

15 February 2011

Micro Focus International plc
Interim Management Statement for the period from 31 October 2010,
product portfolio review and restructure

Micro Focus International plc ("Micro Focus" or "the Group", LSE: MCRO.L) provides its Interim Management Statement for the period from 31 October 2010 to the date of this statement. Interim Results for the six months ended 31 October 2010 were announced on 8 December 2010.

Revenues

Overall revenues in the three months to 31 January 2011 were below management expectations but were in line with the average for the first six months of the year. Cobol Development Modernisation & Migration ("CDMM") Licence Fee Revenues were weaker than expected as a number of large deals at the end of the quarter were deferred or lost, with North America in particular being weak. Licence Fee Revenues in the Group's AMQ business were in line with management expectations for the period and slightly ahead of revenues in Q2.

Maintenance Fee Revenues were in line with the average for the first six months of the year whilst Consultancy Fee Revenues were slightly ahead of the first half year average.

When compared to the same period last year on a constant currency basis total revenues in Q3 FY11 are down primarily due to lower Licence Fee Revenues. This reduction has impacted both CDMM and AMQ with the larger absolute and percentage decrease being experienced in AMQ.

Adjusted EBITDA

As a result of the shortfall in revenues and additional cost provisions relating to vacant property and debtor ageing made in the period, Adjusted EBITDA is below management expectations and below the average for the six months ended 31 October 2010.

Net Debt Position

The Group's net debt position at 31 January 2011 was US\$5.5m (31 October 2010: US\$40.4m) demonstrating further good cash generation during the period.

Product Portfolio Review and Restructure

The new management team, which has been fully in place since 4th October 2010, has now completed a review of the business and the product portfolio as part of the ongoing FY12 planning process.

The review has identified the product lines that are expected to drive the long term growth of the company. As a result management is undertaking a restructuring of the business to ensure focus and investment in these growth areas, whilst maximising efficiencies elsewhere. This restructuring programme will complete the integration of the acquisitions made in the course of the last five years, in particular Borland and the testing division of Compuware, as well as improving the overall cost efficiency of the business.

The company believes in the market opportunity for a strong Cobol Development business and for superior growth in our Modernisation and Migration product lines. As a result of the investments made in the AMQ business Micro Focus has now been positioned by Gartner Inc in the leaders quadrant of the Integrated Software Quality Suites Magic Quadrant report^[1], and growth in this area of the business is anticipated in future. Investments in these growth areas will continue and the company will explore opportunities for further growth.

There are also a number of non-strategic products that are in long term decline affecting overall growth rates and where the company will make changes to investment levels. This product group will be identified separately in future reporting to provide greater insight into the dynamics in the portfolio and management will consider all strategic options for their future.

As part of this restructuring and cost reduction programme AMQ will be integrated into the Geographic sales territory model that currently operates for the CDMM business to further improve customer communication and penetration.

As a result of these changes there will be a restructuring charge of between \$14m and \$18m in the final quarter of this year, with the cost benefit and payback of this programme being delivered in FY12.

Outlook

The performance in the period is disappointing and it is unlikely that the company will be able to recover the shortfall in revenue and Adjusted EBITDA in the remaining three months of the current financial year. The pipeline of licence opportunities is strong in both CDMM and AMQ, however, the volatility experienced in predicting closure of opportunities this year means that there is a range of possible outcomes for the full year.

Full year revenues are now anticipated to be in the range of \$432m to \$442m. As most of the revenue shortfall is in high margin Licence Fee and Maintenance Revenues it is anticipated that the shortfall will flow through to Adjusted EBITDA which is now anticipated to be in the range of \$159m to \$167m, prior to the actions described above, a margin between 36.8% and 37.8%. Taking into account the restructuring charge the full year Adjusted EBITDA is forecast in a range of \$141m to \$153m.

The Group still expects to be net cash positive by the end of the current financial year even after taking account of the cash impact of the actions described and consequent proposed restructuring charge.

An analyst conference call will be at 8.00am this morning. Details are as follows:

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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 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

^[1] Gartner "Magic Quadrant for Integrated Software Quality Suites" by Tom Murphy, January 31, 2011. The Magic Quadrant is copyrighted 2011 by Gartner, Inc. and is reused with permission. The Magic Quadrant is a graphical representation of a marketplace at and for a specific time period. It depicts Gartner's analysis of how certain vendors measure against criteria for that marketplace, as defined by Gartner. Gartner does not endorse any vendor, product or service depicted in the Magic Quadrant, and does not advise technology users to select only those vendors placed in the "Leaders" quadrant. The Magic Quadrant is intended solely as a research tool, and is not meant to be a specific guide to action. Gartner disclaims all warranties, express or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose.