



## Preliminary Results For The Financial Year Ended 30 April 2011

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23<sup>rd</sup> June 2011

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- **Revenue:**

- Group reported revenue up 0.8% to \$436.1m (2010: \$432.6m)
- Like for like pro-forma\* constant currency revenue declined by 6.0%
- Like for like pro-forma\* constant currency licence and maintenance revenue declined 15.2% and 0.5% respectively

- **Profit:**

- Adjusted EBITDA\*\* decreased by 8.4% to \$158.7m (2010: \$173.3m)
- Adjusted EBITDA \*\* margin was 36.4% (2010: 40.1%)

- **Adjusted earnings per share\* down 4.2% to 54.85 cents (2010: 57.26 cents)**

- **Strong cash conversion in the period**

- Net debt at 30 April 2011 reduced to \$14.9m (2010: \$68.2m) after share buyback of \$42.0m
- Cash conversion of 126.4% (2010: 80.1%)
- Underlying cash conversion\*\*\* 113.1% net of unpaid exceptional costs of \$19.2m

- **Final dividend maintained**

- Proposed final dividend of 16.2 cents per share
- Total dividend for the year increased by 7.3% to 23.4 cents (2010: 21.8 cents)

\* 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 twelve months ended 30 April 2010

\*\* 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.; cash conversion – cash generated from operating activities divided by Adjusted EBITDA less exceptional items

\*\*\* Underlying cash conversion when unpaid restructuring costs taken into account

# Micro Focus – A Software Product Company

- **The facts:**
  - The leading provider of COBOL Development software
  - 35 years of technology expertise and experience
  - Resilient business model with 50% recurring revenues
  - Highly profitable and strong cash conversion
- **The core Micro Focus proposition is to sell great software products to meet our customers' requirements**

***Vision – to be at the heart of the world's business applications – modernize, virtualize, mobilize***

# Micro Focus – A Software Product Company

**CD**

*“C21st  
COBOL”*

- MF Developer

**M&M**

*“Virtual  
Mainframe”*

- Enterprise Server
- iSight
- Rumba

**Test**

*“Better  
Software  
Faster”*

- Silk
- StarTeam
- Caliber
- Topaz

**Niche**

- Visibroker
- Data Express
- Together
- DevPartner

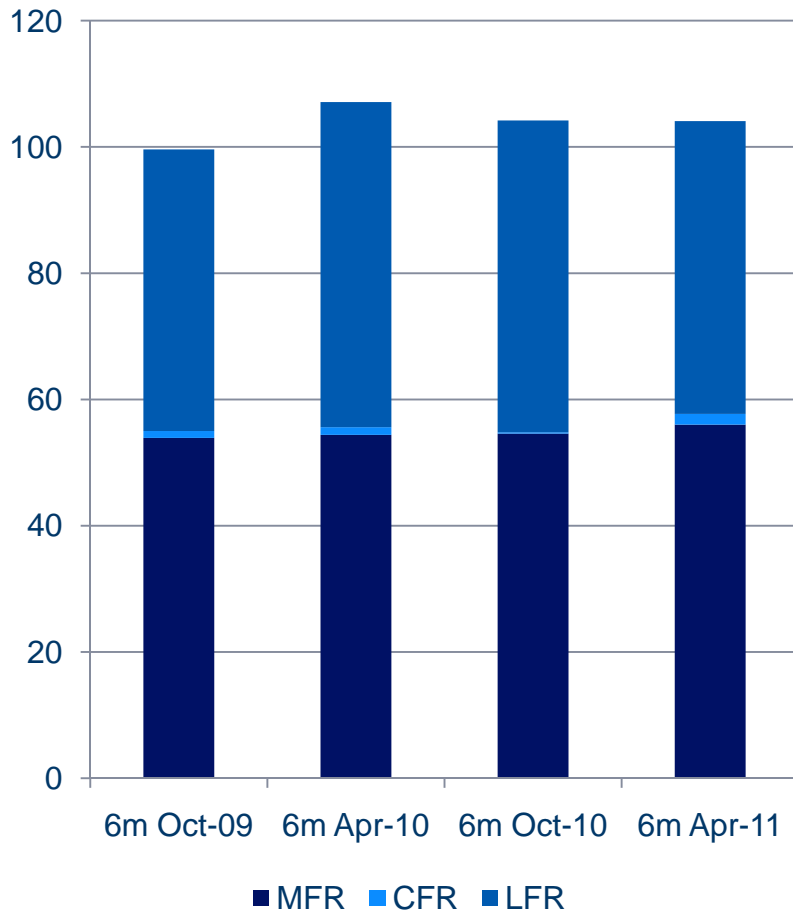


# Business Segments & Dynamics

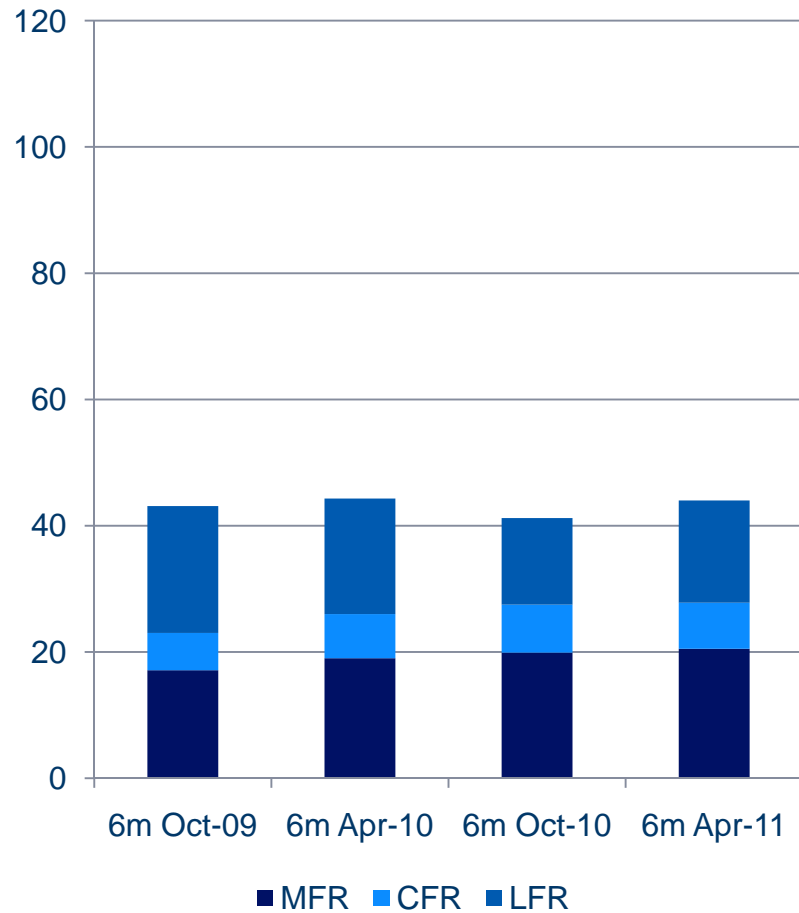
|                      |  | Revenue*<br>FY11 v<br>FY10   | % Revenue<br><i>% Growth</i>  |  |
|----------------------|--|--|---|--|
| COBOL<br>Development | <ul style="list-style-type: none"> <li>Static performance in FY11</li> <li>New product release of Visual Studio for JVM</li> <li>Missed web based HVLV opportunity – H1 FY12 launch</li> </ul> | <b>\$208.3m</b><br>v<br><b>\$206.7m</b>  | <b>47.8%</b><br><br>0.8%  |  |
|                      | Modernization &<br>Migration   | <ul style="list-style-type: none"> <li>Licence decline is reversal from double digit growth FY07-FY10</li> <li>Too much large account focus</li> <li>Partnerships not leveraged effectively in FY11</li> </ul> | <b>\$85.2m</b><br>v<br><b>\$87.4m</b>   | <b>19.5%</b><br><br>-2.5%              |
|                      |  | Test   | <ul style="list-style-type: none"> <li>Positive trajectory on revenue stabilization and growth H2 vs H1</li> <li>Segment is mostly core Borland portfolio, including Silk</li> <li>Maintenance renewal rates improved through FY11</li> <li>Incomplete integrations held back Test</li> </ul> | <b>\$97.9m</b><br>v<br><b>\$109.1m</b> |
| Niche                |  |  | <ul style="list-style-type: none"> <li>Segment characterized by revenue decline, but good profitability</li> <li>Majority of licence revenue decline due to Visibroker performance</li> <li>Managed for strong EBITDA margin going forward</li> </ul>   | <b>\$44.7m</b><br>v<br><b>\$60.8m</b>  |

\* Management estimates, pro-forma AMQ, constant currency

# COBOL Development

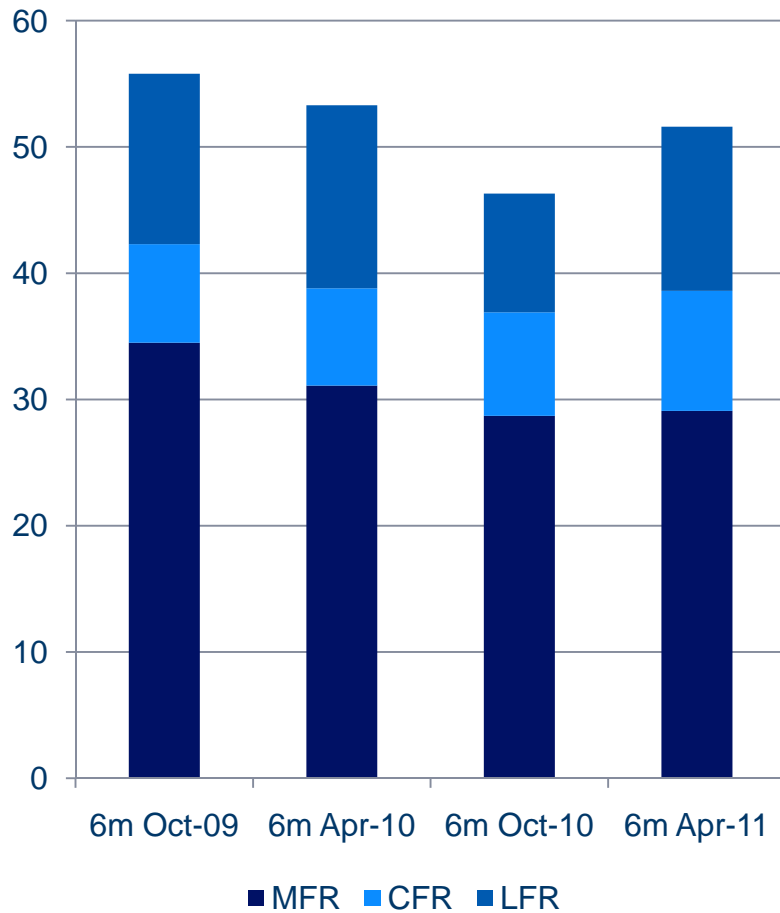


# Modernization & Migration

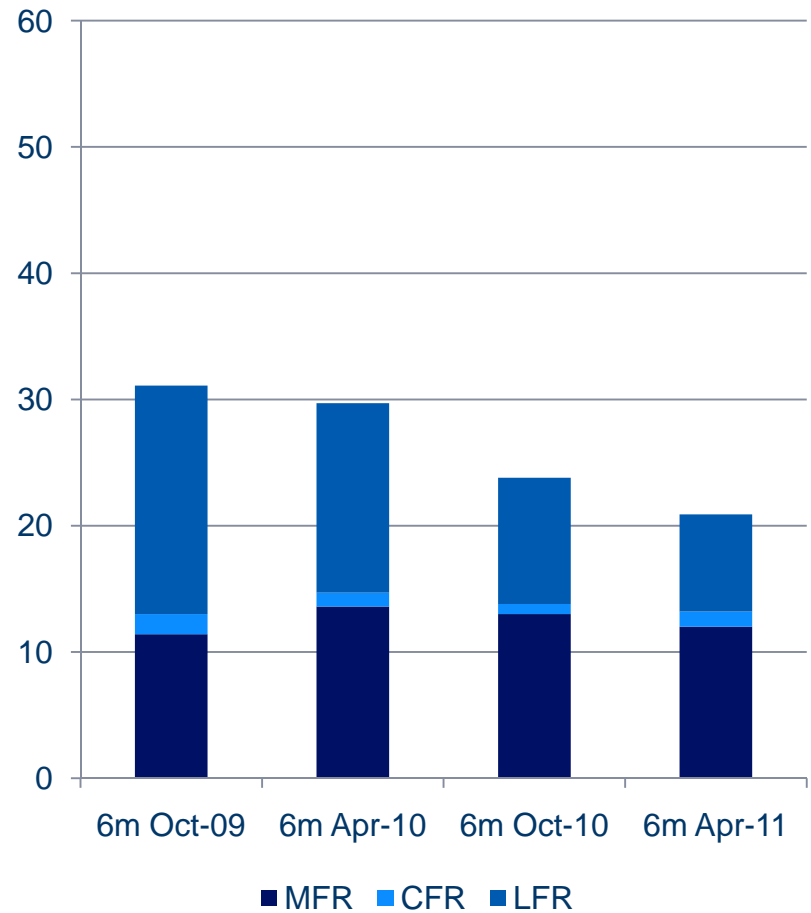


Constant currency pro-forma revenues by half year in \$m by product portfolio.

# TEST



# NICHE



**Constant currency pro-forma revenues by half year in \$m by product portfolio.**



# Issues

- **Results unsatisfactory**
  - 2011 a 'lost year'
  - Poor results primarily reflect execution problems, not market issues
  - A handful of issues are responsible for the bulk of the problems
- **Issue 1: Product Management**
  - Not leading the business; not acting as a software company
  - Pricing strategies not innovative and missed market needs
  - New release of core Visual COBOL will be first test of a new approach
- **Issue 2: North America**
  - Sales force leadership and skills issues
  - Sales focus on large enterprises missed market requirements and opportunities
  - Loss of focus on effectively managing CD franchise and partner relations

## Issues (continued)

- **Issue 3: Large Account M&M Focus**
  - Focused too much on large accounts & deals in FY11
  - Missed mid market opportunity, weak partner management
  - Sales cycles slower and business less predictable in large accounts
- **Issue 4: Web & Telesales Channels**
  - HVLV constitutes the largest proportion of licence sales
  - Lack of web channel is a significant weakness in this segment
  - Telesales channel has made progress over 12 months
- **Issue 5: Niche Products**
  - Long term structural issues present
- **Issue 6: Rightsized Cost Base**
  - Services issues re profitable business model
  - Poor sales force productivity

# Turnaround Programme

## Key issues

1. **Product Management**
  
2. **North America**
  
3. **Large Account M&M Focus**

## Actions

- Strengthened product management leadership, direct report to Chairman
- Focus to:
  - Better understand market dynamics and positioning
  - Further improve sales enablement programme
  - Innovative pricing approaches for COBOL & Cloud
  - Better managed product launches and upgrades going forward
  
- New regional structure already in place
- Sales productivity to be addressed
- Recruitment of sales force to focus on core development franchise underway
  
- Restructured to focus on mid market accounts and opportunities
- Incentivized to focus on COBOL development franchise as well as M&M

# Turnaround Programme

## Key issues

### 4. Web Channel

### 5. Niche Products

### 6. Rightsized Cost Base

## Actions

- Launch plan developed in last 30 days
- Launch in H1 FY12
  
- Under review
  
- Restructuring announced at beginning of Q4
- Impacted all functions of the organisation
- Headcount reduced by 16% to 1,206 at 30 April
- Property portfolio rationalized
- Net exceptional cost \$14.5m

# Recap

- **Execution issues have been primarily responsible for the problems of the past 18 months**
  - Management has identified a number of areas of underperformance in the business
  - Execution rather than the market has prevented the business from achieving its potential
  - Analysis and plan being hindered by the constraints of bid activity
- **Significant turnaround ahead**
  - FY12 revenue will be impacted by the FY11 licence decline flowing into maintenance, as well as the restructuring of the services group
  - Growth will only return towards the end of the period
- **Turnaround will create a platform for future growth**
  - Lay foundations to capitalize on unexploited opportunities for growth, including:
    - Leveraging development franchise with upgrades and cross sales
    - Web channel
    - Unaddressed mid market accounts
- **If growth is elusive when executing well we will manage for cash**



## Financial Review

Mike Phillips

# Income Statement: Full Year to 30 April 2011

- **Reported revenues**
  - 0.8% increase to \$436.1m (2010: \$432.6m)
  - 1.0% increase on a constant currency basis
- **Pro-forma constant currency revenues**
  - 6.0% reduction to \$436.1m (2010: \$464.0m)
  - Revenue flat in CDMM of 0.2% to \$293.5m (2010: \$294.1m)
  - Test & Niche (formerly AMQ) declined by 16.1% to \$142.6m from pro-forma constant revenues of \$169.9m
- **Adjusted EBITDA declined by 8.4% to \$158.7m (2010: \$173.3m)**
  - Adjusted EBITDA margin of 36.4% (2010: 40.1%)
  - Net capitalization of R&D of \$9.2m (2010: \$7.6m)
  - Foreign exchange loss of \$5.4m (2010: \$2.4m gain)
- **Exceptional costs**
  - 2011 net cost of \$14.5m (2010: \$45.1m)
- **Adjusted EPS and final dividend**
  - Adjusted earnings per share of 54.85 cents (2010: 57.26 cents)
  - Final proposed dividend 16.2 cents per share (2010: 16.2 cents per share)

# Cash Flow & Balance Sheet

- **Cash Flow**

- Operating cash generated from operations \$182.3m (2010: \$102.8m)
- Cash flow conversion of 126.4% (2010: 80.1%)
  - 113.1% after adjusting for unpaid restructuring costs

- **Balance Sheet**

- Net debt at 30 April 2011 of \$14.9m (30 April 2010: \$68.2m)
- Share buyback of \$42.0m
- Debt repayments of \$60.0m during the year



# Group Income Statement: Key Ratios

| As reported  | Year ended 30 April 2011 |        | Year ended 30 April 2010 |       |
|--|--------------------------|--------|--------------------------|-------|
|  | \$'000                   | %      | \$'000                   | %     |
| <b>Revenue</b>                                     | 436,130                  |        | 432,579                  |       |
| Cost of sales                                      | (63,670)                 | 14.6%  | (52,244)                 | 12.1% |
| Selling and distribution costs                     | (144,832)                | 33.2%  | (128,137)                | 29.6% |
| Research and development expenses                  | (61,302)                 | 14.1%  | (56,773)                 | 13.1% |
| Administrative expenses                            | (45,794)                 | 10.5%  | (90,008)                 | 20.8% |
| <b>Total costs</b>                                 | <b>(315,598)</b>         |        | <b>(327,162)</b>         |       |
| <b>Operating profit</b>                            | <b>120,532</b>           |        | <b>105,417</b>           |       |
| <b>Net Exceptional Charges</b>                     |                          |        |                          |       |
|  | \$'000                   | %      | \$'000                   | %     |
| <b>Revenue</b>                                     |                          |        |                          |       |
| Cost of sales                                      | 0                        | 0.0%   | -                        | -     |
| Selling and distribution costs                     | (12,528)                 | 2.9%   | -                        | -     |
| Research and development expenses                  | (4,120)                  | 0.9%   | -                        | -     |
| Administrative expenses                            | 2,108                    | (0.5%) | (45,088)                 | 10.4% |
| <b>Net exceptional charges</b>                     | <b>(14,540)</b>          |        | <b>(45,088)</b>          |       |
| <b>Excluding Net Exceptional Charges</b>           |                          |        |                          |       |
|  |                          | %      | \$'000                   | %     |
| <b>Revenue</b>                                     | 436,130                  |        | 432,579                  |       |
| Cost of sales                                      | (63,670)                 | 14.6%  | (52,244)                 | 12.1% |
| Selling and distribution costs                     | (132,304)                | 30.3%  | (128,137)                | 29.6% |
| Research and development expenses                  | (57,182)                 | 13.1%  | (56,773)                 | 13.1% |
| Administrative expenses                            | (47,902)                 | 11.0%  | (44,920)                 | 10.4% |
| <b>Total costs (before exceptional costs)</b>      | <b>(301,058)</b>         |        | <b>(282,074)</b>         |       |
| <b>Operating profit (before exceptional costs)</b> | <b>135,072</b>           |        | <b>150,505</b>           |       |

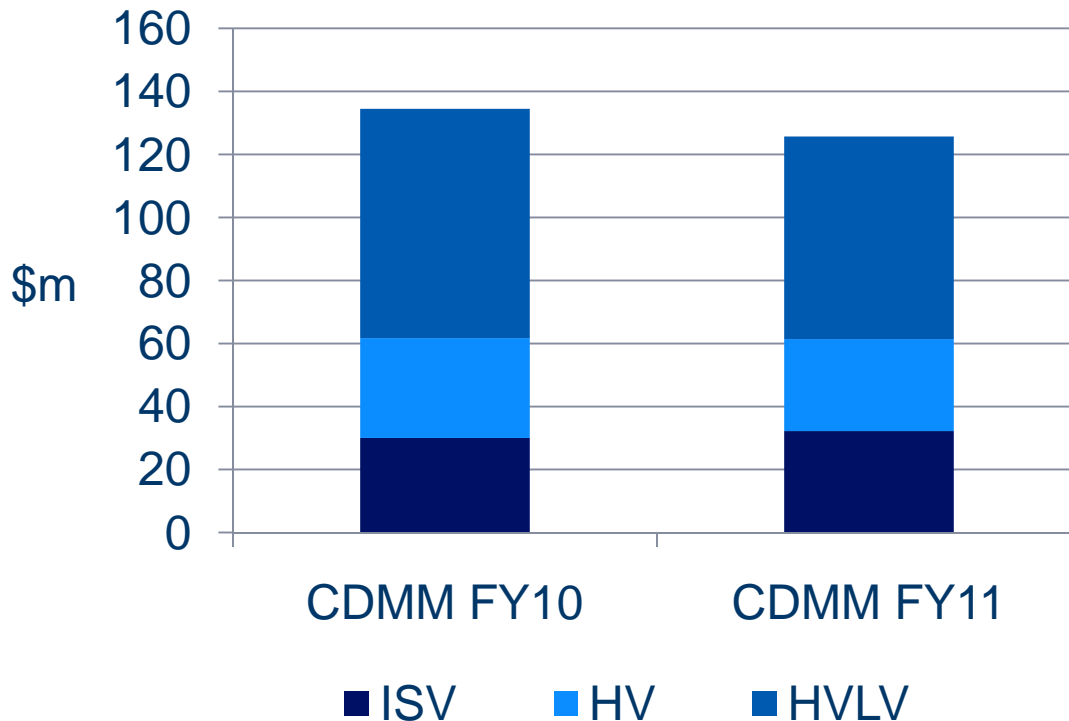
# Revenue by category

## Pro-forma comparison at constant currency

|                                     | Year to 30 Apr<br>2011<br>\$m | Year to 30 Apr<br>2010<br>\$m | Growth v Apr<br>2010<br>% |
|-------------------------------------|-------------------------------|-------------------------------|---------------------------|
| <b>CD</b>                           |                               |                               |                           |
| Licence                             | 95.8                          | 96.1                          | (0.3)                     |
| Maintenance                         | 110.6                         | 108.3                         | 2.1                       |
| Consultancy                         | 1.9                           | 2.3                           | (17.4)                    |
|                                     | 208.3                         | 206.7                         | 0.8                       |
| <b>MM</b>                           |                               |                               |                           |
| Licence                             | 29.9                          | 38.4                          | (22.1)                    |
| Maintenance                         | 40.4                          | 36.1                          | 11.9                      |
| Consultancy                         | 14.9                          | 12.9                          | 15.5                      |
|                                     | 85.2                          | 87.4                          | (2.5)                     |
| <b>Test</b>                         |                               |                               |                           |
| Licence                             | 22.4                          | 28.0                          | (20.0)                    |
| Maintenance                         | 57.8                          | 65.6                          | (11.9)                    |
| Consultancy                         | 17.7                          | 15.5                          | 14.2                      |
|                                     | 97.9                          | 109.1                         | (10.3)                    |
| <b>Niche</b>                        |                               |                               |                           |
| Licence                             | 17.7                          | 33.1                          | (46.5)                    |
| Maintenance                         | 25.0                          | 25.0                          | -                         |
| Consultancy                         | 2.0                           | 2.7                           | (25.9)                    |
|                                     | 44.7                          | 60.8                          | (26.5)                    |
| <b>Total</b>                        |                               |                               |                           |
| <b>Licence</b>                      | <b>165.8</b>                  | <b>195.6</b>                  | <b>(15.2)</b>             |
| <b>Maintenance</b>                  | <b>233.8</b>                  | <b>235.0</b>                  | <b>(0.5)</b>              |
| <b>Consultancy</b>                  | <b>36.5</b>                   | <b>33.4</b>                   | <b>9.3</b>                |
| <b>Revenue at constant currency</b> | <b>436.1</b>                  | <b>464.0</b>                  | <b>(6.0)</b>              |

# Analysis of CDMM licence revenues

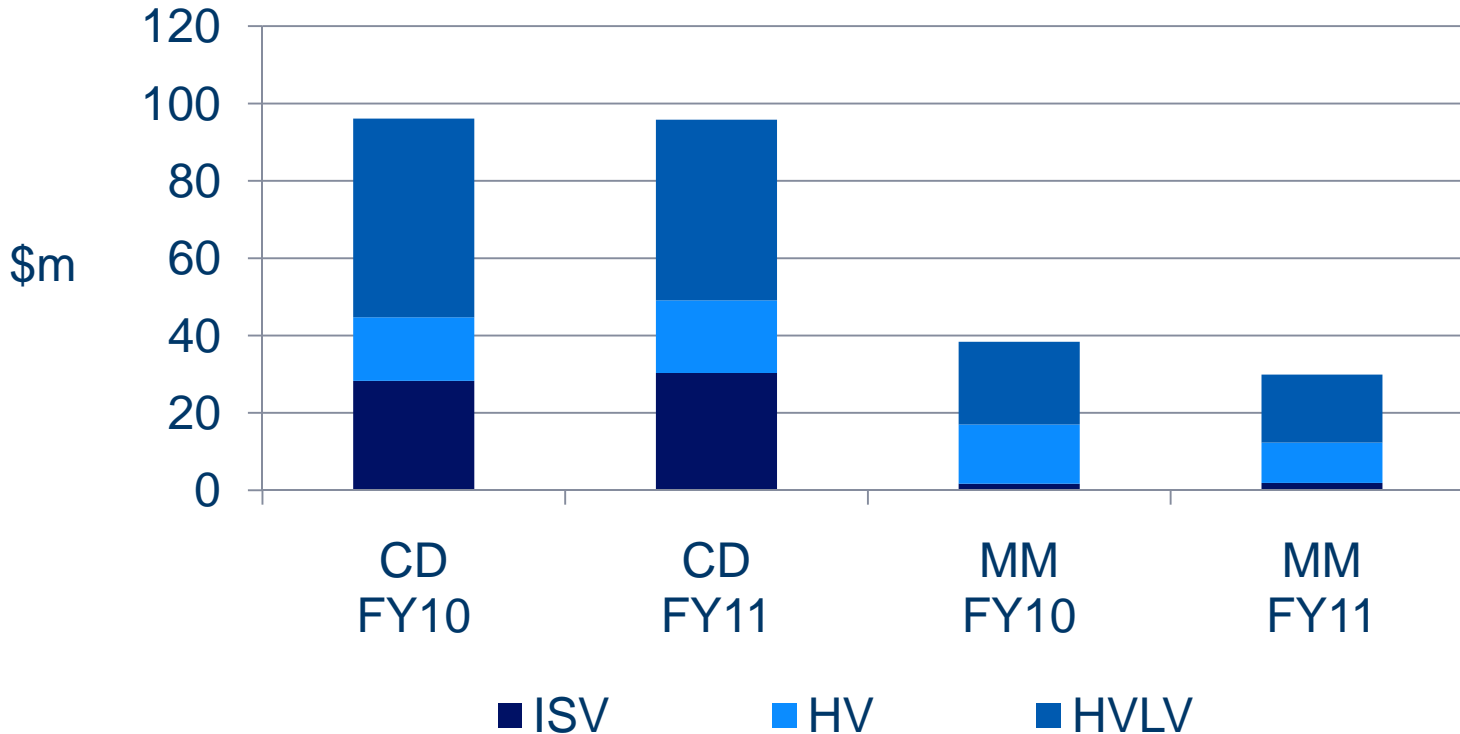
(at constant currency)



- High Volume, Low Value (<\$0.5m) mix share has reduced (51% FY11 v 54% FY10) and declined by 11.5% in absolute terms
- High Value transactions (>\$0.5m) mix reduced modestly (23% in FY11 v 24% in FY10) and declined by 8.2% in absolute terms
- ISV revenues moderated the declines in the other two segments and delivered 7.3% growth

# Analysis of CDMM licence revenues

(at constant currency)



- CD Licence Fee was flat, with growth in ISV and HV offset by decline in HVLV
- MM saw 22% licence fee decline, with decline in HV and HVLV.

# Analysis of Exceptional items

|                                | Year ended<br>30 April 2011 | Year ended<br>30 April 2010 |
|--------------------------------|-----------------------------|-----------------------------|
|                                | \$m                         | \$m                         |
| People related costs           | 17.1                        | 31.1                        |
| Property related costs         | 3.8                         | 4.7                         |
| Project management costs       | -                           | 9.3                         |
| Other                          | <u>1.2</u>                  | <u>-</u>                    |
| Restructuring costs            | 22.1                        | 45.1                        |
| Property rationalization       | <u>(7.6)</u>                | <u>-</u>                    |
| <b>Net Exceptional Charges</b> | <b>14.5</b>                 | <b>45.1</b>                 |

- Current year restructuring programme announced on 15 February 2011 with estimated cost of \$14-18m. Additional opportunities for cost saving identified leading to increased charges
- Net reduction in permanent headcount from 1,441 at end of January 2011 to 1,206 at 30 April 2011
- Credit from property rationalization arose from management of exits from existing onerous leases
- Last year's exceptional items related to acquisition integration restructuring costs
- Disclosure of items as exceptional in accordance with existing Accounting Policy

# EBITDA Reconciliation

|  | Year ended<br>30 April 2011 (audited) | Year ended<br>30 April 2010 (audited) |
|--|---------------------------------------|---------------------------------------|
|  | \$'000                                | \$'000                                |
| <b>Operating profit</b>  | 120,532                               | 105,417                               |
| Exceptional items – restructuring costs and property rationalization | 14,540                                | 45,088                                |
| Share-based compensation charges                                     | 2,235                                 | 3,069                                 |
| Amortisation of purchased intangibles                                | 15,709                                | 14,399                                |
| <b>Adjusted operating profit</b>                                     | <b>153,016</b>                        | <b>167,973</b>                        |
| Depreciation   | 4,675                                 | 4,202                                 |
| Amortisation of software   | <u>1,045</u>                          | <u>1,166</u>                          |
| <b>Adjusted EBITDA</b>   | <b><u>158,736</u></b>                 | <b><u>173,341</u></b>                 |
| <b>EBITDA</b>  | <b>141,961</b>                        | <b>125,184</b>                        |
| Exceptional items – restructuring costs and property rationalization | 14,540                                | 45,088                                |
| Share-based compensation charges                                     | <u>2,235</u>                          | <u>3,069</u>                          |
| <b>Adjusted EBITDA</b>   | <b><u>158,736</u></b>                 | <b><u>173,341</u></b>                 |
| Cash conversion ratio =  | 126.4%                                | 80.1%                                 |
| <u>Cash generated from continuing operations</u>                     | <u>182,337</u>                        | <u>102,784</u>                        |
| <b>(Adjusted EBITDA - Exceptional items)</b>                         | <b>144,196</b>                        | <b>128,253</b>                        |

# Cash Generated from Operating Activities

|   | Year ended 30 April 2011 (audited) | Year ended 30 April 2010 (audited) |
|---|------------------------------------|------------------------------------|
|   | \$'000                             | \$'000                             |
| <b>Cash flows from operating activities</b>       |                                    |                                    |
| Net profit for the period                         | 96,436                             | 76,358                             |
| Adjustments for net interest payable              | 5,991                              | 7,092                              |
| Taxation  | 18,105                             | 21,967                             |
| Depreciation                                      | 4,675                              | 4,202                              |
| Loss on disposal of property, plant and equipment | 234                                | 197                                |
| Loss on disposal of intangible assets             | 225                                | -                                  |
| Amortisation of intangibles                       | 29,261                             | 23,631                             |
| Share-based compensation                          | 2,235                              | 3,069                              |
| Exchange movements                                | 2,980                              | (2,780)                            |
| <b>Changes in working capital:</b>                |                                    |                                    |
| Inventories                                       | (1,465)                            | (25)                               |
| Trade and other receivables                       | 15,320                             | (27,703)                           |
| Payables and other non-current liabilities        | 8,340                              | (3,224)                            |
| <b>Cash generated from operating activities</b>   | <b>182,337</b>                     | <b>102,784</b>                     |

# Consolidated Cash Flow and Net Debt Position



|   | Year ended 30 April 2011 (audited) | Year ended 30 April 2010 (audited) |
|---|------------------------------------|------------------------------------|
|   | \$'000                             | \$'000                             |
| <b>Cash generated from operating activities</b>             | <b>183,337</b>                     | 102,784                            |
| Interest paid   | (2,239)                            | (3,776)                            |
| Tax paid  | (11,957)                           | (20,856)                           |
| <b>Net cash generated from operating activities</b>         | <b><u>168,141</u></b>              | <b><u>78,152</u></b>               |
| <b>Cash flows from investing activities</b>                 |                                    |                                    |
| Payments from intangible assets                             | (22,502)                           | (18,209)                           |
| Purchase of property, plant and equipment                   | (4,051)                            | (4,950)                            |
| Interest received   | 358                                | 634                                |
| Acquisition of subsidiaries                                 | -                                  | (185,227)                          |
| Net cash acquired with subsidiaries                         | -                                  | 139,635                            |
| Repay Borland loan notes                                    | -                                  | (114,984)                          |
| <b>Net cash generated from investment activities</b>        | <b><u>(26,195)</u></b>             | <b><u>(183,101)</u></b>            |
| <b>Cash flows from financing activities</b>                 |                                    |                                    |
| Payments for repurchase of shares                           | (41,997)                           | -                                  |
| Proceeds from issue of ordinary share capital               | 1,521                              | 4,703                              |
| Proceeds from bank borrowings                               | -                                  | 163,500                            |
| Repayment of bank borrowings                                | (60,000)                           | (62,500)                           |
| Bank loan costs   | (1,292)                            | (6,695)                            |
| Dividends paid to owners                                    | (50,313)                           | (33,599)                           |
| <b>Net cash used in/generated from financing activities</b> | <b><u>(152,081)</u></b>            | <b><u>65,409</u></b>               |
| Effects of exchange rate changes                            | 3,386                              | 800                                |
| <b>Net decrease in cash and cash equivalents</b>            | <b>(6,749)</b>                     | (38,740)                           |
| Cash and cash equivalents at beginning of period            |                                    | <u>71,569</u>                      |
| <b>Cash and cash equivalents at end of period</b>           | <b>26,080</b>                      | 32,829                             |
| <b>Debt outstanding at end of period</b>                    | <b><u>(41,000)</u></b>             | <b><u>(101,000)</u></b>            |
| <b>Net debt at end of period</b>                            | <b><u>(14,920)</u></b>             | <b><u>(68,171)</u></b>             |



# Currency Impact

The existing profile of revenue and costs across several currencies has in the past provided a natural hedge at an EBITDA level against currency movements. The profile of the main currencies is:

|      | Revenue | Cost  |
|------|---------|-------|
| US\$ | 50.1%   | 37.9% |
| Euro | 23.3%   | 27.9% |
| GBP  | 9.4%    | 11.9% |
| Yen  | 8.0%    | 10.4% |

The loss of \$5.4m in the year to 30<sup>th</sup> April 2011 arose mostly from the revaluation of short-term intercompany balances and the significant movement on Euro : US\$ and Yen : US\$ exchange rates.

# EPS and Adjusted EPS

|   | Year ended 30 April 2011 (audited) |  |                              | Year ended 30 April 2010 (audited) |  |                              |
|---|------------------------------------|--|------------------------------|------------------------------------|--|------------------------------|
|   | Earnings<br>\$'000                 | Weighted<br>average<br>number of<br>shares<br>'000 | Per share<br>amount<br>cents | Earnings<br>\$'000                 | Weighted<br>average<br>number of<br>shares<br>'000 | Per share<br>amount<br>cents |
| <b>Basic EPS Earnings attributable to ordinary shareholders</b>     | <b>96,436</b>                      | <b>204,994</b>                                     | <b>47.04</b>                 | 76,358                             | 203,697  | 37.49                        |
| <b>Effect of dilutive securities</b>                                |                                    |  |                              |                                    |  |                              |
| Effect of dilutive securities - options                             |                                    | 3,961  |                              |                                    | 4,319  |                              |
| <b>Diluted EPS – Earnings attributable to ordinary shareholders</b> | <b>96,436</b>                      | <b>208,955</b>                                     | <b>46.15</b>                 | <b>76,358</b>                      | <b>208,016</b>                                     | <b>36.71</b>                 |
|   |                                    |  |                              |                                    |  |                              |
| <b>Supplementary adjusted EPS</b>                                   |                                    |  |                              |                                    |  |                              |
| <b>Basic EPS</b>  | <b>96,436</b>                      | <b>204,994</b>                                     | <b>47.04</b>                 | 76,358                             | 203,697  | 37.49                        |
| Impact of US tax losses   | (6,842)                            |  |                              |                                    |  |                              |
| Adjusted items  | 32,484                             |  |                              | 62,556                             |  |                              |
| Tax relating to adjusted items                                      | (9,630)                            |  |                              | (22,273)                           |  |                              |
| <b>Basic EPS - adjusted</b>   | <b>112,448</b>                     | <b>204,994</b>                                     | <b>54.85</b>                 | 116,641                            | 203,697  | 57.26                        |
|   |                                    |  |                              |                                    |  |                              |
| <b>Diluted EPS</b>  | <b>96,436</b>                      | <b>208,955</b>                                     | <b>46.15</b>                 | 76,358                             | 208,016  | 36.71                        |
| Impact of US tax losses   | (6,842)                            |  |                              |                                    |  |                              |
| Adjusted items  | 32,484                             |  |                              | 62,556                             |  |                              |
| Tax relating to adjusted items                                      | (9,630)                            |  |                              | (22,273)                           |  |                              |
| <b>Diluted EPS - adjusted</b>                                       | <b>112,448</b>                     | <b>208,955</b>                                     | <b>53.81</b>                 | 116,641                            | 208,016  | 56.07                        |

# Financial Summary

- **Like for like Group pro-forma constant currency revenues declined by 6.0%**
  - Maintenance renewal rates improved
  - LFR weakness across all areas of the business
- **Adjusted EBITDA underlying margin at 36.4% (2010: 40.1%)**
- **Strong cash conversion at 126.4% (2010: 80.1%)**
  - 113.1% after taking account of unpaid restructuring costs of \$19.2m at 30 April 2011
- **Net debt reduced to \$14.9m (2010: \$68.2m) after share buyback of \$42.0m**
- **Proposed final dividend maintained at 16.2 cents (2010: 16.2 cents)**
  - Total dividend for the year increased by 7.3% to 23.4 cents (2010: 21.8 cents)



## Summary & Outlook

Kevin Loosemore

# Summary

- **Micro Focus – A Software Product Company**
  - The leading provider of COBOL Development software
  - 35 years of technology expertise and experience
  - Resilient business model with 50% recurring revenues
  - Highly profitable and strong cash conversion
- **The core Micro Focus proposition is to sell great software products to meet our customers' requirements**

***Vision – to be at the heart of the world's business applications  
– modernize, virtualize, mobilize***

# Outlook

- **Execution issues have been primarily responsible for the problems of the past 18 months**
- **Significant turnaround ahead**
  - In FY12, revenues will be held back by the FY11 licence decline impacting maintenance growth and the restructuring of services
  - Group revenues for FY12 are therefore likely to be lower than FY11
  - Turnaround will create a platform for future growth
- **Management view**
  - Issues of last 18 months are primarily execution related
  - Significant unlocked potential remains in the business...but only if we execute
- **We are unable to guide on profit as we are in an offer period**

# Strategic Options

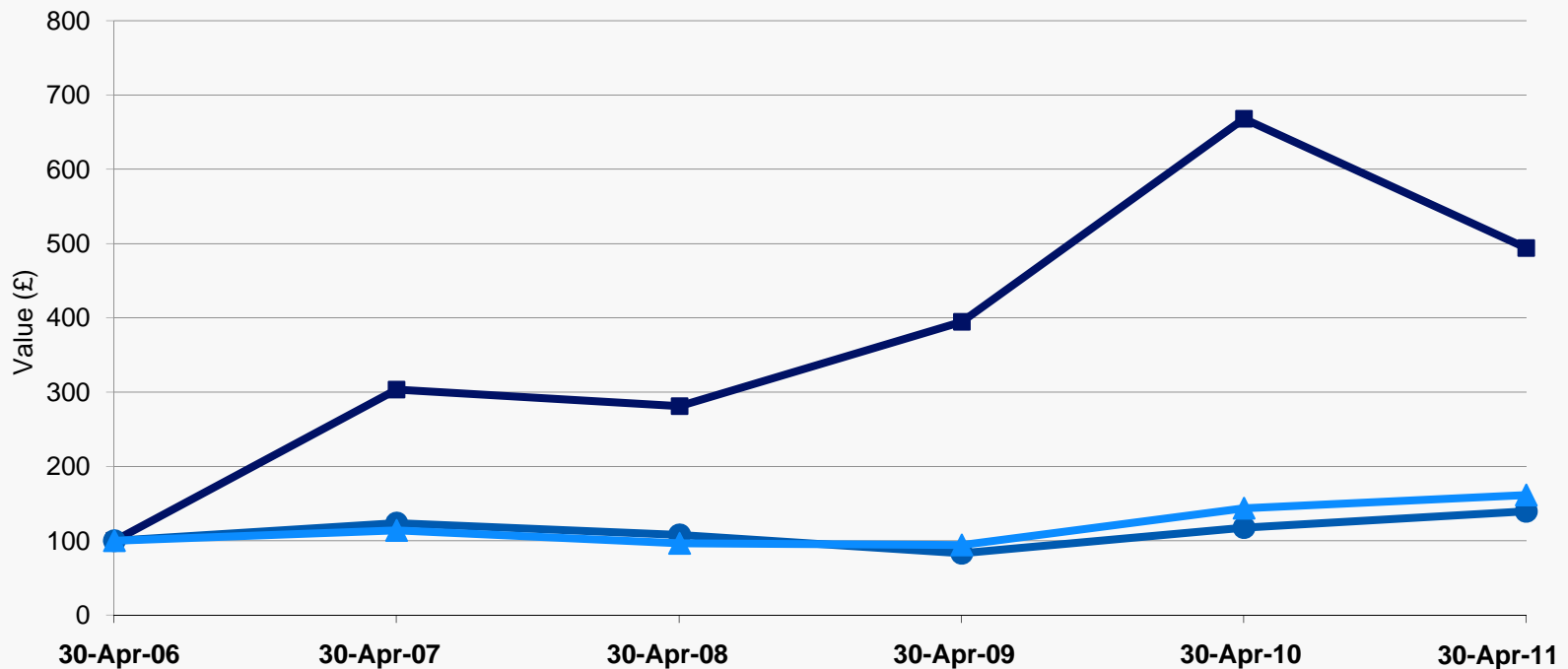
- Received a number of preliminary non-binding approaches
  - No certainty that any offer will be forthcoming
  - Board focused on delivering value to shareholders
  - Board will continue to evaluate all available options to deliver value
- 
- **Questions?**

# Appendix



# Total Shareholder Return

Source: Datastream



This graph shows the value, by 30 April 2011, of £100 invested in Micro Focus International plc on 30 April 2006 compared with the value of £100 invested in the FTSE 250 and the FTSE Software & Computer Services Indices. The intervening points are at financial year ends.

■ Micro Focus International plc 
 ● FTSE 250 Index 
 ▲ FTSE Software & Computer Services Index

## Group Proforma Adjustments for FY10

|                    | As reported<br>year ended<br>30 April 2010 | Pro-forma<br>adjustment | Pro-forma<br>year ended<br>30 April 2010 | Constant currency<br>pro-forma<br>year ended<br>30 April 2010 | As reported<br>year ended<br>30 April 2011 | Increase /<br>(decrease) |
|--------------------|--|-------------------------|--|---|--|--------------------------|
|                    | \$m  | \$m                     | \$m                                      | \$m   | \$m  | %                        |
| <b>Licence</b>     | 183.7                                      | 12.4                    | 196.1                                    | 195.6   | 165.8                                      | (15.2)                   |
| <b>Maintenance</b> | 219.1                                      | 16.4                    | 235.5                                    | 235.0   | 233.8                                      | (0.5)                    |
| <b>Consulting</b>  | 29.8                                       | 3.5                     | 33.3                                     | 33.4  | 36.5                                       | 9.3                      |
| <b>Total</b>       | 432.6                                      | 32.3                    | 464.9                                    | 464.0   | 436.1                                      | (6.0)                    |

# Consolidated Income Statement



|  | Year ended 30 April 2011 (audited)<br>\$'000 | Year ended 30 April 2010 (audited)<br>\$'000 |
|--|--|--|
| <b>Revenue</b>   | 436,130                                      | 432,579                                      |
| Cost of sales  | (63,670)                                     | (52,244)                                     |
| Gross profit   | 372,460                                      | 380,335                                      |
| Selling and distribution costs                         | (144,832)                                    | (128,137)                                    |
| Research and development expenses                      | (61,302)                                     | (56,773)                                     |
| Administrative expenses                                | (45,794)                                     | (90,008)                                     |
| <b>Operating profit</b>                                | 120,532                                      | 105,417                                      |
| <b>Analysed as:</b>                                    |  |  |
| <b>Operating profit before exceptional items</b>       | 135,072                                      | 150,505                                      |
| Exceptional items                                      | (14,540)                                     | (45,088)                                     |
| <b>Operating profit</b>                                | 120,532                                      | 105,417                                      |
| Finance costs  | (6,349)                                      | (7,726)                                      |
| Finance income   | 358  | 634  |
| <b>Profit before tax</b>                               | 114,541                                      | 98,325                                       |
| Taxation   | (18,105)                                     | (21,967)                                     |
| <b>Profit for the year</b>                             | 96,436                                       | 76,358                                       |
| <b>Other comprehensive income</b>                      |  |  |
| Currency translation differences                       | 607  | (1,980)                                      |
| <b>Other comprehensive income for the period</b>       | 607  | (1,980)                                      |
| <b>Total comprehensive income for the period</b>       | 97,043                                       | 74,378                                       |
| <b>Profit attributable to:</b>                         |  |  |
| Owners of the parent                                   | 97,043                                       | 74,378                                       |
| <b>Earnings per share expressed in cents per share</b> | <b>cents</b>                                 | <b>cents</b>                                 |
| - basic  | 47.04  | 37.49  |
| - diluted  | 46.15  | 36.71  |
| <b>Earnings per share expressed in pence per share</b> | <b>pence</b>                                 | <b>pence</b>                                 |
| - basic  | 30.16  | 23.44  |
| - diluted  | 29.58  | 22.95  |

# Consolidated Balance Sheet



|  | As at 30 April 2011 (audited)<br>\$'000 | Restated *<br>As at 30 April 2010 (audited)<br>\$'000 |
|--|---|---|
| <b>ASSETS</b>                                  |   |   |
| <b>Non-current assets</b>                      |   |   |
| Goodwill                                       | 274,355                                 | 274,355   |
| Other intangible assets                        | 109,843                                 | 116,827   |
| Property, plant and equipment                  | 9,048                                   | 9,775   |
| Deferred tax assets                            | 45,789                                  | 55,560  |
|  | <b>439,035</b>                          | <b>456,517</b>  |
| <b>Current assets</b>                          |   |   |
| Inventories                                    | 1,618                                   | 153   |
| Trade and other receivables                    | 108,072                                 | 126,288   |
| Cash and cash equivalents                      | 26,080                                  | 32,829  |
|  | <b>135,770</b>                          | <b>159,270</b>  |
| <b>TOTAL ASSETS</b>                            | <b>574,805</b>                          | <b>615,787</b>  |
| <b>Liabilities</b>                             |   |   |
| <b>Current liabilities</b>                     |   |   |
| Trade and other payables                       | 88,428                                  | 90,749  |
| Borrowings                                     | 41,000                                  | 101,000   |
| Current tax liabilities                        | 22,393                                  | 24,921  |
| Deferred income                                | 136,269                                 | 125,652   |
|  | <b>288,090</b>                          | <b>342,322</b>  |
| <b>Non-current liabilities</b>                 |   |   |
| Non-current deferred income                    | 15,139                                  | 10,529  |
| Deferred tax liabilities                       | 42,878                                  | 43,530  |
|  | <b>58,017</b>                           | <b>54,059</b>   |
| <b>TOTAL LIABILITIES</b>                       | <b>346,107</b>                          | <b>396,381</b>  |
| <b>NET ASSETS</b>                              | <b>228,698</b>                          | <b>219,406</b>  |
| <b>EQUITY</b>                                  |   |   |
| Ordinary shares                                | 37,713                                  | 37,583  |
| Share premium account                          | 115,789                                 | 112,700   |
| Profit and loss reserve                        | 108,217                                 | 102,537   |
| Foreign currency translation (deficit) reserve | (5,936)                                 | (6,329)   |
| Other reserves (deficit)                       | (27,085)                                | (27,085)  |
| <b>TOTAL EQUITY ATTRIBUTABLE TO THE PARENT</b> | <b>228,698</b>                          | <b>219,406</b>  |

\* Balances as at 30 April 2010 have been restated to reflect adjustments made in respect of goodwill on prior year acquisitions totalling \$5.8m, following revisions to payables, property, plant and equipment and the valuation of realisable tax losses.