10 November 2010

Micro Focus International plc

Pre-close period update for the six months to 31 October 2010

Micro Focus International plc ("Micro Focus" or "the Group", LSE: MCRO.L) announces an update on trading in the first half of the financial year to 30 April 2011.

Revenues

The Group expects to report total revenues of approximately US$216m (2010: US$198m) for the period ended 31 October 2010. On a constant currency basis revenues have increased by 11%.

The Group's Cobol Development, Modernization and Migration ("CDMM") lines of business are expected to report revenues of US$146m which on a constant currency basis will show a year on year increase of 3.7%. Sales performance in the three months ended 31 October 2010 showed substantial improvement over the disappointing performance in the three months ended 31 July 2010.

The reported revenues for CDMM are net of a credit note of US$2.1m issued in respect of licence fee revenue taken in the period to 30 April 2010 on sales to the Group's former distributor in Brazil. If this adjustment had not been necessary then the year on year growth on a constant currency basis would have been 5.2%.

The Group's AMQ business, formed through the acquisitions of Borland and the ASQ Division of Compuware, had a disappointing first half with revenues of US$70m compared to constant currency revenues of US$79m in the six months to 30 April 2010. Licence fee revenues for the AMQ business in the three months to 31 October 2010 were lower than the previous three months underlining the need for continued focus on sales force stability, building the pipeline and minimising the impact of product transition issues as we continue to invest in the AMQ business. Encouragingly, renewal rates on maintenance contracts improved during the period. A recovery plan for the AMQ business

press release

is being actioned by the executive management and further details will be provided at the Interim Results.

Property consolidation

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

The review of the remaining worldwide property locations is continuing and a further update will be provided at the interim results.

Adjusted EBITDA for the six months ended 31 October 2010

The Group anticipates reporting Adjusted EBITDA for the six months ended 31 October 2010 at approximately the same level as last year’s reported figure of US$78m which would give a margin of 36%. This will be after charging a foreign exchange loss of approximately US$3.6m (2010:US$0.3m), property related charges (US$0.9m), the credit note issued (US$2.1m) and appropriate tightening of existing policies by the new executive management team. Without the impact of these items the Adjusted EBITDA margin would be almost 39%.

Net debt position

The Group’s net debt position at 31 October 2010 was US$40.4m (2010: US$104.1m). The Group still expects to be net cash positive by the end of the current financial year.

Outlook

The new executive management team believes that the Group presents an excellent platform for the future. The Group has grown significantly in recent years through acquisitions and the management team believes that selective acquisitions will continue to be part of the Group's growth strategy in future. However, the challenges for the short term remain related to execution.

The actions around AMQ are focussed around stabilisation and to ensure that the proper structures are in place to grow the revenue stream back to previously indicated levels. However, this level of improvement in AMQ revenues is unlikely to be seen in the current financial year. The CDMM business had a good performance in period and it is anticipated that revenues will continue to improve. Consequently, the Group is anticipating that revenues in the current year will be broadly in line with last year's proforma constant currency figure of US$453m.

In looking at the challenges of the business and the ambition of the Group in the medium term, the new executive management team will look to make appropriate investments in the current financial year. These investments will focus on sales and marketing expenditure and improving the existing systems of the Group. The revenue impact is expected to build through 2011 and into 2012.

Prior to any further property related charges it is now anticipated that the Adjusted EBITDA for the year will be broadly in line with current analyst consensus.

An analyst conference call will be at 8.30am this morning on +44 (0) 1452 569 393.

Further details will be provided in the interim results statement for the half year to 31 October 2010 to be announced on 8 December 2010.

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Notes to editors:

About Micro Focus

Micro Focus, a member of the FTSE 250, provides innovative software that allows companies to dramatically improve the business value of their enterprise applications. Micro Focus Enterprise Application Modernization, Testing and Management software enables customers' business applications to respond rapidly to market changes and embrace modern architectures with reduced cost and risk. For additional information please visit www.microfocus.com