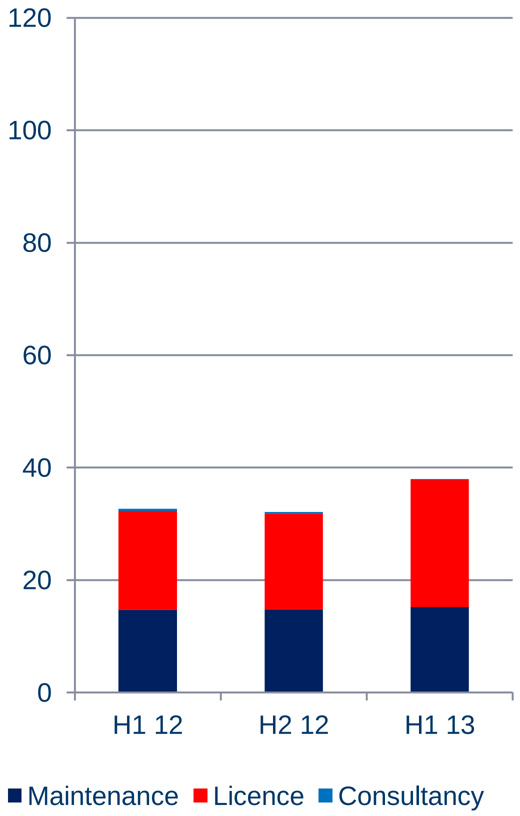
North America



International



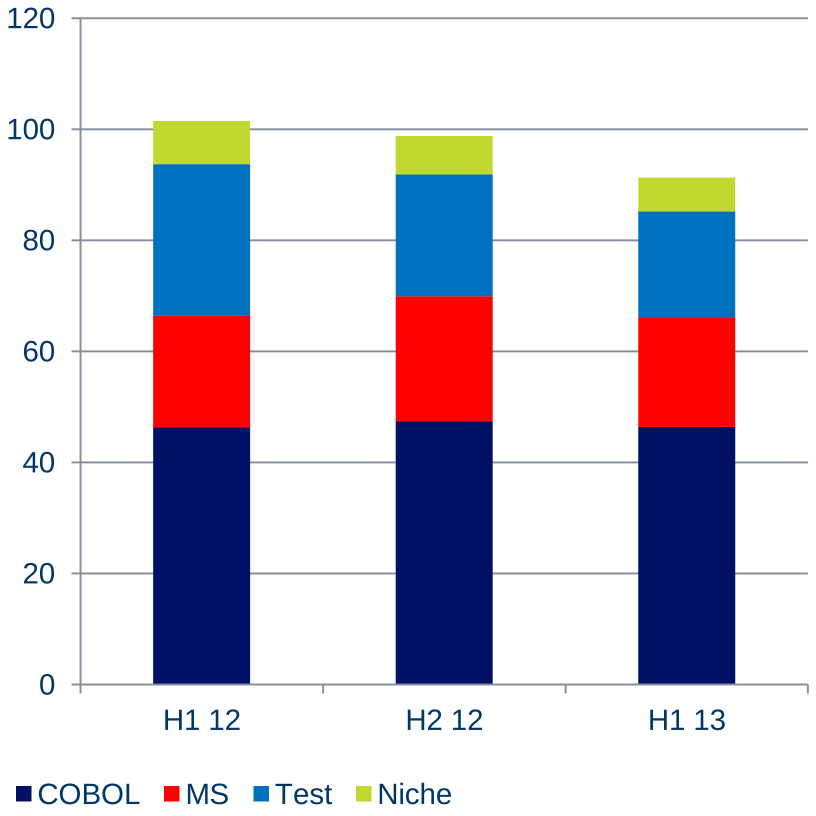
Asia Pacific



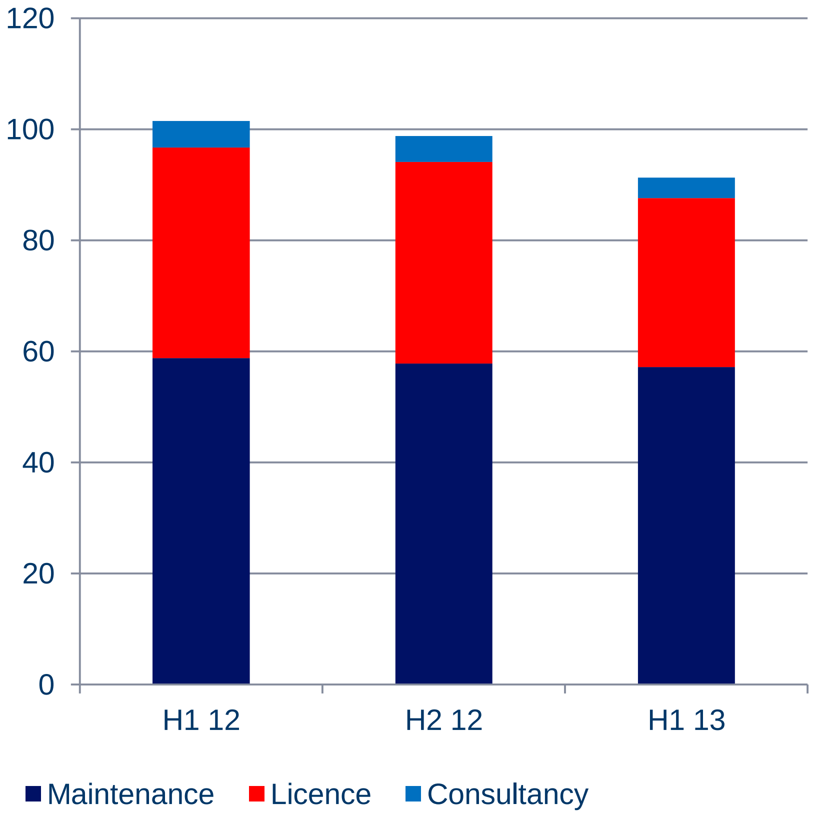
Revenue at Constant Currency by Half Year

North America

Revenue by product ($m)



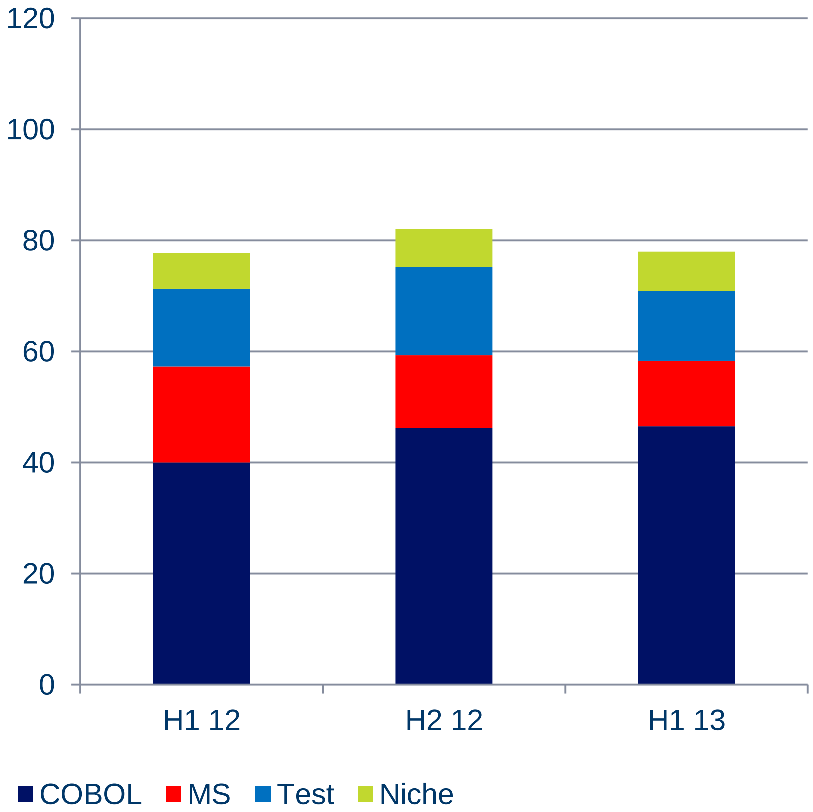
Revenue by type ($m)



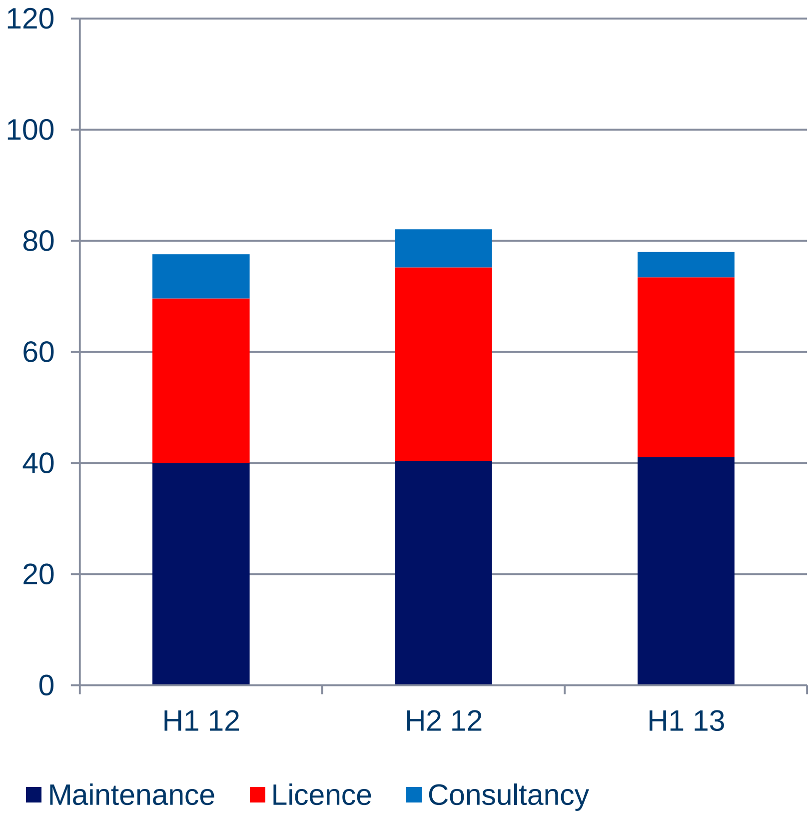
Revenue at Constant Currency by Half Year

International

Revenue by product ($m)



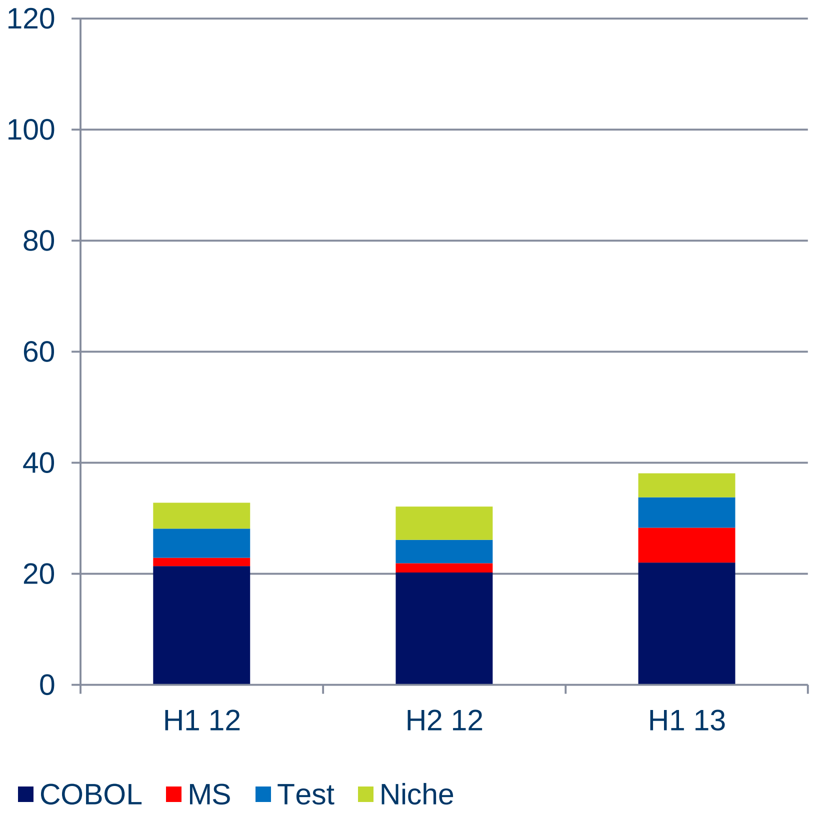
Revenue by type ($m)



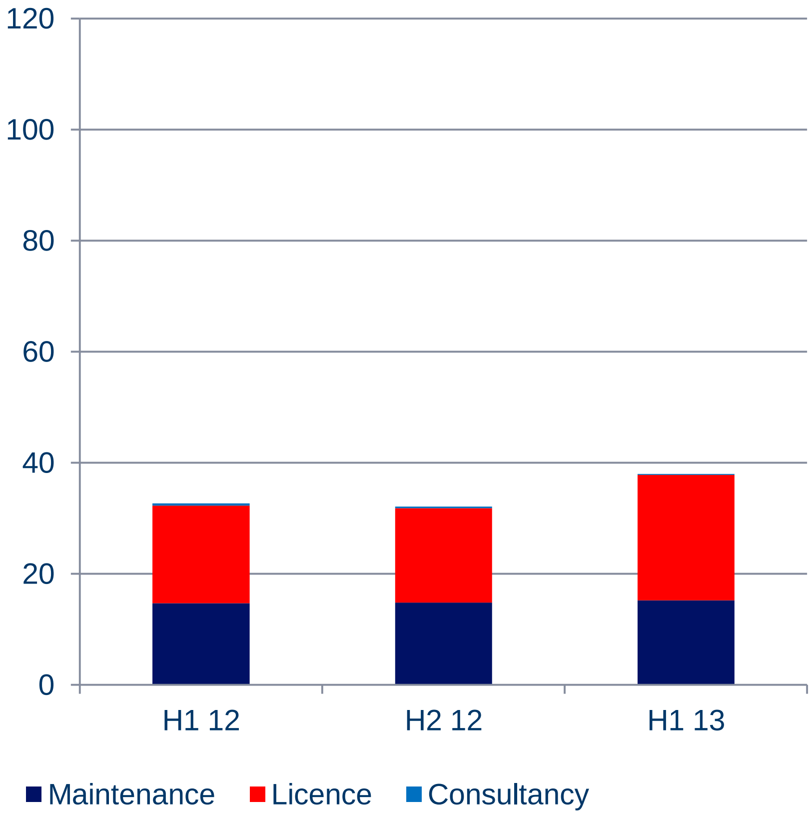
Revenue at Constant Currency by Half Year

Asia Pacific and Japan

Revenue by product ($m)

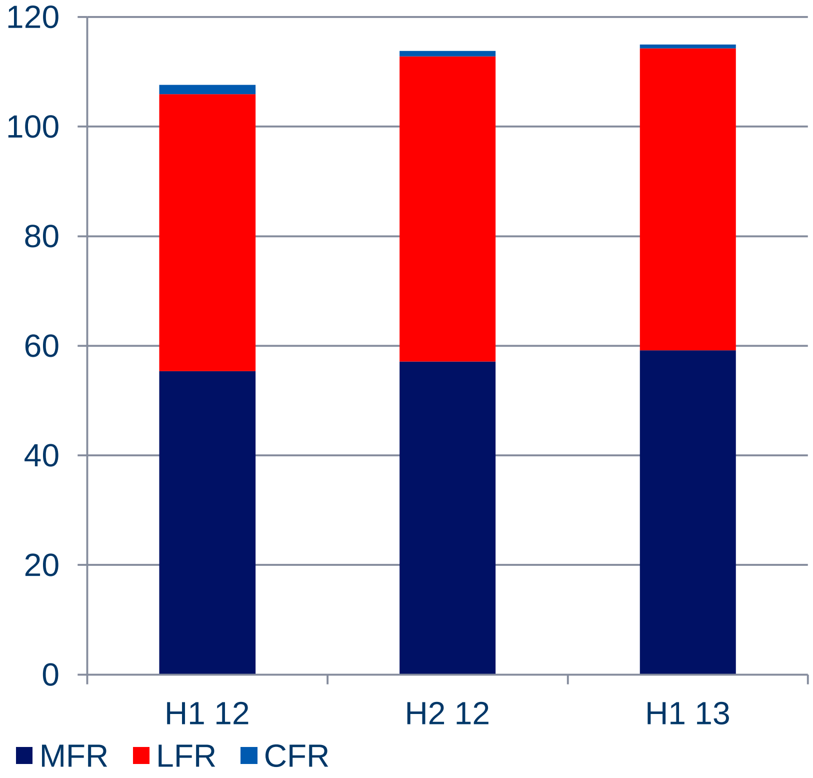


Revenue by type ($m)

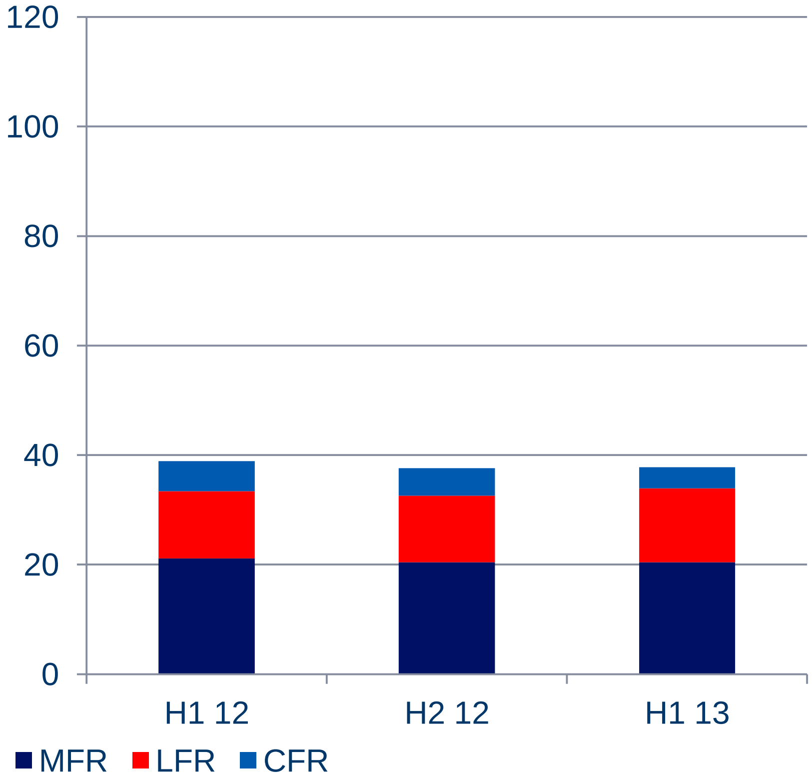


Revenue Performance by Product Portfolio

COBOL Development ($m)



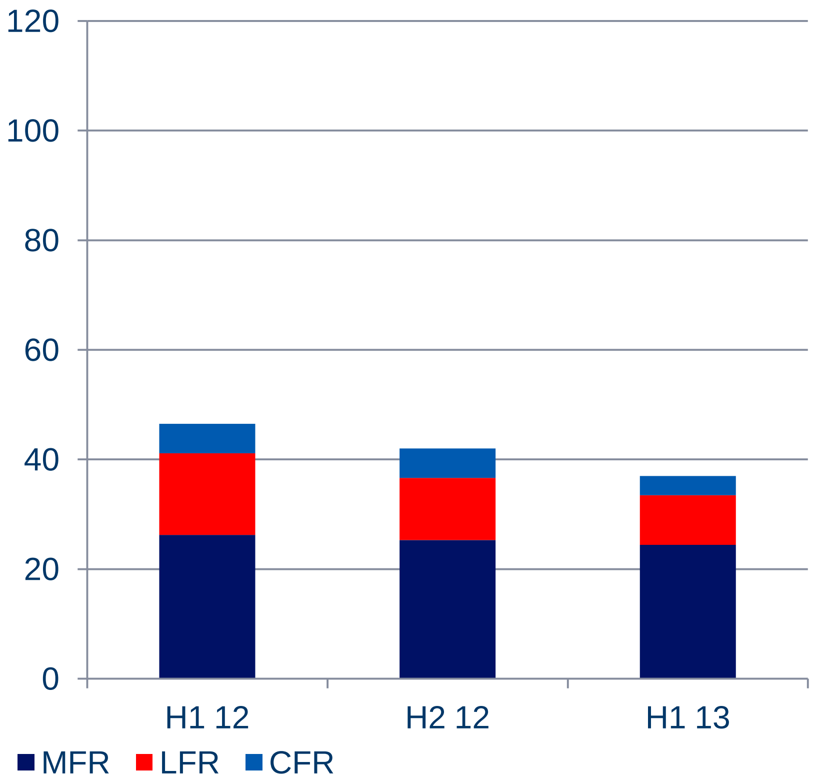
Mainframe Solution ($m)



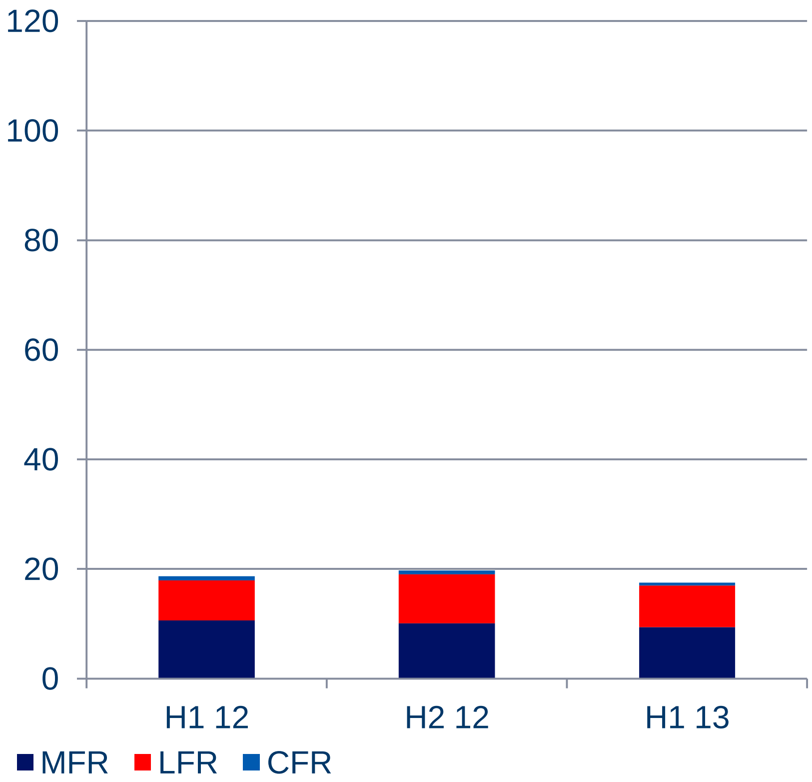
Constant currency revenues by half year in $m by product portfolio

Revenue Performance by Product Portfolio

Test ($m)



Niche ($m)



Constant currency revenues by half year in $m by product portfolio

Taxation

- **Effective tax rate in the period is 20.7% (2011: 17.7%)**
  – Full year forecast rate is between 21% and 22%
  – The Group's medium term tax rate is now expected to be between 19% and 21%
- **Deferred tax asset recognition**
  – Additional deferred tax assets of $1.0m (2011: $2.0) have been recognized through a credit to the income statement in the period relating to acquired US tax losses due to increasing certainty that they can be used
- **Impact of reduction in UK tax rate**
  – A credit of $0.5m (2011: $0.4m) has been recognized in the period due to the impact on deferred tax liabilities of the reduction in the UK tax rate from 24% to 23% on 1 April 2013
- **Cash tax benefit of $2.4m (2011: $4.5m)**
  – Total cash tax benefit of $17.0m
  – Ongoing claim which is being challenged by HMRC
  – No income statement benefit taken for reduced cash payment

Return of Value

- **The Board is confident in the ability of the business to support borrowings**
- **Second Return of Value made in CY2012**
  - Amounting to approximately $129.3m in cash paid on 12 November 2012
  - Equivalent to 78.8 cents per share (50 pence per share)
  - B and C share scheme accompanied by a share consolidation
- **If $129.3m Return of Value had been made as at 31 October 2012**
  - Gross borrowings of $258.3m
  - Net debt of $225.5m
  - Reported Adjusted EBITDA in the twelve months to 31 October 2012 of $182.8m
  - Net debt to last twelve months Adjusted EBITDA multiple of 1.2 times
- **Further Returns of Value to be made in November 2013 and 2014**
  - Target of Net Debt to last twelve months Adjusted EBITDA of 1.5 times
  - Similar amounts in each Return of Value
  - Will go ahead in absence of significant acquisition, share buy-back opportunity or unforeseen circumstances
  - Discussions with existing banks on financing options have been positive and continue

Key Financial Highlights

- **Revenue in line with market expectations and Adjusted EBITDA ahead**
- **Strong cash conversion in the period**
  - Cash generated from operations as a percentage of Adjusted EBITDA less exceptional items was 92.8% (2011: 99.8%)
  - Net debt at 31 October 2012 decreased to $96.2m from $113.2m at 30 April 2012 (31 October 2011: $46.5m)
    - Return of Value in January 2012 - $129.6m
    - Dividends paid in last 12 months - $55.0m
- **Interim dividend increased by 45.1% to 11.9 cents per share (2011: 8.2 cents per share) payable on 25 January 2013 to shareholders on the register on 4 January 2013**
- **Return of 50 pence per share (equivalent to 78.8 cents per share at a cost of $129.3m) made on 12 November 2012**
- **Further Returns of Value planned for November 2013 and November 2014**
  - Absent a significant acquisition, share buy-back opportunity or unforeseen circumstances

Business Review & Outlook

Kevin Loosemore

Key Messages

- **Primary objective: deliver peer leading returns to shareholders**
  – Interim dividend increased by 45.1% to 11.9 cents (2011: 8.2 cents)
  – Return of value of 78.8 cents per share at a cost of $129.3m
  – Next 3 year financial model now complete
  – ‘Investing’ approximately 8% of sales in pursuit of growth
- **1H13 consolidates stabilization begun in FY12**
  – 7 quarters of stable revenues and earnings
  – Maintenance stabilization encouraging
- **Operational highlights**
  – Now OK at building new products and being well received
  – Not geared up to exploit effectively – mis-match of channel requirement and capability
  – Pipeline building but productivity poor
- **M&A target search and engagement**
  – Prudent approach based on published financial returns and tight industry logic

Turnaround Program:

Where are we?

Phase I: Stabilization

Actions
- Rightsize costs
- Stem consulting losses
- Rationalize properties
- Invigorate product mgmt

Metrics
- Return Adj. EBITDA to 40% → Result: Achieved
- Improve sales productivity → Result: Achieved
- Stabilize top line → Result: Achieved
- Maintain cash conversion % → Result: Achieved

FY12 Focus

1H13

Phase II: Plant Seeds To Explore Growth Potential

Actions
- New product launches
- *Tighten links to sales channels**
- Repackaged, well priced offers
- Leverage existing customer base

Metrics
- Stabilization of maintenance revs
- Lead generation & conversion rates
- LFR growth from new products & market areas

FY13 Focus

FY14 Focus

Phase III: Deliver Sustainable Returns

Time Line (3 years+)

- *Note that this chart is unchanged since December 2011, except for this line which then focused just on telesales & web sales. We have now added all channels to market, including our sales force and partners.*

Product Focus 1H FY13

CDMS

Quarter	Product	Date	Description
FY13 Q1	Enterprise Analyser 2.0	**May 2012**	**Primarily packaging**
	Enterprise Developer 2.0	**May 2012**	**Primarily packaging**
	Enterprise Test Server 2.0	**May 2012**	**Primarily packaging**
	Enterprise Server 2.0	**May 2012**	**Primarily packaging**
	Visual COBOL 2.0	**June 2012**	**Extending capability & coverage**
	Rumba 8.3	**July 2012**	**Functional enhancement**
	Net Express/Server Express Web Sync 7	**July2012**	**Functional enhancement**
FY13 Q2	Visual COBOL for Visual Studio	**Sept 2012**	**New capability**
	extend 9.1.2	**Sept 2012**	**New capability**
	Visual COBOL 2.1	**Sept 2012**	**New capability**
	Net Express/Server Express 5.1	**Oct 2012**	**Functional enhancement**
	Enterprise Analyser 2.1	**Oct 2012**	**New capability**
	Enterprise Developer 2.1	**Oct 2012**	**New capability**
	Enterprise Test Server 2.1	**Oct 2012**	**New capability**
	Enterprise Server 2.1	**Oct 2012**	**New capability**
	ED for Z/Enterprise	**Oct 2012**	**New capability**
	ED Personal Edition	**Oct 2012**	**Free / marketing**

Blue – Enhancement to current product **Green –** New capability to address other opportunity

Product Focus 1H FY13

Borland

FY13 Q1	Silk Test 13	**May 2012**	**Functional enhancement**
	StarTeam 12.5	**May 2012**	**Functional enhancement**
FY13 Q2	Silk Test 13.5	**Oct 2012**	**Functional enhancement**
	Caliber 11	**Nov 2012**	**New capability & enhancement**
	StarTeam 13.5	**Sept 2012**	**Functional enhancement**
	ST Agile 1	**Sept 2012**	**New capability**
	SiteMeter 1	**Nov 2012**	**New capability / free**
	Silk Mobile 4.0	**Sept 2012**	**New capability**

Blue **–** Enhancement to current product **Green** **–** New capability to address other opportunity

Lots of good stuff – lots to work on:

- **Delivery of products is flushing out areas for improvement**
  - Linkages between product management, product marketing and field marketing
  - Channel selection – what we have or what we need?
  - Channel enablement
- **Rebalance sales channels**
  - Direct sales channel not appropriate for all products
  - Poor focus on some market segments (e.g. Intl ISV, Distributors)
  - Increased Enterprise Business Representatives from FY12 average of 7 to 24
  - Decreased Direct sales from FY12 average of 131 to 127
  - Inside sales increased from FY12 average of 58 to 69
  - More specialization required
  - Significant room for productivity improvement
- **Improved customer focus**
  - Franchise remains unexploited
  - Leverage all functions to engage (Customer Service, Development etc)

Operational Strategy (no change)

Licence Fee Revenue:

- **COBOL Development**
  - Innovate to prolong life (decades!)
    - Fix perceived skills issue
    - Faster way to .net and Java
  - Industry standard IDE's
    - Visual Studio and Eclipse
- **Mainframe Solution**
  - Expand offering to address wider spread of enterprise needs
    - Enterprise Analyser
    - Enterprise Developer
    - Enterprise Test Server
    - Enterprise Server
- **Test**
  - Open, Agile, Enterprise

Maintenance Fee Revenue:

- Retain our existing customer base
  - Migrate to newer software versions
  - Clear roadmaps
- New licence sales
- Attach rate
- Win back campaigns

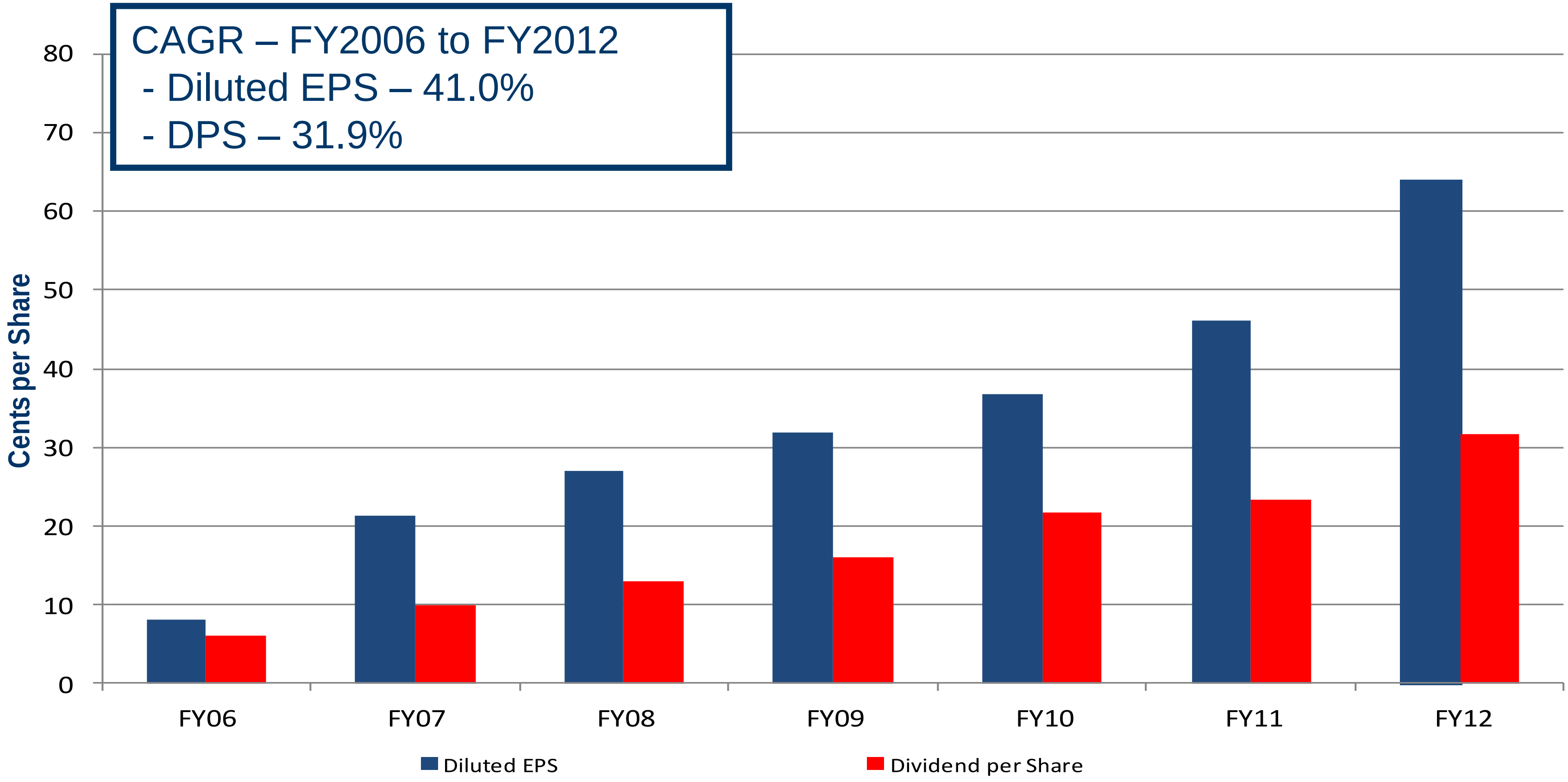
Tactical:

- Reduce non strategic consultancy
- Niche - maintain

Mergers & Acquisitions:

- No dilution of group returns
- 5 year cash payback
- Our conservative approach demands that deals have a tight industry logic

Diluted Earnings Per Share and Dividend per Share



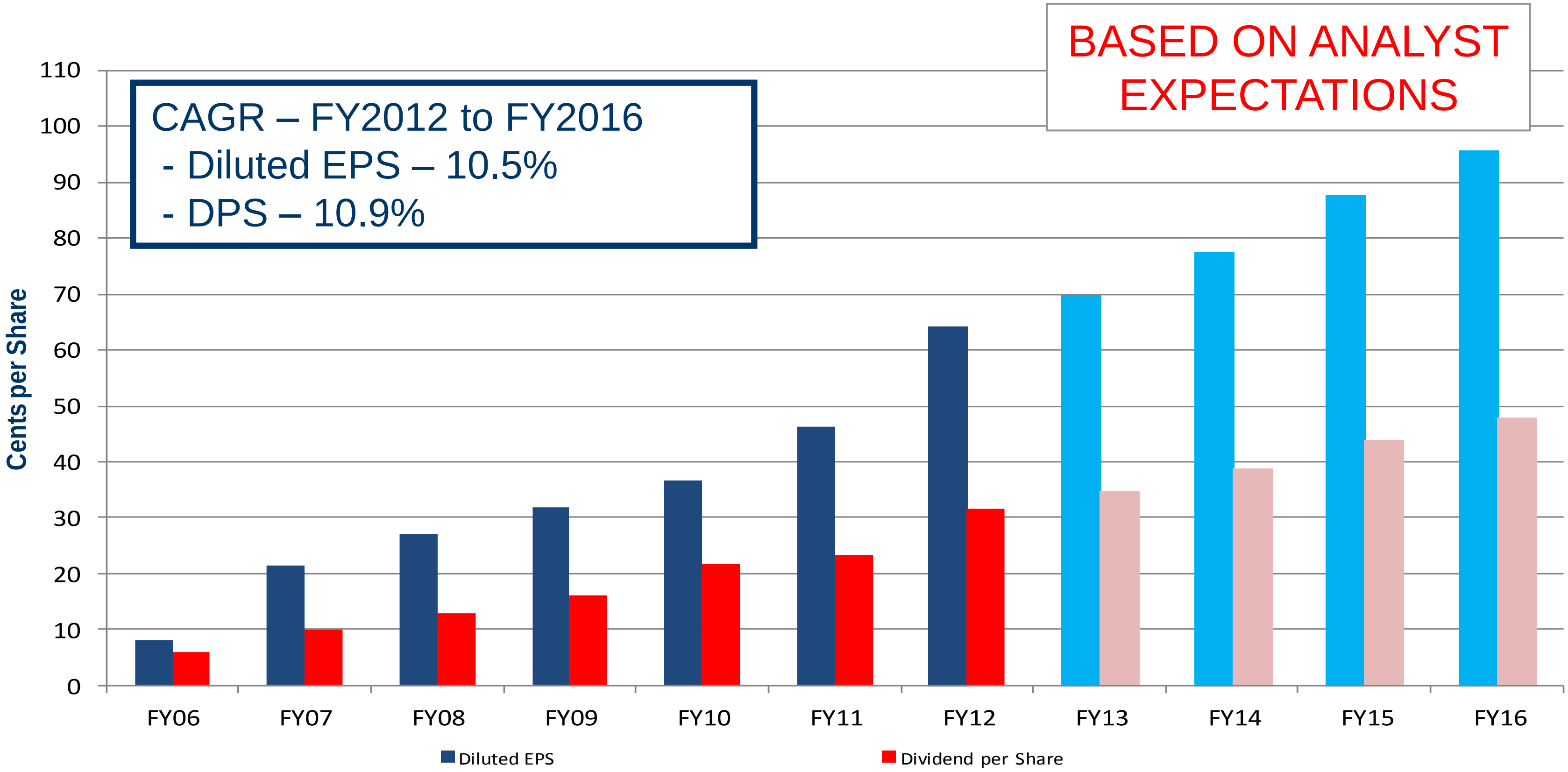
Cash to shareholders in last 12 months 179.4 cents (115.2 pence) per share including two Returns of Value

Cash to shareholders since IPO 269.2 cents (168.7pence) per share including two Returns of Value

Further Returns of Value

- **Absent a significant acquisition, share buy-back opportunity or unforeseen circumstances the Board's current intention would be to make further similar Returns of Value in November 2013 and November 2014, consistent with our intention of moving to a net debt to Adjusted EBITDA multiple of 1.5 times**
- **Illustrative example of what could be achieved based on current analysts' consensus for Adjusted EBITDA**
  - FY13 - $177.3m
  - FY14 - $183.2m
  - FY15 - $188.9m
  - FY16 - $194.0m (extrapolation for FY16)
- **Similar amounts in each Return of Value**
  - require new banking facility to be in place
- **Each Return of Value would be accompanied by a share consolidation**

Diluted Earnings Per Share and Dividend per Share



Cash to shareholders from Dec 2012 to Oct 2016, >300 cents (>200 pence) per share including a further two Returns of Value

Combination of Earnings growth and cash returns gives return greater than CoC

Primary focus remains: driving returns for Shareholders

- **Pursue sustainable organic growth - we are investing approximately 8% of revenues in growth**
- **Dividend payout ratio of 50%**
- **Further planned returns of value Nov 2013 & Nov 2014 (accompanied by share consolidations)**
- **Buyback stock at historically attractive levels**
- **Acquisition criteria will balance returns and growth**
  - No dilution of group returns
  - 5 year cash return > 20%
  - Our conservative approach demands that deals have a tight industry logic for the group

Outlook

Kevin Loosemore

Outlook

- Objective: Total Shareholder Returns ('TSR') > cost of capital
- With reduced CFR and challenging environments, expect 2H Revenue to be similar to 1H so adjusting our full year revenue guidance to -2% to -4% from +1% to -3% on a constant currency basis
- Maintenance revenues will be stronger than originally expected and that year on year decline will be nearer to 1% than our original guidance of down 2.3%
- Target range for Underlying Adjusted EBITDA increased to 40% to 45% from its previous range of 37% to 42%.
- Full year operating cashflow conversion from Adjusted EBITDA less exceptional items > 95%

Appendix

Consolidated Income Statement

	6 months to 31 Oct 2012 (unaudited) $'000	6 months to 31 Oct 2011 (unaudited) $'000	Year to 30 April 2012 (audited) $'000
Revenue	**207,305**	219,102	434,838
Cost of sales	**(17,329)**	(26,341)	(49,267)
Gross profit	**189,976**	192,761	385,571
Selling and distribution costs	**(62,573)**	(64,447)	(127,253)
Research and development expenses	**(24,715)**	(27,673)	(54,768)
Administrative expenses	**(23,638)**	(21,947)	(47,759)
Operating profit	**79,050**	78,694	155,791
Analyzed as:			
Operating profit before exceptional items	**79,050**	76,889	153,349
Exceptional items	**-**	1,805	2,442
Operating profit	**79,050**	78,694	155,791
Finance costs	**(2,702)**	(2,978)	(6,836)
Finance income	**96**	117	295
Profit before tax	**76,444**	75,833	149,250
Taxation	**(15,786)**	(13,420)	(28,630)
Profit for the year	**60,658**	62,413	120,620
Other comprehensive income			
Currency translation differences	**(2,630)**	(165)	1,045
Other comprehensive income for the period	**(2,630)**	(165)	1,045
Total comprehensive income for the period	**58,028**	62,248	121,665
Profit attributable to:			
Owners of the parent	**58,028**	62,248	121,665
Earnings per share expressed in cents per share	**Cents**	cents	Cents
- basic	**36.97**	32.13	65.77
- diluted	**35.60**	31.42	64.11
Earnings per share expressed in pence per share	**Pence**	pence	pence
- basic	**23.00**	19.28	41.29
- diluted	**22.15**	18.85	40.25

Consolidated Balance Sheet

	As at 31 October 2012 (unaudited) $'000	Restated * As at 31 October 2011 (unaudited) $'000	As at 30 April 2012 (audited) $'000
ASSETS			
Non-current assets			
Goodwill	**274,270**	274,415	274,340
Other intangible assets	**91,383**	104,338	97,811
Property, plant and equipment	**22,384**	21,762	22,302
Deferred tax assets	**36,375**	42,741	39,782
	424,412	443,256	434,235
Current assets			
Inventories	**801**	961	460
Trade and other receivables	**78,199**	82,972	91,856
Derivative financial instruments	**2,393**	-	-
Cash and cash equivalents	**30,558**	30,436	30,410
	111,951	114,369	122,726
TOTAL ASSETS	**536,363**	557,625	556,961
Liabilities			
Current liabilities			
Trade and other payables	**187,181**	60,780	61,164
Borrowings	**126,742**	76,899	143,613
Provisions	**2,708**	5,821	3,721
Current tax liabilities	**36,277**	33,315	35,438
Deferred income	**118,423**	121,520	136,135
	471,331	298,335	380,071
Non-current liabilities			
Non-current deferred income	**10,265**	13,642	12,611
Provisions	**6,358**	4,176	6,794
Deferred tax liabilities	**38,920**	41,429	39,939
	55,543	59,247	59,344
TOTAL LIABILITIES	**526,874**	357,582	439,415
NET ASSETS	**9,489**	200,043	117,546
EQUITY			
Ordinary shares	**37,797**	37,760	37,787
Share premium account	**15,061**	116,700	61,311
Retained earnings	**(112,976)**	78,795	(6,480)
Foreign currency translation reserve (deficit)	**(7,521)**	(6,127)	(4,891)
Other reserves (deficit)	**77,128**	(27,085)	29,819
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	**9,489**	200,043	117,546

* Balances as at 31 October 2011 have been restated to reflect Prepaid banking facility costs of $1,101,000 being netted off against the Borrowings rather than being shown within Prepayments.

Group Income Statement: Key Ratios

As reported	6 Months to 31 October 2012		6 Months to 31 October 2011		Year to 30 April 2012	
	$'000	% of revenue	$'000	% of revenue	$'000	% of revenue
Revenue	**207,305**		219,102		434,838	
Cost of sales	**(17,329)**	**8.4%**	(26,341)	12.0%	(49,267)	11.3%
Selling and distribution costs	**(62,573)**	**30.2%**	(64,447)	29.4%	(127,253)	29.3%
Research and development expenses	**(24,715)**	**11.9%**	(27,673)	12.6%	(54,768)	12.6%
Administrative expenses	**(23,638)**	**11.4%**	(21,947)	10.0%	(47,759)	11.0%
Total costs	**(128,255)**		(140,408)		(279,047)	
Operating profit	**79,050**		78,694		155,791	

Net Exceptional Credits	$'000	%	$'000	%	$'000	%
Revenue						
Cost of sales	**0**	**-**	0	-	159	0.0%
Selling and distribution costs	**0**	**-**	0	-	851	0.2%
Research and development expenses	**0**	**-**	0	-	127	0.0%
Administrative expenses	**0**	**-**	1,805	0.8%	1,305	0.3%
Net exceptional credits	**0**		**1,805**		**2,442**	

Excluding Net Exceptional Charges	$'000	%	$'000	%	$'000	%
Revenue	**207,305**		219,102		434,838	
Cost of sales	**(17,329)**	**8.4%**	(26,341)	12.0%	(49,426)	11.4%
Selling and distribution costs	**(62,573)**	**30.2%**	(64,447)	29.4%	(128,104)	29.5%
Research and development expenses	**(24,715)**	**11.9%**	(27,673)	12.6%	(54,895)	12.6%
Administrative expenses	**(23,638)**	**11.4%**	(23,752)	10.8%	(49,064)	11.3%
Total costs (before exceptional credits)	**(128,255)**		(142,213)		(281,489)	
Operating profit (before exceptional credits)	**79,050**		76,889		153,349	

EBITDA Reconciliation

	6 Months to 31 October 2012	6 Months to 31 October 2011	Year to 30 April 2012
	$’000	$’000	$’000
Operating profit	**79,050**	78,694	**155,791**
Exceptional items – restructuring costs and property rationalization	**-**	(1,805)	**(2,442)**
Share-based compensation charges	**3,251**	1,980	**6,056**
Amortization of purchased intangibles	**7,851**	7,851	**15,702**
Adjusted operating profit	**90,152**	86,720	**175,107**
Depreciation	**1,669**	1,962	**3,810**
Amortization of software	**387**	484	**921**
Adjusted EBITDA	**92,208**	89,166	**179,838**
EBITDA	**97,911**	97,204	**192,441**
Amortization of capitalized development costs	**(8,954)**	(8,213)	**(16,217)**
Exceptional items – restructuring costs and property rationalization	**-**	(1,805)	**(2,442)**
Share-based compensation charges	**3,251**	1,980	**6,056**
Adjusted EBITDA	**92,208**	89,166	**179,838**
Adjusted EBITDA less Exceptional items	**92,208**	90,971	**182,280**
Cash generated from continuing operations	**85,590**	90,776	**197,294**
Cash conversion ratio = Cash generated from continuing operations / Adjusted EBITDA less Exceptional items	**92.8%**	99.8%	**108.3%**

Cash Generated from Operating Activities

	6 Months to 31 October 2012	6 Months to 31 October 2011	Year to 30 April 2012
	$'000	**$'000**	**$'000**
Cash flows from operating activities			
Net profit for the period	**60,658**	62,413	120.620
Adjustments for net interest payable	**2,606**	2,863	6,541
Taxation	**15,786**	13,420	28,630
Depreciation	**1,669**	1,962	3,810
(Gain)/Loss on disposal of property, plant and equipment	**(428)**	3	146
Amortization of intangibles	**17,192**	16,548	32,840
Share-based compensation	**3,251**	1,980	6,056
Provisions	**(115)**	(1,198)	2,897
Exchange movements	**2,689**	(268)	766
Changes in working capital:			
Inventories	**(341)**	658	1,158
Trade and other receivables	**13,608**	24,195	13,697
Payables and other non-current liabilities	**(30,985)**	(31,800)	(19,867)
Cash generated from operating activities	**85,590**	90,776	197,294

Consolidated Cash Flow and Net Debt Position

	6 Months to 31 October 2012	6 Months to 31 October 2011	Year to 30 April 2012
	$'000	$'000	$'000
Cash generated from operating activities	**85,590**	90,776	197,294
Interest paid	**(1,588)**	(894)	(2,545)
Tax paid	**(11,836)**	(419)	(11,936)
Net cash generated from operating activities	**72,166**	89,463	182,813
Cash flows from investing activities			
Payments of intangible assets	**(10,745)**	(10,963)	(20,946)
Purchase of property, plant and equipment	**(1,522)**	(15,290)	(18,273)
Interest received	**96**	117	295
Net cash used in investing activities	**(12,171)**	(26,136)	(39,924)
Cash flows from financing activities			
Payments for repurchase of shares	**-**	(62,498)	(62,498)
Proceeds from issue of ordinary share capital	**730**	535	1,253
Proceeds from bank borrowings	**36,000**	37,000	308,000
Repayment of bank borrowings	**(53,000)**	-	(203,000)
Bank loan costs	**(1,114)**	(2,087)	(4,293)
Return of value paid to shareholders			(129,604)
Costs associated with Return of Value	**(281)**	-	(1,116)
Proceeds from sales of fractional shares	**1**	-	2
Dividends paid to owners	**(39,665)**	(30,920)	(46,262)
Net cash used in/ from financing activities	**(57,329)**	(57,970)	(137,518)
Effects of exchange rate changes	**(2,518)**	(1,001)	(2,041)
Net increase in cash and cash equivalents	**148**	4,356	4,330
Cash and cash equivalents at beginning of period	**30,410**	26,080	26,080
Cash and cash equivalents at end of period	**30,558**	30,436	30,410
Debt outstanding at end of period	**(126,742)**	(76,899)	(143,613)
Net debt at end of period	**(96,184)**	(46,463)	(113,203)

Revenues by geography at constant currency

Geographic Analysis Revenue (at constant currency)	Six months ended 31 October 2012 (unaudited)		Six months ended 31 October 2011 (unaudited)		Year ended 30 April 2012 (unaudited)	
	$m	%	$m	%	$m	%
COBOL Development						
North America	**46.4**	**40.3%**	46.2	42.9%	94.1	42.5%
International	**46.6**	**40.5%**	40.0	37.2%	84.6	38.2%
Asia Pacific	**22.0**	**19.2%**	21.4	19.9%	42.7	19.3%
COBOL Development	**115.0**	**100.0%**	107.6	100.0%	221.4	100.0%
Mainframe Solution						
North America	**19.7**	**52.1%**	20.1	51.7%	42.7	55.8%
International*	**11.9**	**31.5%**	17.3	44.4%	30.8	40.3%
Asia Pacific	**6.2**	**16.4%**	1.5	3.9%	3.0	3.9%
Mainframe Solution	**37.8**	**100.0%**	38.9	100.0%	76.5	100.0%
Test						
North America	**19.0**	**51.3%**	27.4	58.9%	49.3	55.7%
International	**12.5**	**33.8%**	13.9	29.9%	30.7	34.7%
Asia Pacific	**5.5**	**14.9%**	5.2	11.2%	8.5	9.6%
Test	**37.0**	**100.0%**	46.5	100.0%	88.5	100.0%
Niche						
North America	**6.2**	**35.4%**	7.8	41.7%	14.2	37.0%
International	**7.0**	**40.0%**	6.3	33.7%	13.6	35.4%
Asia Pacific	**4.3**	**24.6%**	4.6	24.6%	10.6	27.6%
Niche	**17.5**	**100.0%**	18.7	100.0%	38.4	100.0%
TOTAL						
North America	**91.3**	**44.0%**	101.5	47.9%	200.3	47.1%
International	**78.0**	**37.6%**	77.5	36.6%	159.7	37.6%
Asia Pacific	**38.0**	**18.4%**	32.7	15.5%	64.8	15.3%
TOTAL	**207.3**	**100.0%**	211.7	100.0%	424.8	100.0%