Preliminary Results for the year ended 30 April 2009

Stephen Kelly, CEO and Nick Bray, CFO

25 June 2009

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FY2009 Highlights

Strong financial results

- 20.4% total revenue growth including acquisitions
- 10.1% organic growth from core business at constant currency
- Improved adjusted EBITDA margin of 43.2%
- Recommended 20% increase in full year dividend of 15.6 cents per share

Resilience, relevance and acquisitions

- Strong organic business momentum despite economic conditions
- Three acquisitions successfully integrated

First Phase of Growth Completed; 2006-2009

- Robust Micro Focus marketplace
  - 2006 Strategy Review confirmed strong market opportunity
  - Modernization wave vs rewrite & package options
- Improved operational and sales execution
- Strengthened management and financial rigour
  - Transformed ‘Go to Market’ models – partner strategy, sales leadership & training, strengthened marketing and communications
  - Enhanced product development – accelerated launch/upgrade delivery
  - Partnerships – Microsoft, IBM, HP/EDS, Oracle, etc
- Three year growth engine
  - Double digit organic growth – revenues and EBITDA, strong cash generation
  - Five acquisitions – rapid and effective integration model

Delivering Profitable Organic Growth

Strong revenues:

- Larger value transactions increasing in number and size
- Growth in high volume, low value deals
- Strong renewal in maintenance contracts
- High sales conversion rates

Progress achieved in all geographies:

- Strengthened leadership team across all three geographies
- High growth markets performing well
- Cost and risk reduction is the key buying driver

"Updating and modernizing key legacy applications is the top software initiative for the current planning cycle when it comes to importance."

Forrester, June 2009

Delivering Growth Through Acquisitions

- Tested, proven ‘blueprint’ for effective acquisitions and integrations
- NetManage, Liant and Relativity Technologies:
  - Revenues stabilised
  - Integration – resizing, systems, employee communications, product and ‘cultural immersion’
  - Margins brought in line with core business
  - Delivering against stated strategy – greater scale, broader product portfolio, larger international presence and improved shareholder value

“We expect the combined company offerings to benefit users.”

IDC re Relativity acquisition, March 2009

New Growth Through Expanded Marketplace

- **Compuware acquisition completed**

- **Integration progressing at pace:**
  - Comprehensive employee communications and induction programme
  - New leader appointed to run the ‘go to market’ function
  - Early days – dashboard ‘green’


FINANCIAL TIMES

“Micro Focus acquires software testing assets” - May 2009

Financial Review

Nick Bray

Financial Highlights

- Revenue up 20.4% to $274.7m (2008: $228.2m)
- Organic revenue growth in core business 10.1% at constant currency
- Adjusted EBITDA up 34% to $118.6m (2008: $88.5m)
- Adjusted operating profit up 33.5% to $115.6m (2008: $86.6m)
- Adjusted earnings per share of 41.51 cents (2008: 32.08 cents)
- Total dividends up 20% to 15.6 cents per share (2008: 13 cents per share)

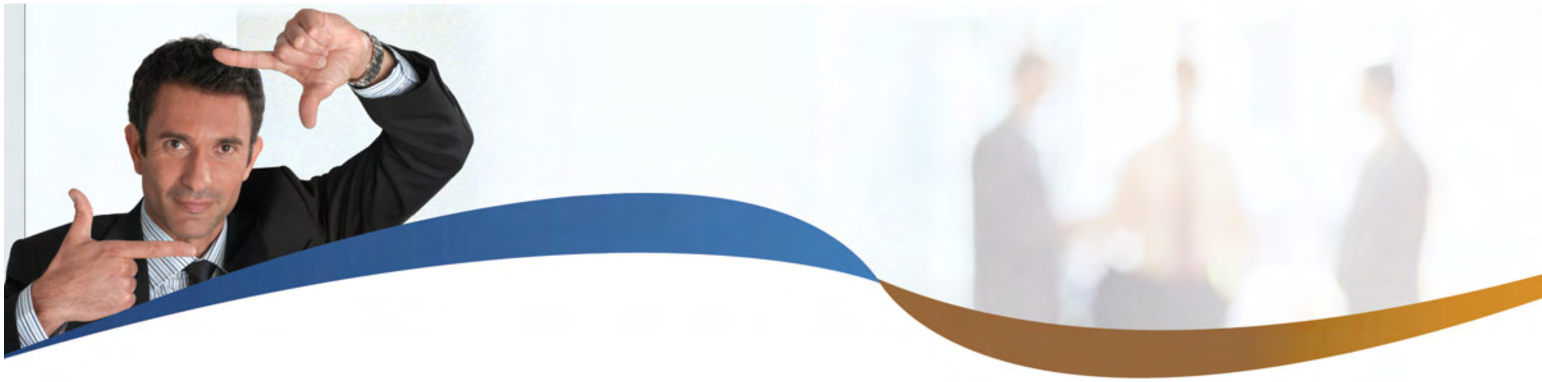
Cash Highlights

- Cash generated from continuing operations $105.0m (2008: $91.0m)
- Cash balance at 30 April 2009 of $71.6m (2008: $92.4m), after NetManage, Liant and Relativity acquisitions
- Compuware acquisition post year end utilised $64.8m

Revenue Analysis

Core business and acquisitions (constant currency)

	2009 $m	2008 $m	Growth %
Core Micro Focus	217.5	197.5	10.1
Acquisitions before 30 April 2008	25.5	25.4	
	243.0	**222.9**	
Acquisitions after 1 May 2008	31.7	-	
Total revenue growth pre currency impact	**274.7**	**222.9**	**23.3**
Currency		5.3	
Total revenue	**274.7**	**228.2**	**20.4**



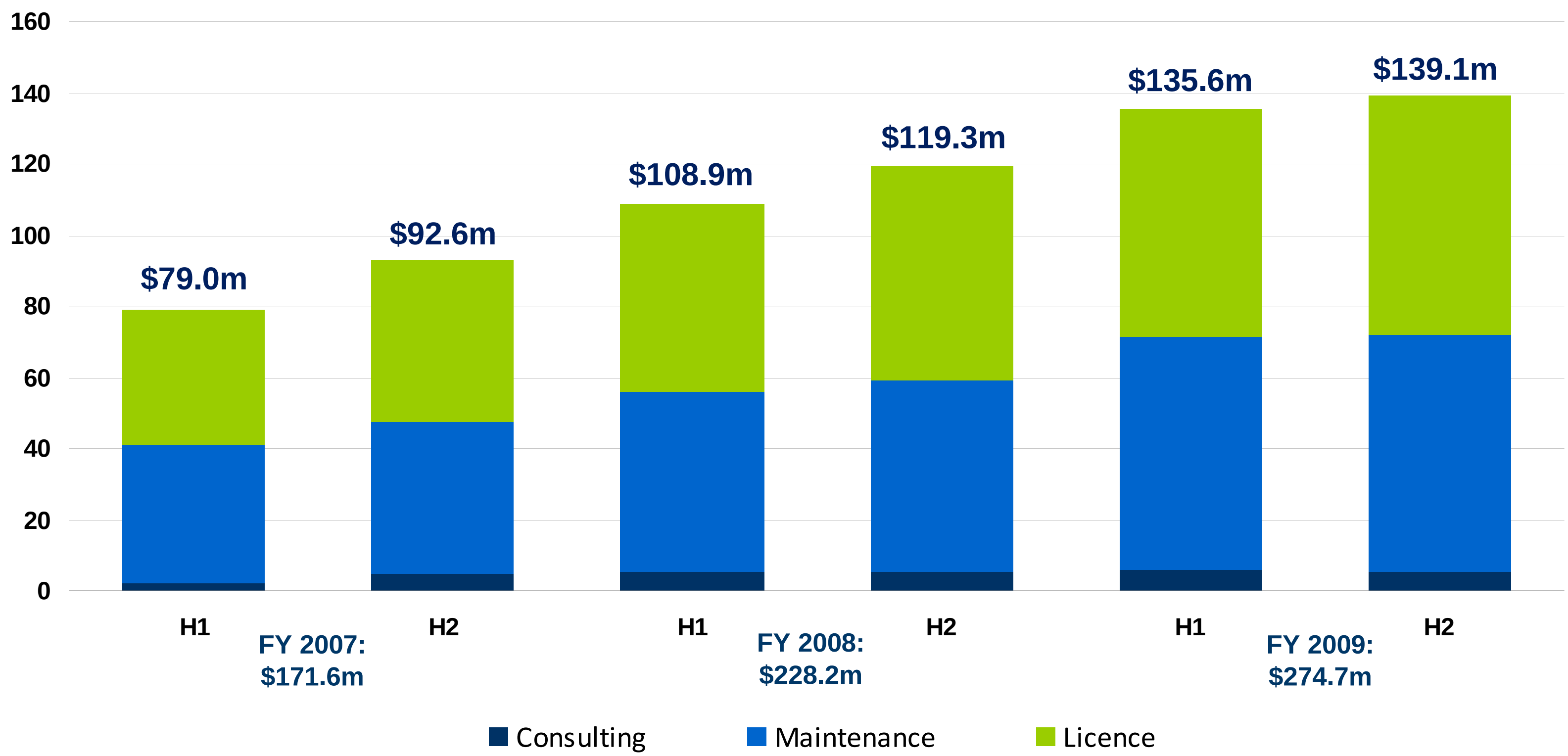
Revenue Analysis

Core business (at constant currency)

Revenue by geographic segment	2009 $m	2008 $m	Growth %
North America	92.2	85.5	7.8
Europe & Middle East	89.8	79.0	13.7
Rest of the world	35.5	33.0	7.6
Total	**217.5**	**197.5**	**10.1**

Revenue by product category	2009 $m	2008 $m	Growth %
Licence	108.6	99.0	9.7
Maintenance	101.5	90.7	11.9
Consultancy	7.4	7.8	(5.1)
Total	**217.5**	**197.5**	**10.1**

Revenue – Full-Year Analysis (actual reported rates)

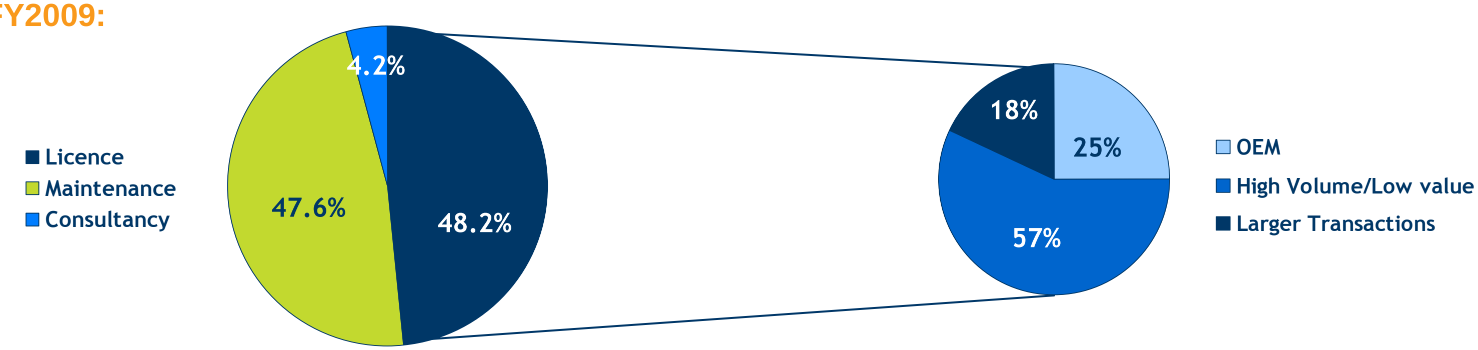


Revenue Profile

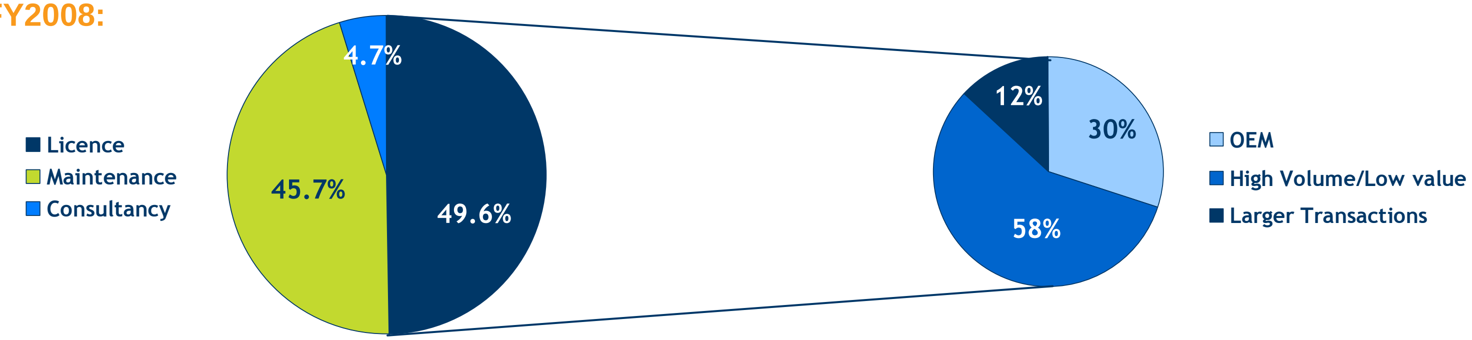
Group revenue breakdown

Licence revenue breakdown

FY2009:



FY2008:



Currency Impact

- $5.3m decrease in revenue as compared to prior period due to currency impact

- Similar impact on costs

FY09	Revenue analysis by major currency - %	Cost analysis by major currency - %
US $	51.4	32.5
Other	48.6	67.5
Total	**100.0**	**100.0**

Similar profit level at actual or constant currency – good natural hedge on profitability

Income Statement

	Year ended **30 April 2009** (unaudited) $'000	% of revenue	Year ended **30 April 2008** (audited) $'000	% of revenue
Revenue	**274,731**		**228,196**	
Cost of sales	(22,377)		(22,582)	
Gross profit	**252,354**	91.9	**205,614**	90.1
Selling and distribution costs*	(74,658)	27.2	(61,527)	27.0
Research and development expense*	(30,747)	11.2	(27,244)	11.9
Administrative expenses*	(31,301)	11.4	(30,266)	13.3
Adjusted operating profit	**115,648**	42.1	**86,577**	37.9
Exceptional items	(14,907)		(6,502)	
Amortisation of purchased intangibles	(7,123)		(3,946)	
Share-based compensation	(2,407)		(1,337)	
Operating profit	**91,211**		**74,792**	
Interest payable and similar charges	(756)		(12)	
Interest receivable and similar income	994		2,043	
Profit before tax	**91,449**		**76,823**	
Taxation**	(25,419)		(21,404)	
Profit for the period	**66,030**		**55,419**	
Adjusted earnings per share expressed in cents per share				
- basic	41.51		32.08	
- diluted	40.32		31.27	

* Selling and distribution costs, research and development expenses and administrative expenses are shown before exceptional items, share-based compensation and amortisation of purchased intangibles.
** Effective tax rate 27.8% (2008 : 27.9%)

EBITDA Reconciliation

	Year ended **30 April 2009** (unaudited) $'000	Year ended **30 April 2008** (audited) $'000
Operating Profit	**91,211**	**74,792**
Amortisation of purchased intangibles	7,123	3,946
Other depreciation/amortisation	2,947	1,940
EBITDA	**101,281**	**80,678**
Share-based compensation	2,407	1,337
Exceptional items - reorganisation costs	14,907	6,502
Adjusted EBITDA	**118,595**	**88,517**
Adjusted EBITDA margin	**43.2%**	**38.8%**

Note: In calculating EBITDA, the amortisation of development expenditure is not added back to operating profit, as the directors believe by doing so EBITDA provides a better measure of the cash generation of the business. Amortisation of development expenditure in the year was $5.6m (2008: $5.3m). Capitalised development expenditure was $7.7m (2008: $5.4m)

Cashflow

	Year ended **30 April 2009** (unaudited) $'000	Year ended **30 April 2008** (audited) $'000
Cash generated from continuing operations	**105,031**	**90,975**
Interest (net)	238	2,039
Tax paid	(19,991)	(18,193)
Net cash used in investing activities	(74,908)	(50,353)
Net cash used in financing activities	(24,559)	(21,271)
Effects of exchange rate changes	(6,647)	4,237
Net (decrease)/increase in cash and cash equivalents	**(20,836)**	**7,434**
Cash and cash equivalents at beginning of period	92,405	84,971
Cash and cash equivalents at end of period	**71,569**	**92,405**

Balance Sheet

	Year ended **30 April 2009** (unaudited) $'000	Year ended **30 April 2008** (audited) $'000
Goodwill	119,813	65,784
Purchased intangibles	55,315	26,672
Cash and cash equivalents	71,569	92,405
Other assets	100,988	87,943
Total assets	**347,685**	**272,804**
Borrowings	0	0
Other liabilities	178,957	146,282
Total liabilities	**178,957**	**146,282**
Net assets	**168,728**	**126,522**

Financial Summary

- Strong growth performance despite tough economic conditions
  - Increased licence fee revenues across large value transactions and high volume low value contracts; OEM revenues flat
  - Maintenance revenues (48% of Group turnover) – predictable, low risk and resilient
  - Improved margins
  - Excellent cash conversion
- $215M facility provided through Barclays, HSBC, Lloyds and RBS for acquisitions, integrations and restructuring activities
- Proposed full year dividend increased by 20%

Summary & Outlook

Stephen Kelly

Summary

- Resilient business model
- Attractive customer proposition during challenging economic cycle
  - Same for less – reduce cost and risk
- Well positioned for economic upturn
  - More for small incremental increase – expansion and innovation
- Strong cash generation and high margins
- Trend to modernization driving increase in large contract sales, strong pipeline and high sales conversion rates
- Growth model supplemented with acquisition strategy; proven Micro Focus formula
- Successful close of Compuware acquisition, and immediate integration progress

"Micro Focus is bringing COBOL to the cloud"

Gartner, January 2009

Outlook

- We will continue to pursue our successful stated growth strategy
- However, the impact of the recent Compuware acquisition is likely to reduce the overall Group margin
- Micro Focus' resilience, relevance and strong cash generation gives the Board confidence in the Group's ability to continue to deliver superior total shareholder returns going forward