

Preliminary results for the year ended 30th April 2005



Unlocking the value of legacy TM

1st July

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Introducing the team today



Kevin Loosemore
Non-executive Chairman



Tony Hill
Chief Executive Officer



Richard Lloyd
Chief Financial Officer

The Board

- Kevin Loosemore, Non-executive Chairman
- Prescott Ashe, Non-executive Director
- John Browett, Non-executive Director
- David Dominik, Non-executive Director
- David Maloney, Non-executive SID

- Tony Hill, Chief Executive Officer
- Richard Lloyd, Chief Financial Officer

Financial Highlights (FY05 vs FY04)

- Turnover up 19% to \$150.6m (FY04: \$126.3m)
 - Strong license growth of 19% (at constant currency)
 - Maintenance growth of 11% (at constant currency)
- Adjusted EBITDA up 47% to \$48.8m (FY04: \$33.2m)
- Operating profit up 42% to \$35.9m (FY04: \$25.2m)
- Maintenance revenue renewal rate approximately 90%
- Continued significant investment in R&D of \$23.4m

Operational Highlights

- Customers
 - Significant re-engagement in progress
 - Number of contracts over \$500k doubled over FY04
 - Interest in combination of “Leverage & Extend” and “Lift & Shift”
- Partners
 - Strengthening relationships with Microsoft, EDS and Accenture
 - Several joint technology integration projects (e.g. Cybermation)
 - Significant local SI activity (e.g. Transoft, IAI, Cratos)
- Technology
 - Strong organic development (e.g. VS, JCL, IMS, PL/I...)
 - Robust scalable performance from Micro Focus Server

An introduction to Micro Focus

Tony Hill
Chief Executive Officer

Company Overview

- History
 - Business founded 1976
 - Demerged from MERANT in 2001

- Management and employees
 - Proven, longstanding, experienced
 - Strong loyalty, over 8 years average tenure

- 97% pure software company
 - Focus on innovative technology
 - Strong revenue visibility

Large and Growing Market

- US\$1 trillion of mainframe and other host based applications owned by the world's top 2000 companies¹
 - 70% of all critical business logic and data mainframe-based¹
 - 85% of all transactions are processed by legacy applications²

- Application development and deployment
 - Greater than US\$30 billion market opportunity³
 - 2003-2008 CAGR of 6.0%³

- Web Services are the bridge from the old to the new
 - US\$3.6 billion market opportunity forecast by 2008⁴
 - 2003-2008 CAGR of 42.4%⁴

Sources:

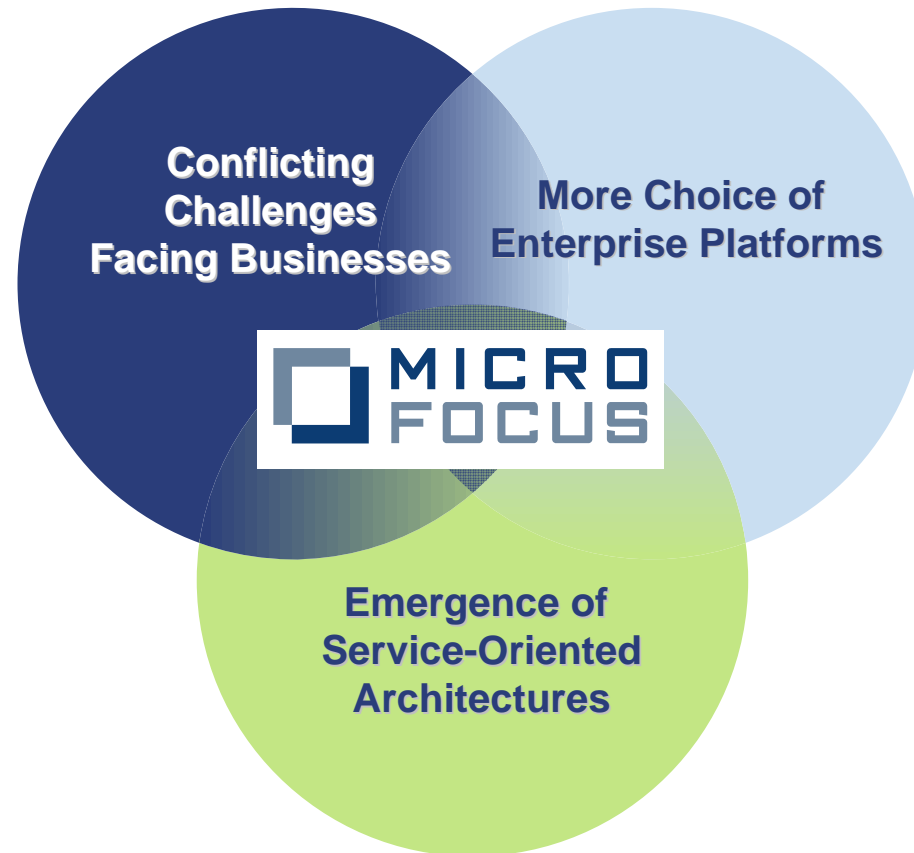
(1) Effective IT Report 2004

(2) Database & Network Journal, February 2005

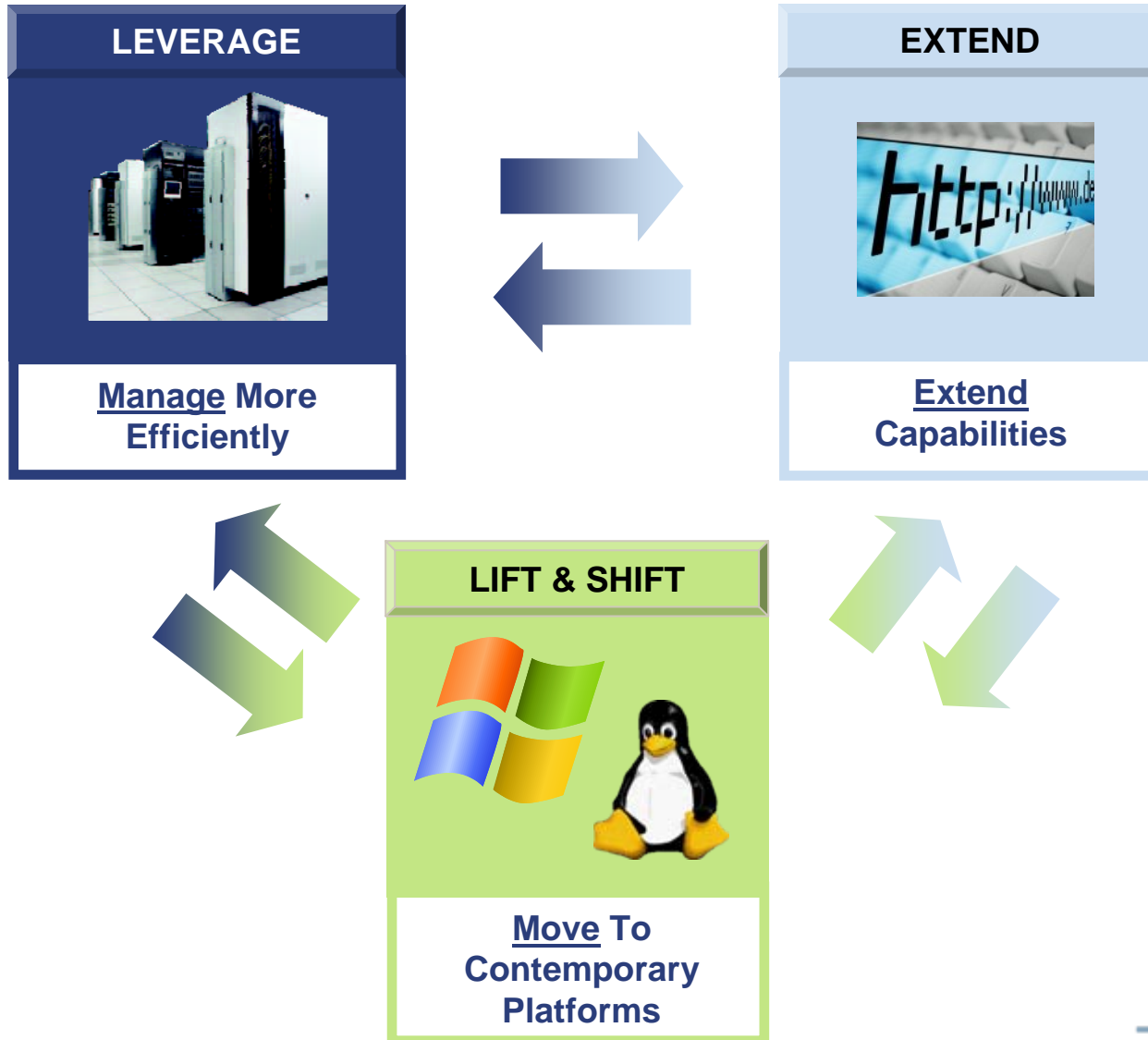
(3) IDC, August 2004

(4) IDC, April 2004

Micro Focus: Unlocking the Value of Legacy TM



Complementary Solutions



Global Blue Chip Customers

Financial Services



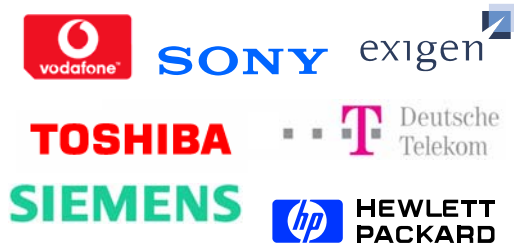
Manufacturing



Health Care



Telecom/Tech



Retail/Other



Packaged Application Providers



Over 70 of the Global Fortune 100 Companies

Technology Leadership

- Long history of understanding legacy technologies
 - CICS, IMS, PL/I, Assembler, DB2, Rexx, JCL, TSO, COBOL
- Strong expertise on contemporary platforms and architectures
 - Windows, Unix and Linux
 - .NET, J2EE and Web Services
- Continued investment in R&D
 - Approximately 1/3 of employees in R&D
 - Roadmap for enhanced versions, broader coverage/functionality

c. 3,000 man years of investment in R&D

Competitive Landscape*

	Leverage & Extend			Lift & Shift		
	Focus	Scale	Capability	Focus	Scale	Capability
		✓	✓		✓	✓
	✓		✓	✓		✓
					✓	✓
		✓				
		✓				
	✓	✓	✓	✓	✓	✓
	✓	✓				
	✓		✓			
	✓					
	✓					

Note:

* This overview represents Micro Focus management's view of its competition

Leveraging Strategic Partners

Partner	Comments
	<ul style="list-style-type: none"> Strong focus on on-going cost-reduction and innovation within client engagements Comprehensive Lift & Shift skills transfer program underway in US & UK
	<ul style="list-style-type: none"> Application Modernization is one of three key imperatives for EDS (Charlie Feld) Joint development with Micro Focus in support of key bids
	<ul style="list-style-type: none"> Lift & Shift is part of “Connected Systems” go-to-market initiative Strong technology relationship – Visual Studio, .NET and SQL Server

Investment Update

- Customers

- Strong focus on customer satisfaction (Omega NorthFace awards)
- ...and Service Level Agreement & Issue infrastructure

- Partners

- Dedicated Alliance Managers (Microsoft, EDS & Accenture...)
- ...and Technical Co-ordinators

- Technology

- Microsoft Visual Studio integration
- Expanding legacy footprint directly... (e.g. JCL & IMS)
- ...and through partners (e.g. Job scheduling, Printing, Reporting)

Clear Strategy for Growth

- Deepen customer relationships
- Continue to expand market for mainframe migration
- Extend leveraged sales channel
- Continue to develop innovative technology
- Selectively pursue technology-based acquisitions

Financials

Richard Lloyd
Chief Financial Officer

Financial Highlights (FY05 vs FY04)

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- Adjusted EBITDA up 47% to \$48.8m (FY04: \$33.2m)

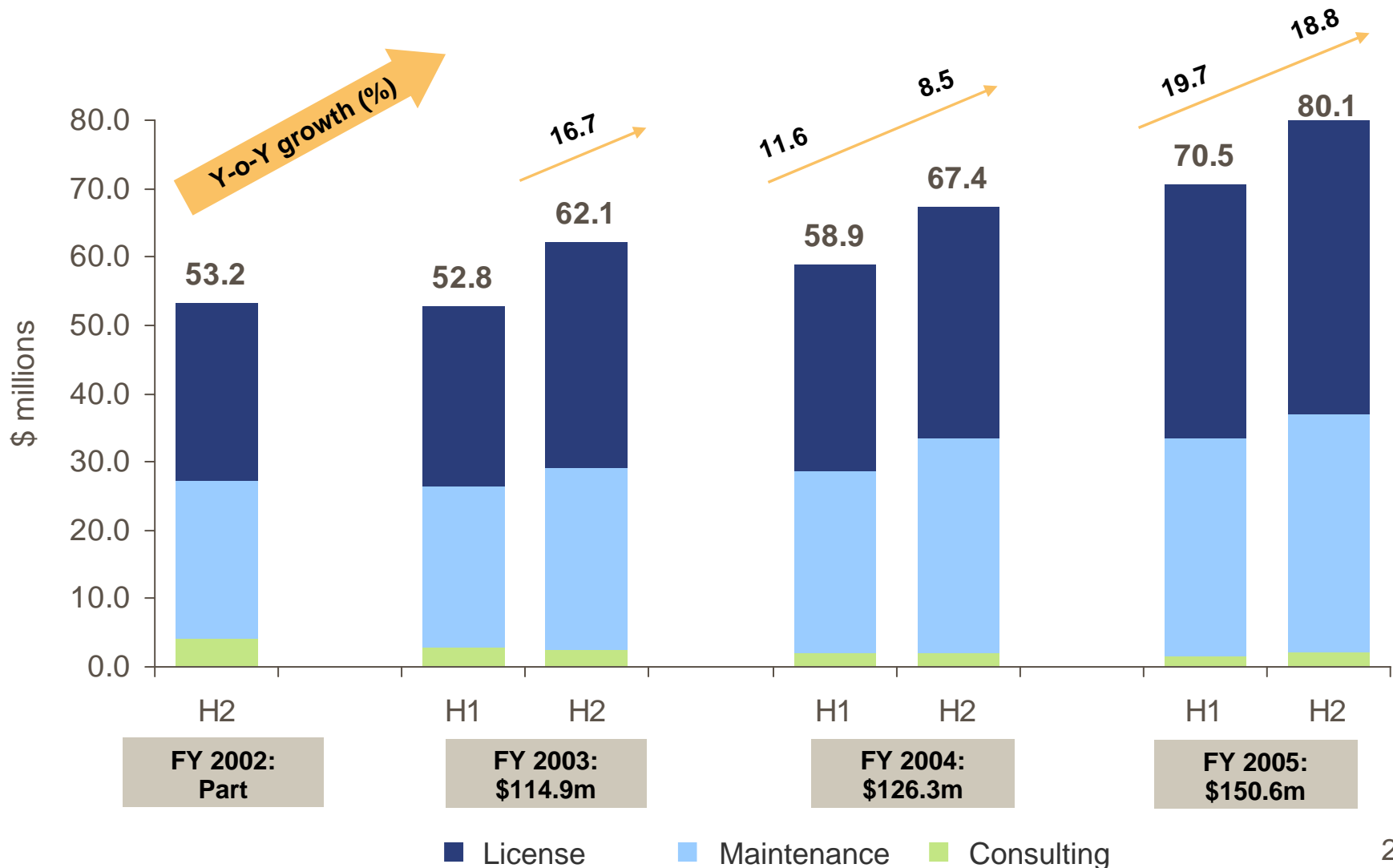
- Operating profit up 42% to \$35.9m (FY04: \$25.2m)

- Maintenance revenue renewal rate approximately 90%

- Continued significant investment in R&D of \$23.4m

Half-yearly Revenue Progression

FYE April



Income Statement

Track record of growth and profitability

FYE April, \$m	FY 2004	% of sales	FY 2005	% of sales
Turnover	126.3		150.6	
Cost of Sales	(8.3)	6.6	(6.3)	4.2
Gross Profit	118.0	93.3	144.3	95.8
Selling and distribution costs	(39.7)	31.4	(48.1)	31.9
Research and development	(22.3)	17.7	(23.4)	15.6
Depreciation	(1.9)	1.5	(2.0)	1.3
Amortisation of goodwill	(3.8)	3.0	(3.8)	2.5
Share based compensation payments	(0.8)	0.6	(3.6)	2.4
Other administrative expenses	(24.2)	19.1	(27.5)	18.3
Administrative expenses	(30.7)	24.2	(36.9)	24.5
Operating profit	25.2		35.9	
<i>Margin (%)</i>	<i>20.1</i>		<i>23.8</i>	
Depreciation	1.9		2.0	
Amortisation of goodwill	3.8		3.8	
Share based compensation payments	0.8		3.6	
Non-recurring items ⁽¹⁾	1.5		3.5	
Adjusted EBITDA	33.2		48.8	
<i>Margin (%)</i>	<i>26.3</i>		<i>32.4</i>	

Note:

(1) Includes Management charges, redundancy costs and other non-recurring costs

Summary Cash Flow Statement

Strong margins with high cash conversion

FYE April, \$m	FY04	FY05
Adjusted EBITA⁽¹⁾	31.3	46.8
Depreciation	1.9	2.0
Adjusted EBITDA	33.2	48.8
Working capital	0.3	1.8
Capex	(1.0)	(1.5)
Adjusted Cash flow from Operations	32.5	49.1
Cash flow conversion⁽²⁾	104%	105%

Notes:

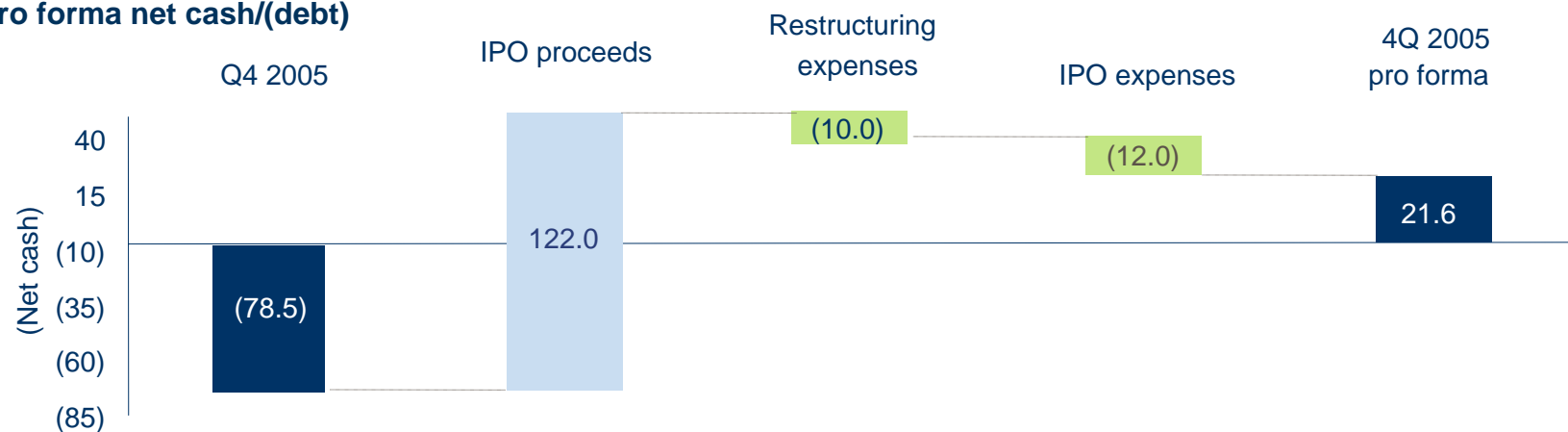
(1) Adjusted EBITA excludes Management charges, share based compensation, redundancy and other non-recurring costs

(2) Cash conversion calculated as cash flow from operations/EBITDA

Summary Balance Sheet

FYE April, \$m	30 April 2005	Adjustments ⁽¹⁾	Pro forma FY 2005
Cash ⁽²⁾	32.9	(11.3)	21.6
Other assets	96.6	—	96.6
Total assets	129.5	(11.3)	118.2
Financial debt	111.4	(111.4)	0.0
Other liabilities	90.1	—	90.1
Total liabilities	201.5	(111.4)	90.1

Pro forma net cash/(debt)



Note:

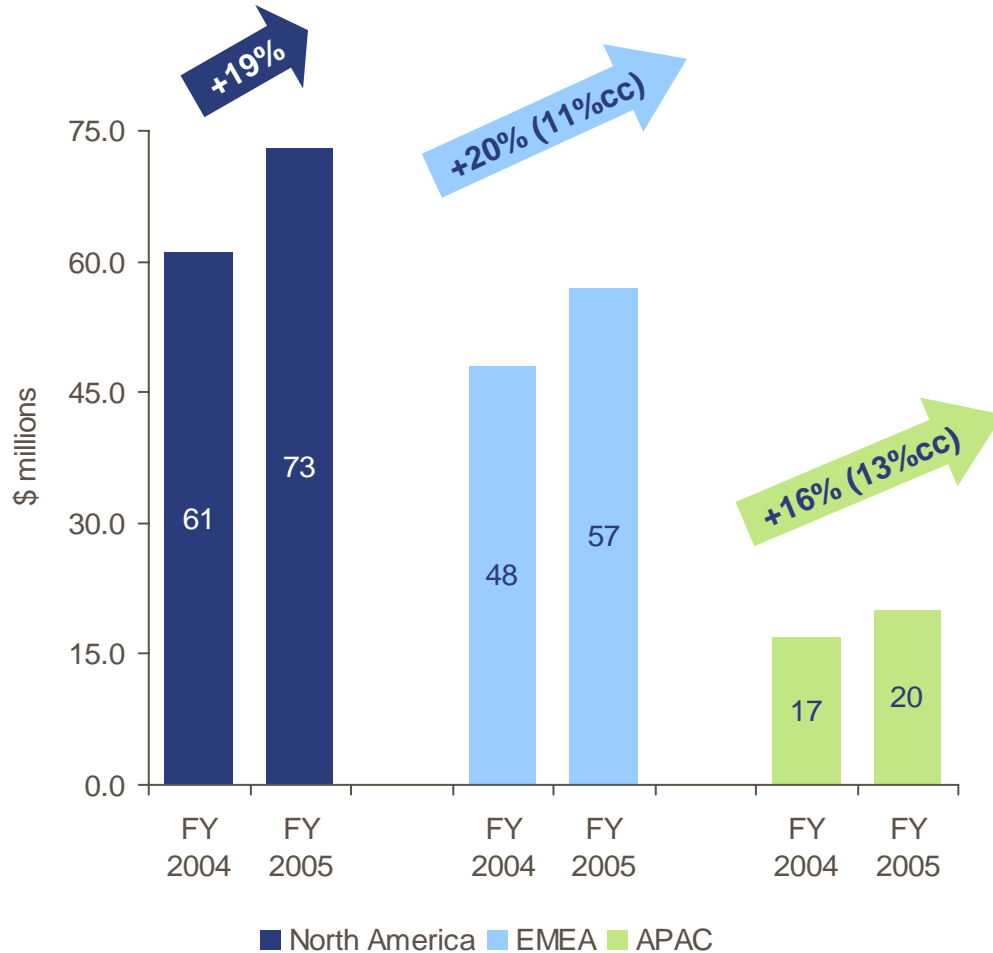
(1) Assuming primary proceeds of \$122m, restructuring expenses of \$10m, IPO expenses of \$12m, remainder used to pay down financial debt

(2) Includes cash at bank and in hand and investments

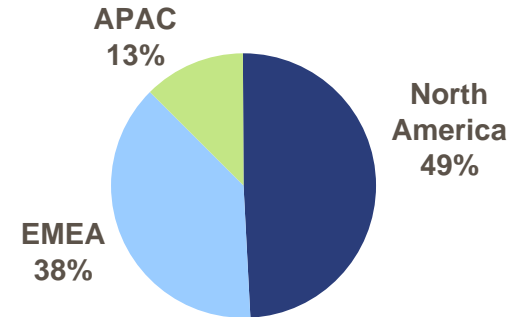
Well-Balanced Geographical Presence

FYE April

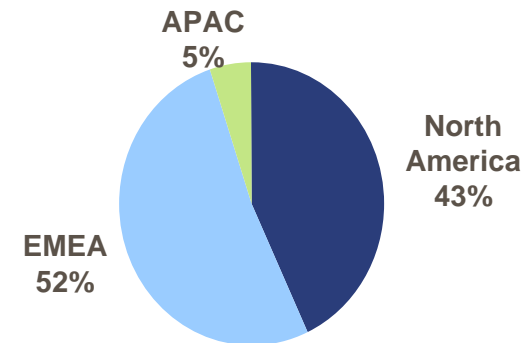
Revenues by geography



Revenues

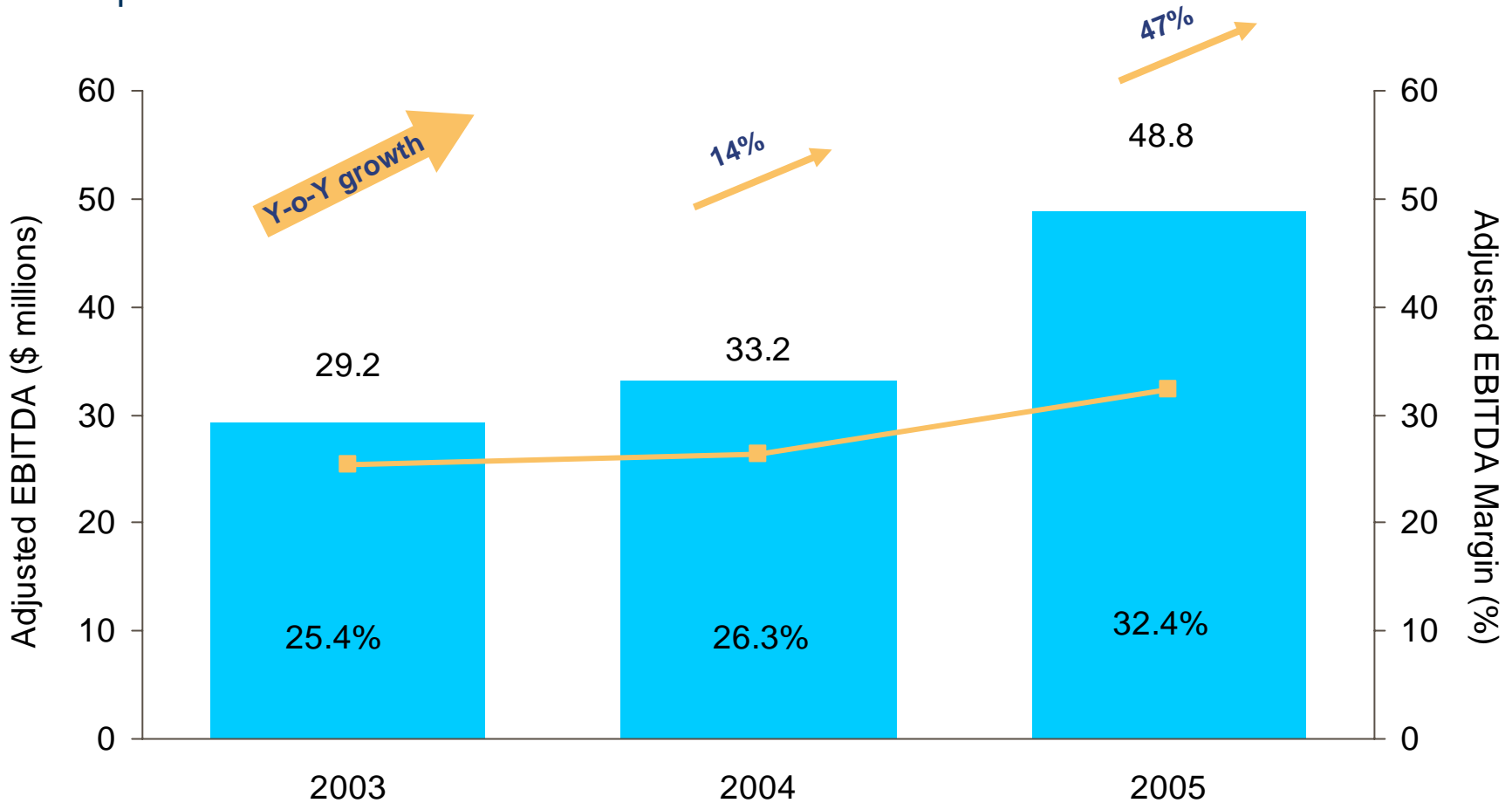


Employees



Strong and Improved Margins

FYE April



Note: Draft, unaudited financials

FY06 Outlook is positive

- Customers
 - Our value proposition has never been more relevant
 - Significant re-engagement continues based on...
 - ...combination of Leverage & Extend and Lift & Shift

- Partners
 - Closer working with Microsoft, EDS & Accenture...
 - ...supplemented by a growing technology ecosystem
 - ...and committed regional SIs

- Technology
 - Good progress on rolling 36 month roadmap...
 - ...with strategic commitment to Microsoft Visual Studio
 - ...and increasingly scalable & robust deployment technology

Well positioned for continued growth on strong FY05

Appendix

Impact of IFRS

- Revenue recognition – no change
- Goodwill on impairment basis – no amortisation
- Capitalisation & amortisation of R&D expenses

Customer, Partner & Technology Update

- Micro Focus, Cratos & Microsoft help Lombard Canada Ltd migrate its mainframe systems to Windows platform -- leading insurer provider estimates it will save more than \$1m per year by moving its application and data store onto a Windows Server
- Solcorp lifts and shifts flagship policy administration system to Microsoft .NET framework with Micro Focus – significantly reduces hardware and infrastructure costs for insurance companies
- “By supporting 64-bit versions of both Windows Server 2003 and the .NET framework 2.0, Micro Focus is not only enabling businesses to maximise their investment in legacy, but will allow them to take advantage of the latest in high performance Microsoft Technology” Nick Abbott, Microsoft

Source: www.microfocus.com/pressroom/

“Legacy Applications Run the World”



“\$2 trillion worth of mainframe applications in corporations that house approximately 70% of all critical business logic and data”

Aberdeen *Group*

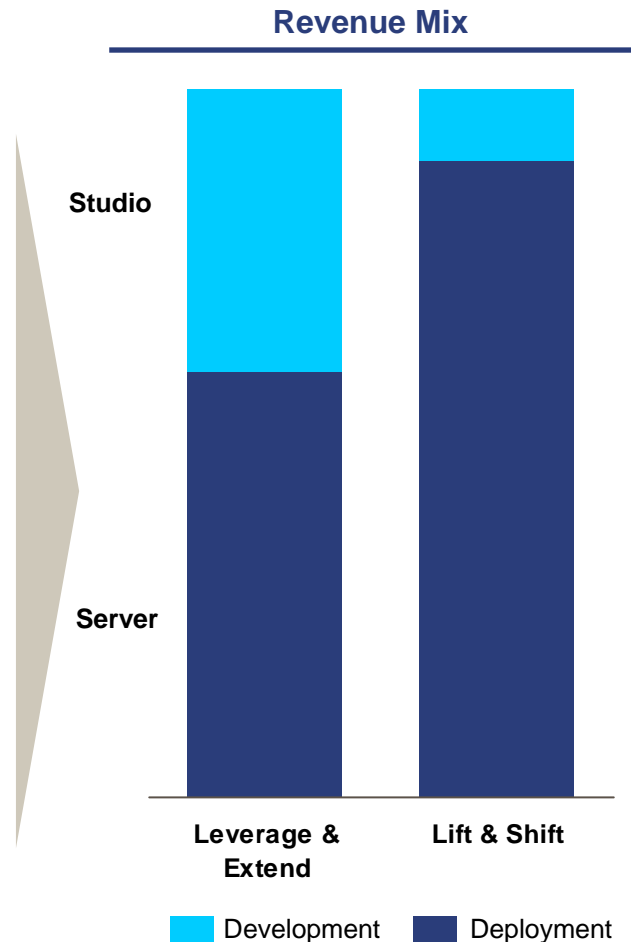
“COBOL code running core business applications will exceed 200 billion this decade. Clearly, legacy technology cannot all be replaced, nor should it be without a compelling business reason”



“One estimate says that COBOL/CICS applications account for 60% of all the applications that are currently in operation, and another estimate says that these applications process 85% of all the transactions that are processed”

Product Offerings

Category	Products
Micro Focus Studio (Development Products)	<ul style="list-style-type: none"> ▪ Revolve Enterprise Edition <ul style="list-style-type: none"> – Inventory of application assets ▪ Mainframe Express Enterprise Edition <ul style="list-style-type: none"> – Mainframe application development ▪ NET Express <ul style="list-style-type: none"> – Windows application development ▪ Server Express <ul style="list-style-type: none"> – UNIX/Linux application development
Micro Focus Server (Deployment Products)	<ul style="list-style-type: none"> ▪ Application Server <ul style="list-style-type: none"> – Windows, UNIX and Linux deployment ▪ Enterprise Server <ul style="list-style-type: none"> – High performance transaction management

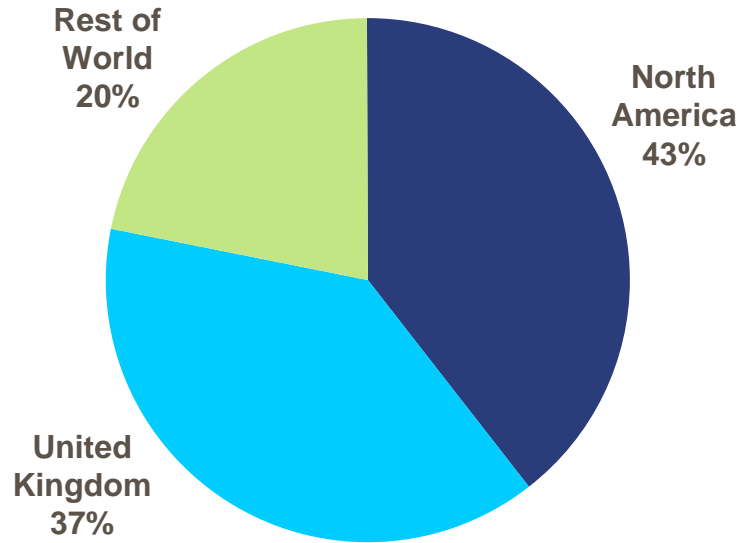


World Class Partner Network

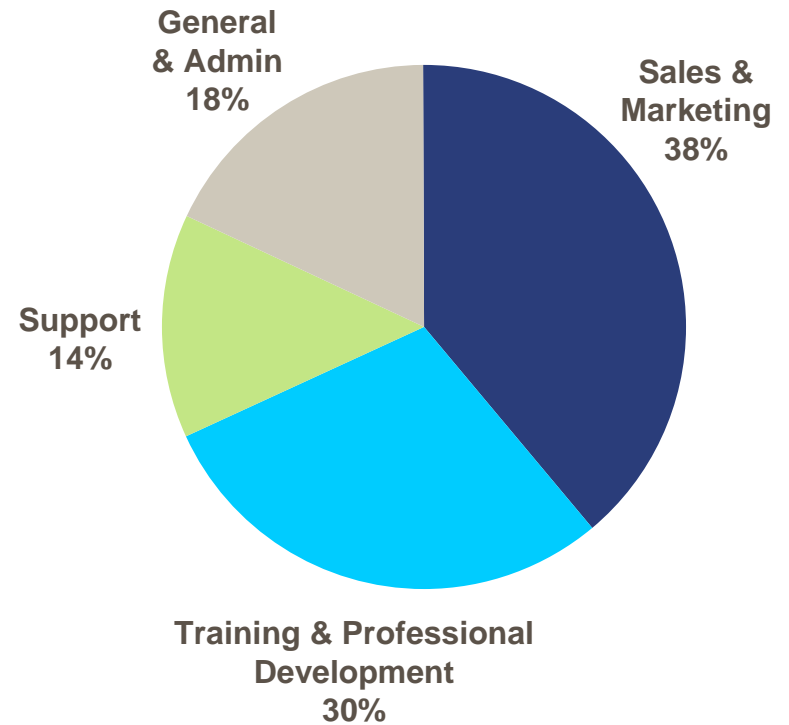
Character of Relationship	Sales Partners		Technology and Marketing Partners	
Type	System Integrators	Resellers	Platform Providers	Industry Alliances
Why	Implementation	Geographic Coverage	Technology Capability	Market Awareness
Who	 	<ul style="list-style-type: none"> ▪ Argentina ▪ Brazil ▪ China ▪ India ▪ Israel ▪ Latvia ▪ Mexico ▪ Russia ▪ South Africa 	 	

Employees

By Geography



By Function



Total Employees: 486