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If you have sold or otherwise transferred all of your Ordinary Shares, please send this document as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. However, such documents should not be forwarded or transmitted in or into any jurisdiction in which such act would constitute a violation of the relevant laws of such jurisdiction. If you have sold or otherwise transferred only part of your holding of Ordinary Shares, you should retain the documents and consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

The release, publication or distribution of this document in jurisdictions other than the United Kingdom may be restricted by law and, therefore, any persons who are subject to the laws of any jurisdiction other than the United Kingdom should inform themselves about, and observe, any applicable requirements. This document has been prepared for the purposes of complying with the laws of England and Wales and the Listing Rules and the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws and regulations of any jurisdiction outside of England and Wales.

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# **Micro Focus International plc**

*(Incorporated under the Companies Act 1985 and registered in England and Wales with Registered No. 05134647)*

## **Supplementary Circular to Shareholders and Notice of General Meeting in connection with the proposed acquisition of Borland Software Corporation and Readmission of the existing Ordinary Shares to listing on the Official List of the UK Listing Authority and to trading on the London Stock Exchange**

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It is anticipated that in accordance with the Listing Rules, upon the Effective Date the UK Listing Authority will seek to cancel the listing of the Ordinary Shares. Applications will be made for the Ordinary Shares to be readmitted to listing on the Official List and to trading on the London Stock Exchange’s main market for listed securities. It is further expected that subject to the conditions of the Acquisition being satisfied, or, where permitted, waived and subject also to the timing of the satisfaction or, where permitted, waiver of such conditions Readmission will become effective and dealings will recommence in the existing Ordinary Shares at 8.00 a.m. on 27 July 2009.

This document should be read as a whole. Your attention is drawn to the letter from your Chairman which is set out on pages 5 to 14 of this document and which recommends that you vote in favour of the resolution to be proposed at the General Meeting referred to below. This document is supplemental to the Micro Focus Circular and should be read in conjunction with the Micro Focus Circular and the Prospectus previously made available and the Supplementary Prospectus which shall be made available as soon as practicable following the date of this document. The Prospectus and the Supplementary Prospectus have been prepared in accordance with the Prospectus Rules made under section 84 of the Financial Services and Markets Act 2000. The Prospectus has been filed with the Financial Services Authority and is available to the public as required by section 3.2 of the Prospectus Rules. The Supplementary Prospectus is being filed with the Financial Services Authority and will be available to the public as required by section 3.2 of the Prospectus Rules. Please read the whole of this document, the Micro Focus Circular, the Prospectus and the Supplementary Prospectus, and in particular, the risks relating to Micro Focus, the Enlarged Group and the Acquisition set out in this document on pages 15 to 23.

Notice of the General Meeting, to be held at The Lawn, 22-30 Old Bath Road, Newbury, Berkshire RG14 1QN at 9 a.m. on 24 July 2009, is set out on page 51 of this document. Shareholders will find enclosed with this document a Form of Proxy for use in connection with the General Meeting. Whether or not you intend to attend the General Meeting in person, please complete and sign the enclosed Form of Proxy in accordance with the instructions printed on it and return it to Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZL as soon as possible and, in any event, by no later than 9 a.m. on 22 July 2009. The completion and return of a Form of Proxy will not preclude you from attending and voting in person at the General Meeting or any adjournment thereof, if you so wish and are so entitled.

If you hold Ordinary Shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction to Equiniti (CREST participant ID RA19), so that it is received by no later than 9 a.m. on 22 July 2009. The completion and return of a CREST Form of Proxy or CREST Proxy Instruction will not preclude you from attending and voting in person at the General Meeting or any adjournment thereof, if you so wish and are so entitled. If you have any questions about this document, the General Meeting or are in any doubt as to how to complete the Form of Proxy, please call Equiniti, between 8.30 a.m. and 5.30 p.m. Monday to Friday (except UK public holidays) on 0871 384 2734 (from within the UK) and 0121 415 7047 (from outside the UK). Calls will be charged at national or international rates as the case may be. Please note that calls may be monitored or recorded and Equiniti cannot provide financial advice or advice on the merits of the Acquisition.

Shareholders who are not resident in the United Kingdom may be affected by the laws of the relevant jurisdictions in which they are located and should inform themselves of, and observe, any applicable requirements.

**The Ordinary Shares have not been, and will not be, registered under the US Securities Act on the securities law of any state, district or other jurisdiction of the United States, Australia, Canada or Japan and no regulatory clearance in respect of the Ordinary Shares has been, or will be, applied for in any jurisdiction other than the UK. The Ordinary Shares may not be offered, sold, resold, delivered or distributed, directly or indirectly, in, into or from the United States, Canada, Australia or Japan or to, or for the account or benefit of, any US persons or resident of Australia, Canada or Japan absent an exemption from, or not subject to, registration or an exemption under the US Securities Act or other relevant securities law.**

Arma Partners LLP, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting for Micro Focus as financial adviser in relation to the Acquisition and is not advising any other person and accordingly will not be responsible to any person other than Micro Focus for providing the protections afforded to the clients of Arma Partners LLP or for providing advice in relation to the matters described in this document. Apart from the responsibilities and liabilities, if any, which may be imposed on Arma Partners LLP by the FSMA or the regulatory regime established thereunder. Arma Partners LLP does not accept any responsibility whatsoever for the contents of this document or for any statement made or purported to be made by it, or on its behalf, in connection with Micro Focus, the Ordinary Shares and/or the Acquisition. Arma Partners LLP accordingly disclaims all and any liability whether arising in tort, contract or otherwise (save as referred to above) which it might otherwise have in respect of this document or any such statement.

UBS Investment Bank is acting for Micro Focus as sponsor in relation to the Acquisition and Readmission and is not advising any other person and accordingly will not be responsible to any person other than Micro Focus for providing the protections afforded to the clients of UBS Investment Bank or for providing advice in relation to the matters described in this document. Apart from the responsibilities and liabilities, if any, which may be imposed on UBS Investment Bank by the FSMA or the regulatory regime established thereunder, UBS Investment Bank does not accept any responsibility whatsoever for the contents of this document or for any statement made or purported to be made by it, or on its behalf, in connection with Micro Focus, the Ordinary Shares and/or the Acquisition. UBS Investment Bank accordingly disclaims all and any liability whether arising in tort, contract or otherwise (save as referred to above) which it might otherwise have in respect of this document or any such statement.

## **RELEVANT DOCUMENTATION**

The Prospectus has been made available electronically to Shareholders on the Company's website [www.microfocus.com](http://www.microfocus.com). The Supplementary Prospectus will be made available electronically to Shareholders on the Company's website [www.microfocus.com](http://www.microfocus.com) as soon as practicable following the date of this document for the purposes of Readmission.

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## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Announcement of the Acquisition . . . . .	6 May 2009
Proxy statement posted by Borland to Borland Shareholders . . . . .	19 June 2009
Posting and publication of the Micro Focus Circular . . . . .	24 June 2009
Publication of the Prospectus . . . . .	30 June 2009
Posting and publication of the Micro Focus Supplementary Circular . .	8 July 2009
Publication of the Supplementary Prospectus . . . . .	9 July 2009
Latest time and date for receipt of Forms of Proxy/CREST Proxy Instructions . . . . .	9 a.m. on 22 July 2009
Borland Shareholders' Meeting . . . . .	22 July 2009
Micro Focus General Meeting . . . . .	9 a.m. on 24 July 2009
Effective Date . . . . .	27 July 2009
Date of cancellation of existing Ordinary Shares and subsequent Readmission . . . . .	27 July 2009

All references in this document to times are to London time unless otherwise stated.

## SHARE CAPITAL STATISTICS

Number of existing Ordinary Shares . . . . .	202,208,961
Number of Ordinary Shares following completion of the Acquisition . . . . .	202,208,961

## PART I

### LETTER FROM THE CHAIRMAN OF MICRO FOCUS INTERNATIONAL PLC

The Lawn  
22-30 Old Bath Road  
Newbury  
Berkshire  
RG14 1QN

Tel +44 (0) 163 532 646  
(Registered in England and Wales with number 05134647)

#### **Directors:**

Kevin Loosemore (*Non-Executive Chairman*)  
Stephen Kelly (*Chief Executive Officer*)  
Nicholas Bray (*Chief Financial Officer*)  
David Maloney (*Non-Executive Director*)  
Paul Pester (*Non-Executive Director*)  
Tom Skelton (*Non-Executive Director*)

8 July 2009

*To Micro Focus Shareholders (and, for information only, to holders of Options)*

Dear Shareholder,

#### **ACQUISITION OF BORLAND**

##### **1. Introduction**

You will recall that I wrote to you on 24 June 2009 in relation to our proposed acquisition of Borland which was to be put forward for the approval of the Shareholders at the general meeting convened for 17 July 2009. Following that letter a rival bidder expressed an interest in acquiring Borland. In response, Micro Focus increased its offer from US\$1.15 per Borland Share to US\$1.50 per Borland Share. I am now writing to you to describe the terms of our increased offer and to inform you that the General Meeting is now convened for 24 July 2009. This document is supplemental to and should be read in conjunction with the Micro Focus Circular published and posted to Micro Focus Shareholders on 24 June 2009 relating to the Acquisition.

On 6 May 2009, the Micro Focus Board and Borland Directors announced that they had reached agreement on the terms of a recommended proposal whereby Micro Focus would acquire the entire issued and outstanding share capital of Borland for US\$1.00 per Borland Share. On 1 June 2009 Micro Focus announced that it had been notified by Borland, that Borland had received a preliminary non-binding indication of interest from a financial buyer. On 18 June 2009 Micro Focus announced that it had increased its offer to acquire the entire issued and outstanding share capital of Borland from US\$1.00 per Borland Share to US\$1.15 per Borland Share. The announcement on 18 June 2009 also confirmed that the financial buyer had withdrawn its indication of interest in acquiring the entire issued and outstanding share capital of Borland. On 24 June 2009, Micro Focus posted the Micro Focus Circular to Micro Focus Shareholders. On 26 June 2009 Micro Focus announced that it had been notified by Borland, in accordance with the Borland Merger Agreement, that Borland had received a preliminary non-binding indication of interest from another party.

On 1 July 2009 Micro Focus announced that it had increased its fully funded offer from US\$ 1.15 per Borland Share to US\$1.50 per Borland Share. Micro Focus continues to believe that its fully funded offer is based on strong strategic rationale and is, therefore, in the best interests of both companies, their employees, customers and shareholders. Micro Focus believes that it is uniquely placed to deliver value from the Acquisition and the proposed price continues to meet Micro Focus' strict financial acquisition criteria whilst also delivering enhanced value to Borland Shareholders.

The terms of the revised offer have been unanimously approved by the Micro Focus Board and the Borland Directors.

Under the terms of the Acquisition, Micro Focus will pay US\$1.50 in cash (subject to downward adjustment, if any) without interest and less any applicable withholding tax, for each outstanding Borland Share. This purchase price values Borland at approximately US\$113.0 million. The Acquisition price of US\$1.50 per Borland Share represents a premium of 87.5 per cent. over the closing price of US\$0.80 per Borland Share on 5 May 2009 (being the last trading day prior to the announcement of the execution of the Borland Merger Agreement). Micro Focus is financing the Acquisition using funds available under the Loan Facility Agreement.

The Acquisition constitutes a reverse takeover under the Listing Rules and therefore requires the approval of Micro Focus Shareholders prior to completion. As the increased offer price of US\$1.50 per Borland Share requires a supplementary circular to be published and posted to Micro Focus Shareholders, the Micro Focus Directors propose to adjourn the general meeting convened for 5.00 p.m. on 17 July 2009. Micro Focus is publishing and posting this document to Micro Focus Shareholders to convene the General Meeting for 9 a.m. on 24 July 2009 at The Lawn, 22-30 Old Bath Road, Newbury, Berkshire RG14 1QN to approve the Acquisition at the revised offer price of US\$1.50 per Borland Share. A new Form of Proxy for the General Meeting to be held on 24 July 2009 is also enclosed. This Form of Proxy should be completed in accordance with paragraph 14 below. Please note that Forms of Proxy previously completed will not be valid for the purposes of the General Meeting on 24 July 2009. The business relating to the approval of the Acquisition shall be considered at the General Meeting on 24 July 2009. Shareholders should not take any further action in relation to the general meeting convened on 17 July 2009 as such meeting shall be adjourned and the business relating to the approval of the Acquisition shall be considered by the General Meeting convened on 24 July 2009. An explanation of the resolution to be proposed for approval by Micro Focus Shareholders at the Micro Focus General Meeting is set out in paragraph 12 below. The Micro Focus Board considers that the Resolution is in the best interests of the Micro Focus Shareholders as a whole and unanimously recommends that Micro Focus Shareholders vote in favour of the Resolution. The Acquisition also required the publication of the Prospectus which was published on 30 June 2009 and requires the publication of the Supplementary Prospectus. The Supplementary Prospectus (reflecting the revised offer terms) will be made available to Micro Focus Shareholders as soon as possible following the date of this document.

As the Acquisition is classed as a reverse takeover, upon the Effective Date the UK Listing Authority will cancel the listing of Ordinary Shares. Applications will be made by the Company to the UK Listing Authority and London Stock Exchange for the Ordinary Shares to be readmitted to listing on the Official List and to trading on the London Stock Exchange's main market for listed securities. It is expected that Readmission will become effective and dealings will recommence in Ordinary Shares at 8 a.m. on 27 July 2009.

The Acquisition will be implemented by way of a negotiated merger agreement. Subject to the satisfaction or, where appropriate, waiver of the Conditions, it is expected that the Acquisition will become Effective early in the third calendar quarter of 2009. The Acquisition is conditional upon, *inter alia*, approval of the Resolution by Micro Focus Shareholders at the Micro Focus General Meeting, the approval of the Borland Merger Agreement by the requisite vote of the Borland Shareholders and the satisfaction or waiver of other conditions which are considered to be customary for a transaction of this nature.

I am writing to you to give you further details of the Acquisition, including the background to and reasons for it; to explain why the Micro Focus Board considers it to be in the best interests of Micro Focus Shareholders as a whole and to seek your approval of the Resolution. The Prospectus, which also contains details of the Acquisition and of the Enlarged Group, has been made available and the Supplementary Prospectus, containing details of the revised terms of the Acquisition, will be made available to Micro Focus Shareholders electronically on the Company's website, [www.microfocus.com](http://www.microfocus.com) as soon as practicable following approval by the UK Listing Authority.

## **2. Information Relating to the Borland Group**

The Borland Group was originally founded in 1983 and is headquartered in Austin, Texas. Borland is incorporated in Delaware and is listed on NASDAQ. The Borland Group is a vendor of ALM software products to cater to all stages of software development. ALM is a new, customer-centric approach to helping information technology organisations transform software development, testing and delivery into a managed, efficient and predictable business process. The Borland Group currently has approximately 733 employees and has offices in 17 countries around the world.

The Borland Group's solutions cover a full range of ALM processes including: Application Testing / Automated Software Quality, project & portfolio management, requirements definition & management, model driven development and software change management. Also contained within Borland Group's business are DPG products, which are designed to enable interoperability for mission-critical applications running in distributed, heterogeneous computing environments.

On 19 April 2006, the Borland Group acquired the entire issued share capital of Segue Software, Inc. for a consideration of US\$115.9 million, further details of which are set out in paragraph 9.2.1 of Part VIII of the Micro Focus Circular. Segue, with its Silk and SilkCentral product lines, formed the foundation for Borland's Application Testing / Automated Software Quality solution offering.

On 2 January 2008, the Borland Group acquired the entire issued share capital of Simunication, Inc. for a consideration of US\$2.4 million.

Subsequently on 30 June 2008 the Borland Group disposed of its CodeGear business for a total consideration of US\$20.7 million (net of closing adjustments), further details of which are set out in paragraph 9.2.3 of Part VIII of the Micro Focus Circular. CodeGear accounted for approximately 21 per cent. of the Borland Group's revenue in the financial year ended 31 December 2007 and focused on the sale of software development tools directly to consumers. This was inconsistent with the Borland Group's ongoing focus on ALM solution sales to enterprises, which led to the eventual disposal of the division.

In the financial year ended 31 December 2008 Borland reported audited revenues from continuing operations of US\$172.0 million and an operating loss of US\$211.5 million (US\$26.9 million operating loss pre one-time non-cash goodwill impairment of US\$184.6 million) such figures being extracted without material adjustment from the historical financial information for the Borland Group compiled under IFRS for the financial year ended 31 December 2008 incorporated by reference into this document pursuant to Part IV of this document. Whilst the Borland Group has suffered from declining revenues and has made operational losses, the Micro Focus Directors believe that their restructuring and integration plans for the Borland Group's business will facilitate the successful turnaround of the Borland Group's business. These, and any other Borland Group financial details included in this Part I have been extracted without material adjustment from the restated IFRS accountants' report incorporated by reference into this document pursuant to Part IV of this document. Further detail in relation to Borland's recent financial performance is set out in Part V of this document. The Borland Group's common stock is currently listed on NASDAQ and at completion of the Acquisition the SEC will cancel trading in Borland Shares.

### **3. Principal Terms of the Acquisition**

Pursuant to the Borland Merger Agreement amongst Micro Focus, Borland, Micro Focus US and Merger Sub, Merger Sub will be merged with and into Borland, and each outstanding Borland Share other than Borland Shares held by the Borland Shareholders who do not vote in favour of the adoption of the Borland Merger Agreement and who properly demand appraisal rights in accordance with Delaware law, if any, will be converted into the right to receive US\$1.50 per Borland Share (subject to downward adjustment in the event that there are more Borland Shares in issue or issuable than have been represented and warranted in the Borland Merger Agreement) to be satisfied in cash, without interest and less any applicable withholding tax.

On the Effective Date, each vested Borland stock option that remains outstanding and unexercised, will convert into the right to receive a cash payment, less any applicable withholding tax, equal to the product of (i) the total number of shares of Borland common stock otherwise issuable upon exercise of such vested Borland stock option; and (ii) US\$1.50 (subject to adjustment, if any) less the exercise price per share of Borland common stock subject to such vested Borland stock options. As of the Effective Date, Borland stock options will be terminated or cancelled in accordance with the terms of the Borland stock plan under which they were granted, and a holder of Borland stock options will cease to have any rights other than a right to receive the consideration payable under the Borland Merger Agreement, if applicable.

Under the Borland Merger Agreement, Borland has given representations and warranties to Micro Focus regarding the Borland Group and its activities, which are customary for a transaction of this nature. After completion of the Acquisition, the Borland Merger Agreement does not provide either indemnification relating to breaches of the representations and warranties set forth in the Borland Merger Agreement or an escrow account relating to the Acquisition.

After the Effective Date, the Borland Noteholders have the right to require Borland (or the Enlarged Group following completion of the Acquisition) to repurchase the Borland Notes at 100 per cent. of the principal amount of the Borland Notes, together with accrued and unpaid interest thereon. Any Borland Noteholder that wishes to participate in the repurchase must deliver written notice specifying that such Borland Noteholder wishes to have their Borland Notes, or any portion thereof, repurchased by Borland. The Borland Merger Agreement is conditional upon Borland having, immediately prior to the Effective Date cash and cash equivalents of not less than US\$122.5 million on the basis that such cash shall represent funds available to Micro Focus to repay the outstanding amounts payable under the Borland Notes as at the Effective Date in full. The Micro Focus Group shall not be obliged to complete the Merger Agreement and to repay the Borland Notes unless there are cash resources of not less than US\$122.5 million available at the Effective Date. After the Effective Date the Borland Noteholders have the right to either cause Borland to repurchase the Borland Notes at 100 per cent. of the principal amount of the Borland Notes together with accrued and unpaid interest thereon or to convert the outstanding Borland Notes into new Borland Shares (based on a conversion rate of 156.8627 new Borland Shares per US\$1,000 principal amount of Borland Notes). As a result of the Acquisition, the Borland Notes will become convertible on the Effective Date (and remain convertible for 20 calendar days) into such cash amount as would have been received by the Borland Noteholders if the Borland Notes had been converted into new Borland Shares immediately prior to completion of the Acquisition. In the event that any Borland Noteholders do not send written notice to Borland requiring all outstanding Borland Notes held by such Borland Noteholders to be redeemed in full or converted into cash such outstanding Borland Notes shall be redeemed by Borland on the due date for redemption, being 15 February 2012. The redemption of the Borland Notes would not have an adverse impact on the financial position of the Micro Focus Group or the Enlarged Group as completion of the Borland Merger Agreement is conditional upon funds being available to the Borland Group to repay the outstanding Borland Notes in full.

The obligations of the parties to complete the Borland Merger are subject to the satisfaction or waiver of various conditions, including the following mutual conditions:

- the approval of the Borland Merger Agreement by the requisite vote of the Borland Shareholders and Micro Focus Shareholders;
- any applicable waiting periods (and any extension thereof) and any applicable approvals under the Hart-Scott-Rodino Act, if applicable, shall have expired or been earlier terminated or shall have been obtained, as applicable; and
- Readmission.

Borland and Micro Focus US may agree to terminate the Borland Merger Agreement without completing the Acquisition at any time. If Borland fails to call a meeting of Borland Shareholders, changes its recommendation with respect to the Borland Merger Agreement or breaches its non-solicitation obligations as set out in the Borland Merger Agreement, Micro Focus has the right to terminate the Borland Merger Agreement. Further, Borland may terminate the Borland Merger Agreement for a Superior Proposal. If the Borland Merger Agreement is terminated for any of these reasons, Micro Focus would be eligible to receive the Termination Fee of US\$5.2 million from the Borland Group. In the event that the approval of the Borland Shareholders to the Borland Merger Agreement and Acquisition is not obtained on or before the Expiration Date, and as a result, the Borland Merger Agreement is terminated, Borland would be obliged to reimburse the Micro Focus Group's expenses incurred in connection with the Borland Merger Agreement and the Acquisition up to US\$1.5 million. In the event that the approval of the Micro Focus Shareholders to the Acquisition is not obtained on or before the Expiration Date and as a result the Borland Merger Agreement is terminated, Micro Focus would be obliged to pay the Borland Group's expenses incurred in connection with the Borland Merger Agreement and the Acquisition, subject to a maximum of US\$1.5 million. In the event that the Borland Merger Agreement is terminated as a result of a Superior Proposal at least three business days prior to any such termination of the Borland Merger Agreement, Borland must give Micro Focus notice of such proposed termination. During such three business day period Borland and Micro Focus shall negotiate in good faith in relation to any revised proposal to acquire the issued and outstanding share capital of Borland made by Micro Focus.

#### **4. Background to and Reasons for the Acquisition**

The Micro Focus Group is a provider of software solutions for the modernisation and management of enterprise applications. The Micro Focus Group believes that the investment in these applications and the competitive advantage built up in the business processes represented by these applications are too valuable



simply to replace or recreate, and in most cases the expense and/or the risk of doing so outweighs any potential benefit. The Micro Focus Group delivers solutions to effectively access, develop and manage and to implement the rapid and continuous improvement of enterprise applications focused on meeting the requirements of the business.

IT investments have come under greater scrutiny as they now represent a considerable component of the cost structure of any business and enterprises have as a result increased their interest in and demand for modernisation strategies and solutions. The Micro Focus Group has benefited from this market trend.

As with all acquisitions, the degree of success for the acquiring company depends on many factors including strategic fit, the opportunity to deliver synergy benefits as well as management's capacity to manage the enlarged group's business. The Micro Focus Group has a strong track record of acquiring and integrating solutions into its modernisation businesses and since November 2006 has made six separate acquisitions with an aggregate consideration value of US\$212.2 million. Micro Focus's management team has invested in the skills and infrastructure to restructure and integrate the products and services into its core business, identifying, retaining and enhancing the products and staff expertise to meet the requirements of a growing customer base, while delivering consistent financial returns.

As a consequence of these acquisitions, as well as through operational efficiencies achieved within the business, the Micro Focus Group has significantly improved the financial performance of its enlarged operations with total revenue growing from US\$143.7 million in the Micro Focus Group's financial year ended 30 April 2006 to US\$274.7 million in the financial year ended 30 April 2009. EBITDA (adjusted for share based compensation, amortisation of purchased intangibles and exceptional items) has more than trebled from US\$38.8 million in the Micro Focus Group's financial year ended 30 April 2006 to US\$118.6 million in the financial year ended 30 April 2009. This financial information has been extracted, without material adjustment, from the audited consolidated financial statements for the Micro Focus Group for the financial year ended 30 April 2006 and from the unaudited preliminary results for the Micro Focus Group for the financial year ended 30 April 2009.

The Micro Focus Group evaluates on an ongoing basis acquisition opportunities to broaden its addressable market and to drive significant and sustained future organic growth consistent with its modernisation strategy of improving the development of enterprise software applications and the management of the processes that support this activity. As a result, the Micro Focus Group has identified the US\$2.0 billion annual Application Testing / Automated Software Quality market segment as particularly attractive. Application Testing / Automated Software Quality software solutions are concerned with the management and governance processes that software development organisations must follow to ensure that any software applications produced best meet the original requirements as specified by the business user, and are of sufficient quality. They also deliver a degree of automation to this process, important because this can be the most expensive and time critical phase of software production.

Software quality can be critical. If a core banking system fails, the business can lose significant revenues. If the real time applications in an aircraft fail, the consequences can be fatal. Given the relative non-discretionary nature of this kind of investment, analysts believe that the global Application Testing / Automated Software Quality market will continue to grow strongly, driven by the growing strategic importance of Application Testing / Automated Software Quality solutions in the increasingly complex enterprise IT environment.

The Borland Group is an independent player in the ALM market providing a range of software solutions to support and enhance the management of applications delivery to Global 2000 companies across a broad range of industries. These solutions include Application Testing / Automated Software Quality, RDM, SCM (and source code management), PPM and MDD. It has placed great emphasis in its recent strategy on the integration of the various products into a combination or ALM suite, rather than the strength of the individual products within their respective market segments.

The Micro Focus Group approached the Borland Group in February 2008 with a view to exploring a potential acquisition of the Borland Group; however, after several months of discussion, the terms on which a deal could be structured were not sufficiently favourable in order for the Micro Focus Board to recommend such an acquisition to the Micro Focus Group's shareholders. As reported in and extracted (without material adjustment) from the audited financial statements for the Borland Group compiled under IFRS for the financial years ended 31 December 2007 and 31 December 2008, the Borland Group's results have deteriorated, including a decrease in revenue from US\$211.8 million in its fiscal year ended 31 December 2007 to US\$172.0 million in its fiscal year ended 31 December 2008. On 31 December 2008

the chief executive officer of the Borland Group resigned. In late 2008 / early 2009, the Borland Group engaged in cost cutting and restructuring efforts and instigated a process to identify a potential buyer for the business.

The Micro Focus Group has long recognised the opportunity to expand Borland's Application Testing / Automated Software Quality software business by refocusing the Borland Group strategy on its individual solutions and supporting the needs of existing Borland Group customers. There is further potential to leverage the market position of the Micro Focus Group's current portfolio and customer base, as Application Testing / Automated Software Quality software is a critical part of the application development process within its existing modernisation solutions.

The Micro Focus Group has in addition identified a significant restructuring potential within the Borland Group and is confident that there remain substantial savings to be captured above and beyond what has been achieved to date, through the integration and optimisation of administrative and other functions, IT systems rationalisation, reduced external spending on tax, auditing, legal and listing compliance as well as through the merging of facilities where geographic overlap exists. Aside from the potential opportunity to create shareholder value through such an exercise, acquiring the Borland Group would significantly broaden the Micro Focus Group's addressable market and continue the Micro Focus Group's strategy of developing into a broader solutions provider.

On 6 May 2009 the Micro Focus Group announced the acquisition of the suite of Application Testing / Automated Software Quality solutions and all related sales, support and development infrastructure from Compuware Corporation, a NASDAQ-listed software company headquartered in Detroit, Michigan. Completion of this transaction took place on 29 May 2009. The assets purchased as part of this transaction generated revenues of approximately US\$74 million for the financial year ended 31 March 2009 (such financial information having been extracted without material adjustment from the unaudited management accounts for the Compuware Corporation for the year 1 April 2008 to 31 March 2009) and already give the Micro Focus Group a significant presence in the Application Testing / Automated Software Quality market. Micro Focus has financed this acquisition using its existing cash resources and by drawing down funds available to the Micro Focus Group under the Loan Facility Agreement. The Micro Focus Directors believe that the addition of the Borland Group would significantly enhance the Micro Focus Group's market position in terms of breadth of solution, expand the number of existing customers and the vertical markets in which they operate, broaden the scale of resources committed to support customer projects worldwide and potentially increase the penetration of the strategically important US technology market.

The Micro Focus Board believes that the combination of the Micro Focus Group and the Borland Group will create a larger, stronger organisation, with greater scale to meet the growing demands of its customers. In conclusion the Micro Focus Board believes that the Enlarged Group would benefit from:

- a significantly expanded addressable market opportunity;
- a broadened and strengthened product portfolio which will allow the Enlarged Group to capture a greater portion of the software development and deployment value chain;
- a large combined customer base including a significant number of blue-chip organisations;
- greater penetration of the strategically important US technology market;
- significant cost synergies achievable through optimisation and integration of administrative and other functions, IT systems rationalisation, reduced external spending on tax, auditing, legal and listing compliance as well as through the merging of facilities where geographic overlap exists;
- greater scale which will enable the Enlarged Group to better meet the growing demands of the combined customer base; and
- a further strengthening of the Micro Focus Group's position as a consolidator in the global software market while also taking advantage of the current attractive valuation environment.

The Micro Focus Directors consider that the Acquisition at the revised offer price of US\$1.50 per Borland Share continues to be in the best interests of Micro Focus Shareholders and in making the increased offer have taken account of the benefit to the Micro Focus Group of concluding the Acquisition within the shortest possible timeframe and the risks to completion of the Acquisition presented by other parties expressing interest in acquiring Borland.

## **5. Financing of the Acquisition**

The cash consideration due to the Borland Shareholders under the Acquisition is to be financed from funds to be drawn down under the Loan Facility Agreement.

The Loan Facility Agreement gives Micro Focus financial flexibility, having part funded the acquisition of the Application Testing / Automated Software Quality business from Compuware Corporation, it will also enable Micro Focus to acquire the Borland Group and to restructure and integrate the Borland Group's businesses. The strength of the Micro Focus Group's existing business means that the Micro Focus Directors believe any funds drawn down under the Loan Facility Agreement to fund the Acquisition will be repaid by the Micro Focus Group together with any accrued interest within the 36 month term of the Loan Facility Agreement, if not before, depending on cash being available to Micro Focus to repay more quickly.

As at 7 July 2009 the Micro Focus Group had used some of its existing excess cash reserves and drawn down approximately US\$20 million under the Loan Facility Agreement to fund the acquisition of the Application Testing / Automated Software Quality business from Compuware Corporation. The Micro Focus Group has no outstanding borrowings other than the US\$20 million currently drawn down under the Loan Facility Agreement. At the Effective Date the Micro Focus Group will draw down up to a further US\$113.0 million under the Loan Facility Agreement to finance the Acquisition.

## **6. Financial Effects of Implementing the Acquisition**

Micro Focus has developed a comprehensive restructuring plan for the Borland Group which, upon completion of the Acquisition, aims to stabilise operations and create a platform for future growth. The Micro Focus Directors believe that the current decline in performance can be arrested in the short term, and in order to generate an acceptable margin, plan to significantly reduce the Borland Group's cost base to a level commensurate with this revenue platform. The Micro Focus Directors believe that cost synergies will be achieved primarily through integration and optimisation of administrative and other functions, IT systems rationalisation, reduced external spending on tax, auditing, legal and listing compliance as well as through the merger of facilities where geographical overlap exists.

Micro Focus will optimise the Borland Group's sales and marketing operations, and its product portfolio, to focus on its strongest product areas where revenue growth is achievable in the medium term, namely but not exclusively in the strategic market of Application Testing / Automated Software Quality.

Micro Focus has funded the acquisition of the Application Testing / Automated Software Quality business from Compuware Corporation in part using existing cash resources available for such purposes and in part with funds drawn down under the Loan Facility Agreement. Micro Focus intends to fund the Acquisition by drawing down funds under the Loan Facility Agreement. Other than the Consideration payable under the Borland Merger Agreement and the consideration paid for the acquisition of the Application Testing / Automated Software Quality business from Compuware Corporation, Micro Focus also expects to incur one off exceptional integration and restructuring costs of approximately US\$40 million in connection with the Acquisition. Micro Focus intends to use funds available for draw down under the Loan Facility Agreement to fund these integration and restructuring costs. The Micro Focus Directors intend to fund the repayment of any Borland Notes (further details of which are set out in paragraph 7 of Part VII of the Micro Focus Circular) from the cash and cash equivalents available to the Borland Group. Completion of the Borland Merger Agreement is conditional upon Borland having, immediately prior to the Effective Date, cash and cash equivalents of not less than US\$122.5 million. The redemption of the Borland Notes would not, therefore, have an adverse impact on the financial position of the Micro Focus Group. The cash and cash equivalents required to be available to the Borland Group at the Effective Date under the terms of the Borland Merger Agreement and the repayment in full of the Borland Notes have also been taken into account for the purposes of the pro forma statement of net assets set out in Part VI(A) of this document.

As at 31 March 2009 (and as extracted without material adjustment from the unaudited pro forma financial information set out in Part VI(A)) the aggregate principal amount outstanding under the Borland Notes was US\$115.0 million. As at 7 July 2009 the aggregate principal amount outstanding under the Borland Notes was US\$115.0 million. Further details of the Borland Notes and the repayment terms are set out in paragraph 9.2.4 of Part VIII of the Micro Focus Circular. The Borland Group has no outstanding borrowings other than the aggregate principal amount outstanding under the Borland Notes.

The Micro Focus Directors believe that the Acquisition will be earnings enhancing in the first full financial year following the financial year in which completion of the Acquisition takes place. This statement does not constitute a profit forecast nor should it be interpreted to mean that the earnings per share of the Enlarged Group for the current or future financial years will be lower than, match or exceed the historic published earnings per Micro Focus Share.

As at 30 April 2009, Micro Focus had unaudited net assets of US\$168.7 million of which cash and cash equivalents were US\$71.6 million. On an unaudited *pro forma* basis and assuming the Acquisition had become Effective on 30 April 2009, and taking account of Micro Focus's balance sheet position as of 30 April 2009, the net assets of the Enlarged Group on 30 April 2009 would have been US\$168.7 million and the cash and cash equivalents would have been US\$71.6 million. This financial information has been extracted without material adjustment from, and further details are set out in the unaudited Pro Forma Statement of Net Assets set out in Part VI(A) of this document.

## **7. Current trading and prospects**

### *The Micro Focus Group*

Under the current management team in place since the beginning of the financial year ended 30 April 2007, the Micro Focus Group has consistently grown both revenues and profits.

On 25 June 2009 the Micro Focus Group announced its unaudited preliminary results for the financial year ended 30 April 2009. As reported in and extracted without material adjustment from the Micro Focus Group's unaudited preliminary results statement on 25 June 2009, the Micro Focus Group reported strong financial results for the year ended 30 April 2009 against a difficult economic backdrop. Total revenues for the year increased 20.4 per cent. to US\$274.7 million. Organic revenue growth for the year from the Micro Focus Group's core business at constant currencies was 10.1 per cent. Adjusted EBITDA increased 34 per cent. to US\$118.6 million. The Micro Focus Group continues to pursue its stated growth strategy, supplementing solid organic growth with shrewd acquisitions. The impact of the recent acquisition of the Application Testing / Automated Software Quality Solutions business from Compuware Corporation is expected to reduce the overall margin of the Micro Focus Group in the short term.

The Micro Focus Group has continued to pursue its growth strategy of combining profitable organic growth with complementary acquisitions that meet its strict criteria and support its strategic aims. Micro Focus believes the Enlarged Group will be well placed both operationally and financially to drive continued growth for 2010 and into further years.

### *The Borland Group*

As reported in (and extracted from without material adjustment) the audited financial information compiled under IFRS for the Borland Group for the financial year ended 31 December 2008, excluding the impact of discontinued operations, the Borland Group reported audited revenues of US\$172.0 million and an operating loss of US\$211.5 million (US\$26.9 million operating loss pre one-time non-cash goodwill impairment of US\$184.6 million). Excluding the impact of discontinued operations (CodeGear division) Borland also reported in the audited financial information for the financial year ended 31 December 2007 (compiled under IFRS and extracted without material adjustment) audited revenues of US\$211.8 million and operating loss of US\$44.4 million in the financial year ending 31 December 2007. Further detail in relation to the Borland Group's financial performance is set out in Parts IV and V of the Micro Focus Circular.

Since the second quarter in 2007, the Borland Group has been engaged in a cost cutting and restructuring initiative aimed at reducing the Borland Group's operating costs. As part of this restructuring effort Borland has sought to improve its back-office operations, downsize its global headcount, rationalise its facilities and has also shifted its global headquarters from Cupertino, CA to Austin, Texas, US. The continued deterioration of the global economy and the strengthening of the US dollar has also negatively impacted the Borland Group's performance, partially offset by continued reductions in operating expenses.

During the first quarter of the financial year beginning 1 January 2009, Borland exceeded revenue and operating income budget, driven primarily by the signing of a customer contract with Hewlett Packard. Borland estimates it will receive approximately US\$18.0 million under this agreement during the calendar year 2009.

The Micro Focus Group has continued to pursue its growth strategy of combining organic growth with complementary acquisitions that meet its strict criteria and support its strategic aims. Micro Focus believes the Enlarged Group will be well placed both operationally and financially to drive continued growth for 2010 and into further years.

## 8. Risk Factors

Your attention is drawn to the risk factors set out in Part II (Risk Factors) of this document.

## 9. Dividend Policy

The Micro Focus Board has adopted a progressive dividend policy over the past three financial years reflecting the long term earnings and cash flow potential of Micro Focus. In the financial years ended 30 April 2006, 30 April 2007 and 30 April 2008, Micro Focus paid dividends of US\$0.06, US\$0.10 and US\$0.13 per Ordinary Share respectively. The level of dividend cover for the financial year ended 30 April 2008 was approximately 2.5 times on a pre-exceptional earnings basis. In line with the above policy, the Micro Focus Directors paid an interim dividend in respect of the financial year ended 30 April 2009 of US\$0.045 per Ordinary Share and have proposed a final dividend for the year of US\$0.111 per Ordinary Share, providing for total dividends in the year of US\$0.156 per Ordinary Share. The proposed final dividend is subject to the approval of the Micro Focus Shareholders at the Company's forthcoming Annual General Meeting.

The Micro Focus Board expects that the dividend policy will not change following the Acquisition. If performance were to be significantly below expectations then the Micro Focus Board might need to review the dividend policy.

Dividends will be paid in Sterling based on an exchange rate applicable on the date of recommendation of the dividend by the Micro Focus Board.

## 10. Summary Financial Information on the Borland Group

The revenues, gross profit, profit before tax and net income, compiled under IFRS, of the Borland Group for the period from 1 January to 31 March 2009 (which have been extracted without material adjustment from the unaudited financial information in Part IV of the Micro Focus Circular) and for the three years ended 31 December 2008, (which have been extracted without material adjustment from the audited financial information in Part V of the Micro Focus Circular), are summarised below. As at 31 December 2008 the Borland Group had gross assets of US\$249.9 million.

Micro Focus Shareholders should read the whole of the Micro Focus Circular, this document, the Prospectus and the Supplementary Prospectus, and not just rely on the summarised financial information for the Borland Group set out below.

	Quarter ended 31 March 2009 (unaudited)	Year ended 31 December (audited)		
		2008	2007	2006
	(US\$ million)	(US\$ million)	(US\$ million)	(US\$ million)
Revenues from continuing operations . . . . .	35.1	172.0	211.8	304.7
Gross profit from continuing operations . . . . .	26.3	127.2	162.3	234.9
Profit/(loss) before tax from continuing operations . . . . .	2.5	(198.9)	(20.1)	(51.3)
Net income/(loss) . . . . .	2.4	(210.3)	(39.0)	(53.8)

## 11. Borland Shareholders' Approval

The Acquisition is conditional upon, *inter alia*, the approval of the terms of the Borland Merger Agreement by Borland Shareholders and the passing of the Resolution by Micro Focus Shareholders at the Micro Focus General Meeting. Subject to their fiduciary duties, the Borland Directors have agreed to recommend that Borland Shareholders vote in favour of the resolutions relating to the Acquisition to be proposed in a proxy solicitation exercise.

## **12. Micro Focus General Meeting**

A general meeting of Micro Focus Shareholders to consider and, if thought fit, approve the Acquisition has been convened to be held at 9 a.m. on 24 July 2009 at The Lawn, 22-30 Old Bath Road, Newbury, Berkshire RG14 1QN. The notice convening the Micro Focus General Meeting is set out at the end of this document. The Resolution is an ordinary resolution proposing that the Acquisition be approved and that the Micro Focus Directors be authorised to implement the Acquisition. The Acquisition will not become effective if the Resolution is not passed.

## **13. Delisting, Cancellation of Trading, Listing and Dealing**

As the Acquisition constitutes a reverse takeover under the Listing Rules, the London Stock Exchange and the UK Listing Authority will cancel trading in Ordinary Shares on the London Stock Exchange's main market for listed securities, and the listing of the Ordinary Shares on the Official List, on the Effective Date. Applications have been made to the UK Listing Authority and to the London Stock Exchange for the Ordinary Shares to be readmitted to listing on the Official List and to trading on the London Stock Exchange's main market for listed securities. It is expected that, subject to the conditions of the Acquisition being satisfied, or, where permitted, waived and subject also to the timing of the satisfaction or, where permitted, waiver of such conditions, Readmission will become effective and that dealings in the Ordinary Shares will recommence on the London Stock Exchange at 8.00 a.m. on the Effective Date.

## **14. Action to be Taken**

If you are a Micro Focus Shareholder, you will find enclosed with this document a Form of Proxy for use at the Micro Focus General Meeting. Whether you intend to be present at the Micro Focus General Meeting or not, you are asked to complete the Form of Proxy in accordance with the instructions printed thereon and to return it to Equiniti as soon as possible and, in any event, so as to be received by 9 a.m. on 22 July 2009. Please note Forms of Proxy previously completed and returned for the general meeting convened on 17 July 2009 will not be valid for the General Meeting to be held on 24 July 2009. The general meeting on the 17 July 2009 shall be adjourned and the business relating to the approval of the Acquisition shall be considered at the General Meeting on 24 July 2009.

**If you hold Ordinary Shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction to Equiniti (CREST participant ID RA19), so that it is received by no later than 9 a.m. on 22 July 2009.** The completion and return of the Form of Proxy or a CREST Proxy Instruction will not preclude you from attending the Micro Focus General Meeting and voting in person if you wish to do so.

If the Form of Proxy is not returned or the CREST Proxy Instructions submitted by 9 a.m. on 22 July 2009, your vote will not count.

## **15. Further Information**

Your attention is drawn to the further information contained in this document.

## **16. Recommendation**

The Micro Focus Board has received financial advice from Arma Partners LLP in relation to the Acquisition. In providing advice to the Micro Focus Board, Arma Partners LLP has relied on the Micro Focus Board's commercial assessment of the Acquisition.

The Micro Focus Board considers that the Acquisition is in the best interests of Micro Focus Shareholders as a whole and accordingly recommends that Micro Focus Shareholders vote in favour of the Resolution to be proposed at the Micro Focus General Meeting as each of the Directors intend to do in respect of their own beneficial holdings which in total amount to 532,770 Ordinary Shares representing, in aggregate, approximately 0.3 per cent. of the existing issued ordinary share capital of Micro Focus.

Yours faithfully

KEVIN LOOSEMORE  
*Non-Executive Chairman*

## PART II

### RISK FACTORS

*A number of factors affect the operating results, financial condition and prospects of the Micro Focus Group and the Borland Group and, following the Effective Date, will affect the Enlarged Group or the industry in which they operate. This section describes the risk factors which are considered by the Micro Focus Directors to be material in relation to the Micro Focus Group and the Borland Group as discrete groups which will, following the Effective Date, apply to the Enlarged Group. However, these should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. Additional risks and uncertainties that are not presently known to the Micro Focus Directors, or which they currently deem immaterial, may also have an adverse effect on the Micro Focus Group's, the Borland Group's and, if the Acquisition becomes Effective, the Enlarged Group's operating results, financial condition and prospects. The information given is as of the date of this document and, except as required by the FSA, the London Stock Exchange, the Listing Rules, the Prospectus Rules, the Disclosure and Transparency Rules or any other applicable law, will not be updated.*

You should consider carefully the risks and uncertainties described below, together with all other information contained in the Micro Focus Circular and this document before making any investment decision.

### PART A

#### **Risks relating to the Micro Focus Group and, if the Acquisition becomes Effective, the Enlarged Group**

- 1. The Micro Focus Group's success is, and the Enlarged Group's success will be, dependent on the strength of their products and the ability to maintain, modify and update such products. If such products are not competitive when compared to those of Micro Focus Group's, or the Enlarged Group's, competitors the level of new licence sales is likely to decrease and attrition rates of existing maintenance contracts with customers may increase which may result in a material adverse effect upon the reputation, business and financial operations of Micro Focus Group and/or the Enlarged Group.**

The success and sales of the Micro Focus Group are, and of the Enlarged Group will be, dependent on the strength of their products. The Micro Focus Group and the Enlarged Group could be adversely affected should its products fail to remain competitive, either through the Enlarged Group's inability to effectively maintain, modify and update its product set or else as a result of a competitor offering a superior product. Further, if the Micro Focus Group or the Enlarged Group is unable to respond to changing consumer demand the reputation, image, business and financial operations of the Micro Focus Group or the Enlarged Group may be impaired and customer demand for a particular category of product offering may decrease in the future. In particular, the software of the Micro Focus Group and the Enlarged Group may contain undetected errors when first introduced or as upgrades and newer versions are released. The Micro Focus Group or the Enlarged Group would be likely to lose revenue as a result of product defects or errors and suffer damage to its reputation. As a result of the occurrence of any product defect or error the Micro Focus Group or the Enlarged Group may incur significant product development costs, warranty and repair costs and be subject to product liability claims. In addition, a product defect or error could also divert the attention of software development and product management personnel and cause significant customer relationship problems or loss of customers all of which would harm the business in terms of revenue and brand reputation.

- 2. The Micro Focus Group's business is, and the Enlarged Group's business may be, impacted by the quality of the reputation of the brands and trademarks which it uses to sell its products. Should any of the Micro Focus Group's or the Enlarged Group's products be discontinued or under invested going forward such brands and trademarks may be impaired which may negatively impact the brand of Micro Focus or the Enlarged Group.**

The Micro Focus Group or the Enlarged Group may, for the purposes of product portfolio rationalisation and optimisation, discontinue or end the life of particular products. Without clear and concise communication to any impacted partners, customers, prospects and other interested parties, the business of the Micro Focus Group or the Enlarged Group could be adversely affected. The Micro Focus Group or the Enlarged Group may be adversely affected in the event that customers of products that have been deemphasised elect to migrate to other products sooner than would otherwise have been expected. Furthermore, the lack of new development spend with respect to these deemphasised products may cause them to become obsolete more rapidly, limiting the potential for

new licence sales associated with these products. Should the Micro Focus Group or the Enlarged Group not rapidly and efficiently evolve its product offering to remain relevant to the application development and modernisation challenges faced by its customer base, the business of the Micro Focus Group or the Enlarged Group could suffer.

**3. The Micro Focus Group is a growing and acquisitive business and the success of the Micro Focus Group and of the Enlarged Group will be partly dependent upon the Micro Focus Group's management successfully integrating such acquired businesses into the Micro Focus Group or the Enlarged Group.**

The Micro Focus Directors expect to continue their focus on growing the business of the Micro Focus Group or the Enlarged Group organically, and complementing this organic growth plan with further acquisitions, the effect of which may be to place additional strain on the Micro Focus Group's senior management team and its financial and other resources. The ability of the Micro Focus Group or the Enlarged Group to manage the combination of organic and inorganic growth effectively will require the Micro Focus Group or the Enlarged Group to continue to improve operations, including software development and sales, to continue to improve operational, financial and management systems and to hire, train, motivate and manage new and existing employees. Difficulties in effectively managing this growth could have a material adverse effect on the business prospects, financial condition and results of operations for the Micro Focus Group or for the Enlarged Group.

**4. The Micro Focus Group depends, and the Enlarged Group will depend, on its senior management team, as well as its sales management, product management and development personnel and other key personnel. Should the Micro Focus Group or the Enlarged Group not attract or retain sufficiently high quality and experienced management and employees, this may adversely affect the performance of the business and financial results for the Micro Focus Group or the Enlarged Group.**

The Micro Focus Directors believe that the future success of the Micro Focus Group or the Enlarged Group depends upon the ability to attract and retain senior management as well as sales management, product management and development personnel and other key personnel who represent significant assets to the business and provide expertise and experience critical to the implementation of its strategy. There is competition for qualified personnel in the Micro Focus Group's markets and those of the Enlarged Group. The number of people with appropriate skills and experience is limited. In particular, there can be no certainty that either the Micro Focus Group or the Enlarged Group would be able to attract and retain adequately skilled personnel, in general, in the future. A significant number of the employees and each member of senior management of the Micro Focus Group or the Enlarged Group are employed on terms that allow termination on short notice. The loss of key senior management, sales management, product management and development or other key personnel by the Micro Focus Group or the Enlarged Group or the inability to attract or retain qualified personnel could delay the development and introduction of innovative software products and negatively impact the ability of the Micro Focus Group or the Enlarged Group to successfully compete in their respective markets, which, in turn, may have a negative effect on the business, financial condition or results of operations for the Micro Focus Group or the Enlarged Group. In particular, the Borland Group has implemented various cost cutting efforts which has made it challenging to retain key people and recruit new talent, as needed.

In addition, it is common in the software industry for employees to enter into non-compete and confidentiality agreements with their employers. To the extent that the Micro Focus Group or the Enlarged Group hires employees who are subject to such restrictions, the Micro Focus Group or the Enlarged Group or the employees it hires may be subject to claims related to such prior agreements.

**5. The Micro Focus Group is, and the Enlarged Group will be, dependent upon the effectiveness of its sales force and distribution channels to maintain and grow licence, maintenance and consultancy sales.**

Whilst the majority of the Micro Focus Group's sales are, and the Enlarged Group's sales will be, derived from direct sales channels, the Micro Focus Group depends on, and the Enlarged Group will depend on, packaged application providers, systems integrators and resellers to generate a portion of its turnover. Should any channel suffer from a decreased level of effectiveness, then the ability of the Micro Focus Group or the Enlarged Group to reach customers and thereby sell products may harm the business of the Micro Focus Group or the Enlarged Group. For the 12 months ended 30 April 2008, sales through package application providers, system integrators and resellers represented



approximately one third of the Micro Focus Group's total turnover. The sales and distribution strategy for the Micro Focus Group relies, and for the Enlarged Group will rely, partly on the ability of systems integrators and packaged application providers to develop their respective customer bases and incorporate the software technology of the Micro Focus Group or the Enlarged Group into the software and services each offers to its customers. In addition, the Micro Focus Group relies, and the Enlarged Group will rely, on resellers to sell, distribute and support its software products in territories where the Micro Focus Group or the Enlarged Group does not have a physical presence. If the sales and marketing strategy for the Micro Focus Group or the Enlarged Group were to change in the future the Micro Focus Group or the Enlarged Group may need to make further investment in sales staff in certain geographic areas. Furthermore, to the extent that systems integrators, packaged application providers or resellers renegotiate existing contractual arrangements, use a competitor's technology or are unable to attract additional customers, maintain existing customer relationships, market their own or the solutions of the Micro Focus Group or the Enlarged Group effectively or successfully offer, implement or support such solutions, such events could materially adversely affect the business, results of operations, financial condition and growth prospects for the Micro Focus Group or the Enlarged Group.

**6. The Micro Focus Group depends, and the Enlarged Group will depend, on its intellectual property. The Micro Focus Group's and the Enlarged Group's rights to such intellectual property may be challenged or infringed by others or otherwise prove insufficient to protect its business.**

The Micro Focus Group relies, and the Enlarged Group will rely, on trade secret, trade mark and copyright law to protect its intellectual property. Failure to protect, maintain and enforce the Micro Focus Group's or the Enlarged Group's existing intellectual property or pursue registrations for new rights may result in the loss of the Micro Focus Group's or the Enlarged Group's exclusive right to use technologies which are included in their respective software products or are otherwise used in their respective businesses. Most of the Micro Focus Group's intellectual property is not, and the Enlarged Group's will not be, covered by a patent or patent application and includes trade secrets and other know-how that is not considered patentable. In addition, some of the Micro Focus Group's and Enlarged Group's intellectual property includes technologies and processes that may be similar to the technologies and processes of third parties that are protected by patent, copyright or trade secret law. It may also be possible for an unauthorised third party to reverse engineer or decompile the Micro Focus Group's or Enlarged Group's software products. The Micro Focus Group or the Enlarged Group may be unable to detect the unauthorised use of or take appropriate steps to enforce its intellectual property rights particularly in certain international markets. Litigation may be required to enforce such intellectual property rights and such litigation can be time consuming and expensive. If the Micro Focus Group or the Enlarged Group does not adequately protect its right to use its technologies, it may have to pay others for rights to use their intellectual property, pay damages for infringement or misappropriation or be enjoined from using such intellectual property. In common with other companies in the software industry, the Micro Focus Group or the Enlarged Group uses Open Source software in some of its products. There is uncertainty about the legal effect of some Open Source software licences. By using Open Source software, the Micro Focus Group or the Enlarged Group may become obliged to disclose parts of its source code, or may unknowingly be infringing the intellectual property rights of a third party. The Micro Focus Group takes steps, and the Enlarged Group will take steps, consistent with industry practice to minimise these risks. There is no certainty that the Micro Focus Group or the Enlarged Group would be able to obtain licences to use third party intellectual property rights on acceptable terms, or at all. The position of the Micro Focus Group or the Enlarged Group is subject to complex factual and legal issues that may give rise to uncertainty as to the validity, scope and enforceability of a particular intellectual property right. Effective protection for the software of the Micro Focus Group or the Enlarged Group may be unavailable or limited or not applied for in countries in which the Micro Focus Group operates or in which the Enlarged Group will operate.

The Micro Focus Group also seeks, and the Enlarged Group will seek, to protect its proprietary information and trade secrets that may not be patented or patentable and to secure its rights to copyright and patentable inventions by confidentiality agreements and, if applicable, inventors' rights agreements with its customers, partners and employees. These agreements may be breached and the Micro Focus Group or the Enlarged Group may not have adequate remedies for any breach.

The Micro Focus Group or the Enlarged Group could become subject to litigation in which it is alleged that it has infringed the intellectual property rights of others. The Micro Focus Group or the Enlarged Group could commence litigation against others whom it believes are infringing upon its rights. The involvement of the Micro Focus Group or the Enlarged Group in intellectual property litigation could result in significant expense to it and could adversely affect the development of sales of the challenged product or intellectual property and divert the efforts of its technical and management personnel, whether or not the litigation is resolved in the favour of the Micro Focus Group or the Enlarged Group. In addition the Micro Focus Group or the Enlarged Group may not have insurance cover for these types of claim or such insurance cover may not be adequate.

- 7. The Micro Focus Group depends, and the Enlarged Group will depend, on certain third parties to continue supporting products or technology upon which the Micro Focus Group's products are, or those of the Enlarged Group will be, dependent and to provide the Micro Focus Group or the Enlarged Group with any necessary support to ensure the products of the Micro Focus Group and of the Enlarged Group remain compatible as new releases and modifications to such products or technology are made by such third parties.**

The Micro Focus Group and the Enlarged Group have built their principal software development tools around certain third party products and technology and, as a result, to the extent such third parties fail to continue to develop or support their products and technology, this limits the permissible use of the products and technology of the Micro Focus Group or the Enlarged Group. Alternatively, if such third party products or technology cease to be available, become prohibitively expensive or otherwise cease to be compatible with the products or technology of the Micro Focus Group or the Enlarged Group there is likely to result in a significant increase in the price of using the products and technology of the Micro Focus Group or the Enlarged Group as the Micro Focus Group or the Enlarged Group would need to find an alternative development environment, created either by another third party or internally. In order to do so, the Micro Focus Group or the Enlarged Group may incur significant expenditure and substantial costs associated with redesigning, testing and distributing the new product or technology which could negatively impact the financial condition and results of operations for the Micro Focus Group or the Enlarged Group.

- 8. The Micro Focus Group sells and distributes, and the Enlarged Group will sell and distribute, its software products around the globe and, as a result, is subject to associated risks and uncertainties.**

The Micro Focus Group sells, and the Enlarged Group will sell, its software products, directly or indirectly, around the world. For the 12 months ended 30 April 2009, the Micro Focus Group derived 90 per cent. of its turnover from sales outside the United Kingdom. As a result, the business of the Micro Focus Group and of the Enlarged Group is subject to various risks inherent in international operations, including (but not limited to) intellectual property laws, legal uncertainty regarding liability, tariffs and other trade barriers, foreign currency exchange risk, difficulties in staffing and managing foreign offices (including those experienced by its resellers), different payment cycles, different local accounting practices, problems in collecting accounts receivable, political instability and potentially differing tax laws and practices. Any of the foregoing could adversely affect the financial condition, results of operations or business strategy of the Micro Focus Group or the Enlarged Group.

- 9. The Loan Facility Agreement to the extent drawn down by the Micro Focus Group or the Enlarged Group may limit the operational and financial flexibility of the Micro Focus Group or the Enlarged Group and may increase the exposure of the Micro Focus Group or the Enlarged Group to interest rate fluctuations. The Loan Facility Agreement contains covenants which, following the expiry of the next 12 months, may negatively impact the ability of the Micro Focus Group or the Enlarged Group to operate and grow its business.**

To the extent drawn down the Loan Facility Agreement will create an amount of indebtedness for the Micro Focus Group or the Enlarged Group together with debt service obligations which may impair the operational and financial flexibility of the Micro Focus Group or the Enlarged Group. The Loan Facility Agreement, to the extent drawn down, may increase the exposure of the Micro Focus Group or the Enlarged Group to rising interest rates affecting the cost of their respective future borrowing requirements. The Loan Facility Agreement contains covenants from the Micro Focus Group or the Enlarged Group imposing certain performance-related, financial and other limitations on the Micro Focus Group or the Enlarged Group limiting the ability of the Micro Focus Group or the Enlarged

Group to incur or guarantee additional indebtedness, pay dividends and make other distributions, make investments, incur capital expenditure, make acquisitions and sell assets. These covenants are customary but may restrict the Micro Focus Group or the Enlarged Group from competing effectively or from taking advantage of new business opportunities. The ability of the Micro Focus Group or the Enlarged Group to meet the financial ratios and tests and comply with covenants contained in its debt agreements in the longer term may be affected by events outside of its control, including a prolonged economic or market downturn or further retrenchment of information technology budgets. In the event of a default under any of its financing arrangements and unless the Micro Focus Group or the Enlarged Group is able to negotiate an amendment, forbearance or waiver, the Micro Focus Group or the Enlarged Group could be required to repay all amounts then outstanding which could have a material adverse effect on the business, results of operations and financial condition of the Micro Focus Group or the Enlarged Group depending on the outstanding balance at the time. Depending on the balance outstanding at the time, the assets of the Micro Focus Group or the Enlarged Group may in the longer term be insufficient to repay in full all of the indebtedness outstanding and may find alternative financing to enable it to continue operations is restricted. Even if the Micro Focus Group or the Enlarged Group could obtain alternative financing, the terms available may not be favourable or acceptable to the Micro Focus Group or the Enlarged Group.

**10. The Micro Focus Group is, and the Enlarged Group will be, exposed to volatility in their respective financial condition and results of operations due to fluctuations in currency exchange rates.**

As the Micro Focus Group operates, and the Enlarged Group will operate, in several countries, they are exposed to foreign currency rate fluctuations. The Micro Focus Group and the Enlarged Group have significant businesses in the United Kingdom, Europe and Japan, which generate turnover in currencies other than its reporting currency, the US dollar. For the six months ended 30 October 2008 approximately 50 per cent. of Micro Focus Group's turnover was generated in currencies other than US dollars. The Micro Focus Group and the Enlarged Group are exposed to currency transaction risks when local businesses enter into transactions using a currency other than their functional currency. This mismatch will result in gains or losses with respect to movements in foreign exchange rates and may be material. Although the Micro Focus Group and the Enlarged Group does not currently do so, in the future, the Micro Focus Group or the Enlarged Group may enter into transactions to hedge a portion of these currency exposures. However, hedging transactions may not be available at a reasonable cost or may prove ineffective in reducing these exposures. Any losses incurred in connection with any hedging transactions would adversely affect the operating results of the Micro Focus Group or the Enlarged Group.

In addition, fluctuations in the exchange rate between the pound sterling, euro, yen and other currencies in which the Micro Focus Group or Enlarged Group transacts or will transact certain aspects of its business relative to the US dollar may cause fluctuations in reported financial results that are not necessarily related to the financial results of operations for the Micro Focus Group or the Enlarged Group. As a result, comparability of the performance of the Micro Focus Group or the Enlarged Group between financial periods has been, and will continue to be, significantly affected.

**11. The Micro Focus Group, or the Enlarged Group, may, in the longer term, require additional capital to support its growth, and this capital might not be available.**

The Micro Focus Board intends to continue to make investments to support the business growth of the Micro Focus Group or the Enlarged Group and may in the longer term require additional funds to respond to business challenges, including the need to develop new technologies, penetrate new markets or acquire complementary businesses and technologies. If in the longer term the Micro Focus Group or the Enlarged Group raises additional funds through further issuances of equity or convertible debt securities, the existing shareholders of the Micro Focus Group or the Enlarged Group could suffer significant dilution, and any new equity securities it issues could have rights, preferences and privileges superior to those of existing holders of Ordinary Shares. Any debt financing secured by the Micro Focus Group or the Enlarged Group in the longer term could involve restrictive covenants relating to its ability to raise capital, as well as other financial and operational matters, which may make it more difficult for the Micro Focus Group or the Enlarged Group to obtain additional capital and to pursue business opportunities, including potential acquisitions. In addition, the Micro Focus Group or the Enlarged Group may not in the longer term be able to obtain additional debt financing on terms favourable to it, if at all. If the Micro Focus Group or the Enlarged

Group is unable to obtain adequate debt financing or debt financing on terms satisfactory to it in the longer term, the ability of the Micro Focus Group or the Enlarged Group to continue to grow its business and respond to business challenges in the longer term could be significantly impaired.

- 12. The Micro Focus Group and the Enlarged Group have entered into various acquisitions and disposals over recent years and may be subject to or have the benefit of certain residual representations, warranties, indemnities, covenants or other liabilities, obligations or rights. The business, operations and financing of the Micro Focus Group and the Enlarged Group may be affected by such transactions.**

The Micro Focus Group and the Enlarged Group have entered into various acquisitions and disposals over recent years and may be subject to or have the benefit of certain residual representations, warranties, indemnities, covenants or other liabilities, obligations or rights. The business, operations and financing of the Micro Focus Group and the Enlarged Group may be affected by such transactions, including any change of control provisions which may be triggered and the impact which such transactions may have on the timing, repayment and availability of any debt finance arrangements. The Micro Focus Group or the Enlarged Group may become subject to or may take legal proceedings if for any reason any such rights or obligations became enforceable against or by the Micro Focus Group or Enlarged Group. Any such litigation may be time consuming and expensive and there may be no certainty as to the outcome of any such legal proceedings once initiated. Any such litigation may also divert the attention and time of the management of the Micro Focus Group and Enlarged Group and may adversely affect the financial condition and results of operations for the Micro Focus Group or the Enlarged Group. The Micro Focus Group or the Enlarged Group may not have insurance cover for these types of claims or such insurance may not be adequate.

- 13. The Micro Focus Group's business and the Enlarged Group's business may be subject to inherent risks arising from the general and sector specific economic conditions in the markets in which they operate.**

The performance of the Micro Focus Group and of the Enlarged Group may be affected by changes in economic or market conditions. The business of the Micro Focus Group and of the Enlarged Group may be affected by the general risks faced by all companies operating in the same markets as the Micro Focus Group and the Enlarged Group, respectively. The growth and development of the markets in which the Micro Focus Group operates and in which the Enlarged Group will operate depend on numerous factors many of which are beyond their control and the exact effect of which cannot accurately be predicted. Such factors include general economic and political activities including the extent of any governmental regulation, legislation and taxation. The Micro Focus Group and the Enlarged Group could be adversely affected by changes in economic, political, administrative, taxation or other regulatory factors whether under English law or in any other jurisdictions in which the Micro Focus Group or the Enlarged Group may operate now or in the future. Adverse economic conditions worldwide may result in decreased demand and increased price competition for the products of the Micro Focus Group and the Enlarged Group which could harm the business prospects, financial condition and result of operations for the Micro Focus Group and the Enlarged Group.

- 14. The Micro Focus Group's business and the Enlarged Group's business may be subject to credit risks arising from the Micro Focus Group's or the Enlarged Group's use of financial instruments and/or the providing of credit to customers.**

Financial instruments which potentially expose the Micro Focus Group or the Enlarged Group to a concentration of credit risk consist primarily of cash equivalents and accounts receivable. Cash equivalents are deposited with high credit quality financial institutions on short term deposit. Deposits placed at variable rates expose the Micro Focus Group and the Enlarged Group to cash flow interest rate risks. The Micro Focus Group and the Enlarged Group provide credit to customers in the normal course of business and there is a risk that the Micro Focus Group or the Enlarged Group may not always recover the full amount payable by customers.

## PART B

### Risks relating to the Acquisition and specifically to the Borland Group

**1. Completion of the Acquisition is subject to a number of conditions which may not be satisfied or waived.**

The implementation of the Acquisition is subject to the satisfaction (or waiver, where applicable) of a number of Conditions, including

- approval of the Acquisition by Micro Focus Shareholders at the Micro Focus General Meeting;
- approval of the terms of the Borland Merger Agreement by the Borland Shareholders;
- the expiry of any applicable waiting period under the Hart-Scott-Rodino Act; and
- Readmission becoming effective.

There is no guarantee that these (or other) Conditions will be satisfied (or waived, if applicable), in which case the Acquisition will not be completed. The Conditions are set out in more detail in Part VI of this document.

**2. The Enlarged Group's success will partly be dependent upon its ability to integrate the Borland Group's businesses; there will be numerous challenges associated with the integration.**

The Enlarged Group may encounter numerous integration challenges in connection with the Acquisition. In particular, the further restructuring of the Borland Group which is currently envisaged to stabilise revenues may take longer to implement or may not achieve the level of revenue stabilisation currently estimated or could result in costs which are higher than currently estimated being incurred by the Enlarged Group. Any rebranding by the Enlarged Group of the Borland Group's products may cause customer relations problems or otherwise result in the loss of customers which would harm the Enlarged Group's business. In addition, the Enlarged Group's management and resources may be diverted away from its core business activities due to personnel being required to assist in the integration process. This integration process may take longer than expected, or difficulties relating to the integration, of which the Micro Focus Board is not yet aware, may arise. This could adversely affect the implementation of the Enlarged Group's plans and cost more than is currently estimated. The Enlarged Group may not be successful in addressing risks or problems encountered in connection with the integration and failure to do so may adversely affect its business or financial condition. In addition, there is a risk that synergy benefits may fail to materialise, or they may be materially lower than have been estimated which may have a material adverse affect on the financial condition of the Enlarged Group.

**3. The business of the Borland Group has evolved to focus on the enterprise market for application lifecycle management, or ALM (testing), software solutions, which is a complex and evolving market. If the Enlarged Group is unable to successfully operate in the Borland Group's markets, its operating results would be negatively impacted.**

The Borland Group has been in the process of evolving its business over the last few years to focus on ALM as its core business. ALM is a relatively new and evolving market. These factors make it difficult for the Borland Group to predict its likelihood of success. There is a limited history upon which to base assumptions as to the probability of success and the Borland Group is in the process of developing and implementing new products, solutions and sales and marketing strategies. The change in the primary focus of the business of the Borland Group from IDE to ALM has involved significant changes in its go to market strategy, sales and services organisations and sales cycles and its marketing strategies. If the Borland Group is not able successfully to develop and implement its new strategies, its business and operating results will be harmed.

**4. The Borland Group has experienced a significant decline in its sales in recent years due to a variety of factors. The success of the Acquisition is largely dependent upon the Micro Focus Board successfully halting such decline and restructuring the Borland Group's business so that it may return to sustainable growth and profitability. Should the Micro Focus Board not be able to do this, or should this take more time than expected, it is likely to have an adverse impact on the financial position of the Enlarged Group.**

The Borland Group has experienced a significant decline in its sales in recent years. This decline had been the result of a variety of factors, including the disposal of the assets of its CodeGear division, volatility caused by larger customer contracts, a high degree of sales staff turnover and a sales strategy which was focused on selling the Borland Group's full set of products as a "suite". Whilst the Micro Focus Board believe they can stop the decline and return the business to growth, there is a risk that the business continues to decline having an adverse impact on the financial position of the Enlarged Group.

- 5. The markets in which the Borland Group operates are competitive and success in those markets depends on a variety of factors. Should the Enlarged Group not be able to compete effectively against the competitors of the Borland Group then it is likely to lose market share which may result in decreased sales and poorer financial performance.**

The markets in which the Borland Group operates are competitive and are characterised by rapid technological change, evolving industry standards and coalescence around specific technologies and vendors. The Borland Group faces competition from a number of sources in the market for its software solutions.

Many of the Borland Group's current and potential competitors have or may have greater brand recognition, larger customer bases or greater financial, sales and marketing, distribution, technical and other resources than the Enlarged Group. As a result, the Enlarged Group's competitors may be able to respond more quickly to market demands or to devote greater resources to the development, promotion, sale and deployment of their products than the Enlarged Group.

Furthermore, the Borland Group's current and potential competitors may develop and introduce new products that will be priced lower, are more technologically advanced, provide superior performance or achieve greater market penetration and acceptance than the Enlarged Group's products. In addition, the Borland Group's current or potential competitors have established, or may establish, financial and strategic relationships among themselves or with existing or potential customers or other third parties, which may have the effect of reducing the ability of the Enlarged Group to promote and sell its products successfully. Accordingly, it is possible that new competitors or alliances among competitors could emerge and potentially rapidly acquire market share, which may harm the Enlarged Group's future business and growth prospects.

Consolidation continues to occur amongst companies which compete with the Borland Group. Changes resulting from such consolidation may adversely affect the Enlarged Group's competitive position.

- 6. The tax treatment of the Borland Group is, among other things, dependent on the past legal structure of the Borland Group being respected by the tax authorities in the various jurisdictions in which the Borland Group conducts its business.**

The Borland Group has sought to structure its affairs in a tax efficient manner and to align its corporate structure and tax strategy to that which would be expected of a major US listed group, managed from the US, with significant operations in the major trading nations. Tax liabilities may arise if the Borland Group's organisational or operational structure is viewed in an unfavourable light by any taxation authority in any jurisdiction in which the Borland Group conducts its business, the Borland Group's financial condition and results of operations would be adversely affected should actual tax liabilities exceed any provisions made in its accounts for the same.

## PART C

### Risks relating to investment in Ordinary Shares

#### 1. Possible volatility in the price of Ordinary Shares.

Shareholders should be aware that the value of an investment in the Micro Focus Group or the Enlarged Group may go down as well as up. The market price of Ordinary Shares could be volatile and subject to significant fluctuations due to a variety of factors including the continued deterioration in the global economy and IT purchases, changes in sentiment in the market regarding the Ordinary Shares (or securities similar to them), any regulatory changes affecting the operations of the Micro Focus Group or the Enlarged Group, variations in the operating results of the Micro Focus Group or the Enlarged Group, business developments of the Micro Focus Group, the Enlarged Group or their respective competitors, the operating and share price performance of other companies in the industries and markets in which the Micro Focus Group operates, or in which or the Enlarged Group will operate, or speculation about the business of the Micro Focus Group or the Enlarged Group in the press, media or the investment community. Stock markets have from time to time experienced significant price and volume fluctuations that have affected the operating performance or prospects of the Micro Focus Group or the Enlarged Group. Furthermore, the operating results and prospects of the Micro Focus Group or the Enlarged Group from time to time may be below the expectations of market analysts and investors.

#### 2. The Micro Focus Group and the Enlarged Group cannot assure investors that it will make dividend payments in the future.

The dividend payments to shareholders from the Micro Focus Group or the Enlarged Group will depend upon a number of factors, including the results of operations and financial condition, contractual restrictions and other factors considered relevant by the Micro Focus Board. In addition, under English law, any payment of dividends would be subject to the Companies Acts, which requires that all dividends be recommended by the Micro Focus Board and approved by the shareholders. Moreover, under English law, the Micro Focus Group or the Enlarged Group may pay dividends on Ordinary Shares only out of profits available for distribution determined in accordance with the Companies Acts. Although the Micro Focus Board intends to continue paying dividends to shareholders, there is no assurance that the Micro Focus Group or the Enlarged Group will declare and pay, or have the ability to declare and pay, any dividends on the Ordinary Shares in the future.

#### 3. The Micro Focus Group's or the Enlarged Group's operating results may fluctuate and be difficult to predict and, if the Micro Focus Group or the Enlarged Group fails to meet the expectations of securities analysts or investors, the market price of Ordinary Shares may decline significantly.

The operating results of the Micro Focus Group or the Enlarged Group may fluctuate significantly in the future due to a variety of factors, many of which are outside the control of the Micro Focus Group or the Enlarged Group. These factors include:

- the level of expenditure committed to application development and deployment by information technology organisations;
- the degree to which organisations adopt web-enabled services;
- the rate at which organisations migrate applications from the mainframe;
- the degree of competition faced by the Micro Focus Group or the Enlarged Group;
- foreign currency exchange rate movements;
- growth in the information technology services market, general economic and business conditions, particularly in Europe and the United States;
- changes in technology and competition; and
- the ability of the Micro Focus Group or the Enlarged Group to attract and retain personnel.

Since the operating results of the Micro Focus Group or the Enlarged Group may fluctuate and be difficult to predict, the Micro Focus Board believes that comparisons of the operating results of the Micro Focus Group or the Enlarged Group do not necessarily provide a good indication of the future performance of the Micro Focus Group or the Enlarged Group. Moreover, if the operating results of the Micro Focus Group or the Enlarged Group fall below the expectations of securities analysts or investors, the trading price of the Ordinary Shares may decline rapidly and significantly.

## **PART III**

### **FORWARD LOOKING STATEMENTS**

This document may contain forward looking statements that are based on current expectations or beliefs, as well as assumptions about future events. Generally, the words “will”, “may”, “should”, “continue”, “believes”, “expects”, “intends”, “anticipates” or similar expressions identify forward looking statements. These statements are based on the current expectations of management and are naturally subject to risks, uncertainties and changes in circumstances. Undue reliance should not be placed on any such statements because, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and management’s plans and objectives, to differ materially from those expressed or implied in the forward looking statements.

There are several factors which could cause actual results to differ materially from those expressed or implied in forward looking statements. Among the factors that could cause actual results to differ materially from those described in the forward looking statements are the ability to combine successfully the businesses of Micro Focus and Borland and to realise expected synergies from that combination, changes in the global, political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations or dispositions.

Micro Focus does not undertake any obligation (except as required by the Listing Rules, the Prospectus Rules, the Disclosure and Transparency Rules and the rules of the London Stock Exchange) to revise or update any forward looking statement contained in this document, regardless of whether that statement is affected as a result of new information, future events or otherwise.



**PART IV(A)**

**HISTORICAL AUDITED FINANCIAL INFORMATION ON THE BORLAND GROUP FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2006, 31 DECEMBER 2007 AND 31 DECEMBER 2008**

The historical audited financial information on the Borland Group for the financial years ended 31 December 2006, 31 December 2007 and 31 December 2008 as set out in Part V(B) of the Micro Focus Circular is incorporated by reference into this document and has been prepared on a basis consistent in all material respects with the accounting policies of the Micro Focus Group.

**PART IV(B)**

**ACCOUNTANTS' REPORT ON  
HISTORICAL AUDITED FINANCIAL INFORMATION ON THE BORLAND GROUP FOR THE  
FINANCIAL YEARS ENDED 31 DECEMBER 2006, 31 DECEMBER 2007 AND 31 DECEMBER 2008**

The accountants' report on the historical audited financial information on the Borland Group for the financial years ended 31 December 2006, 31 December 2007 and 31 December 2008 as set out in Part V(A) of the Micro Focus Circular is incorporated by reference into this document.

**PART V(A)**

**UNAUDITED FINANCIAL INFORMATION ON THE BORLAND GROUP FOR THE PERIOD  
1 JANUARY 2009 TO 31 MARCH 2009**

The unaudited financial information on the Borland Group for the period 1 January 2009 to 31 March 2009 as set out in Part IV(B) of the Micro Focus Circular is incorporated by reference into this document and has been prepared on a basis consistent in all material respects with the accounting policies of the Micro Focus Group.

**PART V(B)**  
**ACCOUNTANTS' REPORT ON**  
**UNAUDITED FINANCIAL INFORMATION ON THE BORLAND GROUP FOR THE PERIOD**  
**1 JANUARY 2009 TO 31 MARCH 2009**

The accountants report on the unaudited financial information on the Borland Group for the period 1 January 2009 to 31 March 2009 as set out in Part IV(A) of the Micro Focus Circular is incorporated by reference into this document.

PART VI(A)

UNAUDITED PRO FORMA FINANCIAL INFORMATION  
ON THE ENLARGED GROUP AS AT 30 APRIL 2009

This unaudited pro forma statement of net assets of the Enlarged Group in this Part VI(A) has been prepared on the basis of the notes set out below.

The unaudited pro forma statement of net assets has been prepared to illustrate the effect of the proposed acquisition of Borland on the net assets of Micro Focus as if it had taken place on 30 April 2009. The pro forma statement of net assets, which is prepared under IFRS and has been produced for illustrative purposes only, by its nature addresses a hypothetical situation and does not, therefore, represent the Enlarged Group's actual financial position or results following the acquisition.

The unaudited pro forma statement of net assets has been compiled under IFRS and has been prepared in a form consistent with the accounting policies adopted in the Micro Focus Group's latest annual accounts.

Unaudited pro forma statement of net assets of the Enlarged Group

	Micro Focus as at 30 April 2009 (Note 1) US\$'000	Adjustments			Pro forma enlarged Group US\$'000
		Borland as at 31 March 2009 (Note 2) US\$'000	New loan facility (Note 3) US\$'000	Acquisition accounting (Note 4) US\$'000	
<b>Assets</b>					
<b>Non-current assets</b>					
Goodwill . . . . .	119,813	—	—	124,489	244,302
Other intangible assets . . . . .	66,349	22,452	—	—	88,801
Property, plant and equipment . . . . .	5,112	7,943	—	—	13,055
Deferred tax assets . . . . .	17,625	1,170	—	—	18,795
Other assets . . . . .	—	870	—	—	870
	<u>208,899</u>	<u>32,435</u>	<u>—</u>	<u>124,489</u>	<u>365,823</u>
<b>Current assets</b>					
Inventories . . . . .	128	—	—	—	128
Trade and other receivables . . . . .	67,089	50,442	—	—	117,531
Investments . . . . .	—	40,653	—	(21,042)	19,611
Cash and cash equivalents . . . . .	71,569	93,951	123,007	(216,958)	71,569
	<u>138,786</u>	<u>185,046</u>	<u>123,007</u>	<u>(238,000)</u>	<u>208,839</u>
<b>Total assets . . . . .</b>	<b><u>347,685</u></b>	<b><u>217,481</u></b>	<b><u>123,007</u></b>	<b><u>(113,511)</u></b>	<b><u>574,662</u></b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Trade and other payables . . . . .	121,120	75,990	—	—	197,110
Provisions . . . . .	—	6,940	—	—	6,940
Derivatives . . . . .	—	7,580	—	(7,580)	—
Current tax liabilities . . . . .	22,187	12,361	—	—	34,548
	<u>143,307</u>	<u>102,871</u>	<u>—</u>	<u>(7,580)</u>	<u>238,598</u>
<b>Non-current liabilities</b>					
Borrowings—loan facility . . . . .	—	—	123,007	—	123,007
Non-current deferred income . . . . .	7,085	2,038	—	—	9,123
Deferred tax liabilities . . . . .	28,565	314	—	—	28,879
Provisions . . . . .	—	576	—	—	576
Borland Notes . . . . .	—	86,760	—	(86,760)	—
Other liabilities . . . . .	—	5,751	—	—	5,751
	<u>35,650</u>	<u>95,439</u>	<u>123,007</u>	<u>(86,760)</u>	<u>167,336</u>
<b>Net assets . . . . .</b>	<b><u>168,728</u></b>	<b><u>19,171</u></b>	<b><u>—</u></b>	<b><u>(19,171)</u></b>	<b><u>168,728</u></b>

Notes to the unaudited pro forma statement of net assets

- (1) The unaudited pro forma statement of net assets of Micro Focus as at 30 April 2009 is based on the consolidated balance sheet of the Micro Focus Group as at 30 April 2009 extracted without material adjustment from the unaudited preliminary results statement of Micro Focus issued on 25 June 2009 for the financial year ended 30 April 2009, which are publicly available.

- (2) The unaudited net assets of Borland as at 31 March 2009 are based on the consolidated US GAAP balance sheet of the Borland Group as at 31 March 2009 extracted without material adjustment from the unaudited interim results from Borland's publicly available Form 10-Q filing with the SEC in respect of the three months then ended, and adjusted for the US GAAP to IFRS transition, as presented below:

**Borland Group balance sheet as at 31 March 2009**

	US GAAP	Borland Notes Note (i)	Reclassifications Note (ii)	IFRS
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Assets</b>				
<b>Non-current assets</b>				
Other intangible assets . . . . .	22,452	—	—	22,452
Property and equipment . . . . .	7,943	—	—	7,943
Deferred tax assets . . . . .	585	—	585	1,170
Other assets . . . . .	3,091	—	(2,221)	870
	<u>34,071</u>	<u>—</u>	<u>(1,636)</u>	<u>32,435</u>
<b>Current assets</b>				
Trade receivables and other assets . . . . .	50,442	—	—	50,442
Investments . . . . .	40,653	—	—	40,653
Cash and cash equivalents . . . . .	93,951	—	—	93,951
	<u>185,046</u>	<u>—</u>	<u>—</u>	<u>185,046</u>
<b>Total assets</b> . . . . .	<b><u>219,117</u></b>	<b><u>—</u></b>	<b><u>(1,636)</u></b>	<b><u>217,481</u></b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables . . . . .	72,133	—	3,857	75,990
Provisions . . . . .	6,940	—	—	6,940
Derivatives . . . . .	—	7,580	—	7,580
Current tax liabilities . . . . .	—	—	12,361	12,361
	<u>79,073</u>	<u>7,580</u>	<u>16,218</u>	<u>102,871</u>
<b>Non-current liabilities</b>				
Non-current deferred income . . . . .	2,038	—	—	2,038
Income tax liabilities . . . . .	16,532	—	(16,532)	—
Deferred tax liabilities . . . . .	—	—	314	314
Provisions . . . . .	576	—	—	576
Borland Notes . . . . .	98,548	(10,152)	(1,636)	86,760
Other liabilities . . . . .	5,751	—	—	5,751
	<u>123,445</u>	<u>(10,152)</u>	<u>(17,854)</u>	<u>95,439</u>
<b>Net assets</b> . . . . .	<b><u>16,599</u></b>	<b><u>2,572</u></b>	<b><u>—</u></b>	<b><u>19,171</u></b>

The main areas impacted by the transition, as presented above, are discussed below:

- (i) *IAS 39 Financial Instruments*—Under US GAAP, the Borland Notes were classified as debt and held at amortised cost. Further, when the Borland Group repurchased a portion of the Borland Notes, a gain on repurchase was recognised, consistent with the treatment of the extinguishment of debt.

Under IAS 32, the conversion feature has been separately accounted for as a derivative liability, leaving the host instrument as debt and held at amortised cost. This results in a lower carrying value of the debt component of the Borland Notes, which additionally means no gain is recognised upon the extinguishment of the Borland Notes. The portion of debt remaining following the extinguishment of the Borland Notes continues to be held at amortised cost, and will accrete to par using the effective interest rate method over the life of the notes. The portion of the derivative liability remaining following the extinguishment of the Borland Notes is recorded at fair value, with changes in value recorded to the consolidated statement of operations. The adjustments shown above reflect the recognition of the derivative liability and the related impact to finance income and finance costs.

- (ii) *Reclassifications*—The following presentational adjustments were made to reflect the difference in accounting treatment under IFRS as opposed to US GAAP:
- a. Debt issuance costs, presented as an asset under US GAAP, were offset against the debt liability.
  - b. Deferred tax assets and liabilities, split between current and non-current under US GAAP, were adjusted to all be presented as non-current under IFRS. Deferred taxes were additionally adjusted to be presented within their own disclosure lines.
  - c. Potential tax exposures (including interest and penalties) are included within non-current liabilities under US GAAP. An adjustment was made to include this within current liabilities under IFRS.

- (3) The adjustment comprises an increase in cash of US\$123.0 million, representing the drawdown on the Loan Facility Agreement further details of which are contained in paragraph 10.2.2 of Part VIII of this document, combined with an adjustment to defer the associated fees in respect of the new debt facility of US\$4.3 million, which has been shown net against the related borrowings.

Micro Focus' existing cash and cash equivalents of US\$71.6 million, as per the above pro forma, along with an additional US\$20.0 million to be drawn from the Loan Facility Agreement over and above the US\$123.0 million being used to fund the Acquisition, will be used to fund the acquisition of the suite of Application Testing / Automated Software Quality solutions and all related sales, support and development infrastructure from Compuware Corporation, for US\$64.8 million. This acquisition, including the additional US\$20.0 million drawn down from the Loan Facility Agreement, has not been included in this pro forma statement due to the absence of publicly available information on the suite of Application Testing / Automated Software Quality solutions and all related sales, support and development infrastructure from Compuware Corporation.

- (4) An adjustment has been made to reflect the accounting for the Acquisition. The Acquisition has been accounted for using the acquisition method of accounting. The excess of consideration over the book value of the assets acquired has been reflected as goodwill and other intangibles. A fair value exercise will be completed post acquisition, therefore no account has been taken of any fair value adjustments which may arise on the Acquisition. The amount of goodwill and other intangible assets has been calculated as follows:

	<u>Note</u>	<u>US\$m</u>
Cash consideration . . . . .	(i)	113.0
Estimated acquisition expenses . . . . .		10.0
Cost of settlement of Borland Notes . . . . .	(ii)	115.0
<b>Gross consideration . . . . .</b>	<b>(iii)</b>	<b>238.0</b>
Less net assets acquired (under (IFRS) of Borland Group . . . . .	(iv)	19.2
Less extinguishment of Borland Notes . . . . .	(v)	94.3
<b>Goodwill and other intangible assets . . . . .</b>		<b><u>124.5</u></b>

- (i) The cash consideration amount assumes the acquisition of the Borland Shares, as outlined in Part VII of this document, combined with US\$3.5 million required to settle the outstanding share options of the Borland Group. The purchase price has been funded entirely through the net drawings under the new credit facility.
- (ii) The Borland Notes at a principal amount of US\$115.0 million have been extinguished as a result of the change of control of Borland. This principal amount equates to the cash consideration required to completely settle all outstanding Borland Notes as at 31 March 2009.
- (iii) The gross cost of the acquisition as stated above is not adjusted for the cash and cash equivalents and short-term investments acquired with Borland of US\$94.0 million and US\$40.7 million respectively, as at 31 March 2009 as per the above pro forma, which effectively reduce the net cost of the acquisition to Micro Focus to US\$103.3 million. The gross cost of the acquisition will be funded as set out below, with figures taken from the above pro forma:

	<u>US\$m</u>
Draw down on Loan Facility Agreement . . . . .	123.0
Cash and cash equivalents acquired with Borland Group . . . . .	94.0
Realisation of investments acquired with Borland Group . . . . .	21.0
<b>Gross consideration . . . . .</b>	<b><u>238.0</u></b>

- (iv) The net assets acquired of the Borland Group of US\$19.2 million, as at 31 March 2009 as per the above pro forma, comprises net assets under US GAAP of US\$16.6 million combined with IFRS transition adjustments of US\$2.6 million, as presented in Note 2 above.
- (v) The US\$94.3 million relating to the extinguishment of the Borland Notes comprises all necessary accounting entries required to completely eliminate the Borland Notes from the balance sheet. The amount comprises the carrying value of the Borland Notes under US GAAP of US\$98.5 million, reduced by the net IFRS transition adjustment to the Borland Notes of US\$4.2 million, as described in Note 2 above. The amount represents the fair value of the Borland Notes as at 31 March 2009 and as such the actual adjustment will be dependent on the fair value of the Borland Notes at the date of extinguishment.
- (5) No account has been taken of any trading or other transactions of Micro Focus or Borland since 30 April 2009 and 31 March 2009 respectively, including the impact of the purchase of certain assets from Compuware, described in Note 3 above.

PART VI(B)

ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION  
ON THE ENLARGED GROUP AS AT 30 APRIL 2009



**PricewaterhouseCoopers LLP**  
Thames Valley Office  
9 Greyfriars Road  
Reading RG1 1JG

The Directors  
Micro Focus International plc  
The Lawn  
22-30 Old Bath Road  
Newbury  
Berkshire RG14 1QN  
United Kingdom

UBS Limited  
1 Finsbury Avenue  
London  
EC2M 2PP  
United Kingdom

8 July 2009

Dear Sirs

**Micro Focus International plc (the “Company”)**

We report on the pro forma net asset statement (the “**Pro forma financial information**”) set out in Part VI of the Company’s supplementary circular dated 8 July 2009 (the “**Supplementary Circular**”) which has been prepared on the basis described in the notes to the Pro forma financial information, for illustrative purposes only, to provide information about how the proposed Acquisition by the Company might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ending 30 April 2008. This report is required by item 13.3.3R of the Listing Rules and is given for the purpose of complying with that Listing Rule and for no other purpose.

**Responsibilities**

It is the responsibility of the Micro Focus Directors to prepare the Pro forma financial information in accordance with item 13.3.3R of the Listing Rules of the United Kingdom Listing Authority (the “**Listing Rules**”).

It is our responsibility to form an opinion, as required by item 13.3.3R of the Listing Rules as to the proper compilation of the Pro forma financial information and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to shareholders of the Company as a result of the inclusion of this report in the Supplementary Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such person as a result of, arising out of, or in accordance with this report or our statement, required by and given solely for the purposes of complying with item 13.4.1R(6) of the Listing Rules, consenting to its inclusion in the Supplementary Circular.



**Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

**Opinion**

In our opinion:

- (a) the Pro forma financial information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

Yours faithfully

PricewaterhouseCoopers LLP  
*Chartered Accountants*

## **PART VII**

### **PRINCIPAL TERMS OF THE ACQUISITION**

Pursuant to the Borland Merger Agreement amongst Micro Focus, Borland, Micro Focus US and Bentley Merger Sub, Merger Sub will be merged with and into Borland, and each outstanding Borland Share other than Borland Shares held by the Borland Shareholders who do not vote in favour of the adoption of the Borland Merger Agreement and who properly demand appraisal rights in accordance with Delaware law, if any, and shares held by Borland, Micro Focus or Micro Focus US or any of their subsidiaries will be converted into the right to receive the Consideration on the basis of US\$1.50 per Borland Share (subject to downward adjustment in the event that there are more Borland Shares in issue or issuable than have been represented and warranted in the Borland Merger Agreement) without interest and less any applicable withholding tax, to be paid in cash. Borland will survive as a wholly-owned subsidiary of Micro Focus US. Pursuant to the Borland Amendment Agreement the consideration for the entire issued and outstanding share capital of Borland was increased from US\$1.00 per Borland Share to US\$1.15 per Borland Share and the Termination Fee was increased from US\$3.0 million to US\$4.0 million. Pursuant to the Second Borland Amendment Agreement the consideration for the entire issued and outstanding share capital of Borland was increased from US\$1.15 per Borland Share to US\$1.50 per Borland Share and the Termination Fee was increased from US\$4.0 million to US\$5.2 million. Save as varied by the Second Borland Amendment Agreement the terms of the Borland Merger Agreement (as amended by the Borland Amendment Agreement) as summarised in Part VII of the Micro Focus Circular remain in full force and effect. The information set out in Part VII of the Micro Focus Circular is incorporated by reference into this document.

**PART VIII**  
**ADDITIONAL INFORMATION**

**1. Responsibility and Provision of Accurate Information**

The Micro Focus Directors, whose names appear on page 5 of this document accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Micro Focus Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

**2. Information on the Company**

The information on the Company as set out in paragraph 2 of Part VIII of the Micro Focus Circular is incorporated by reference into this document.

**3. Share Capital**

The following table sets out the authorised and issued share capital of Micro Focus as at 7 July 2009 (the last practicable date prior to this document):

	£	Number	Nominal Value
Authorised . . . . .	250,000,000.00	2,500,000,000	£0.10
Issued . . . . .	20,220,896.1	202,208,961	£0.10

**4. Directors' Interests**

4.1 As at 7 July 2009 (being the latest practicable date prior to the publication of this document), the interests (all of which are beneficial) of the Micro Focus Directors, their immediate families and (so far as is known to them or could with reasonable diligence be ascertained by them) persons connected (within the meaning of section 96B of FSMA) with the Micro Focus Directors in the issued share capital of Micro Focus, including: (i) those arising pursuant to transactions notified to Micro Focus pursuant to DTR 3.1.2R; or (ii) those of the connected persons of the Micro Focus Directors, which would, if such connected person were a Micro Focus Director, be required to be disclosed under (i) above are set out in the following table:

	Number of Ordinary Shares	Percentage of issued ordinary share capital of Micro Focus
Kevin Loosemore . . . . .	300,000	0.15
Stephen Kelly . . . . .	125,000	0.06
Nicholas Bray . . . . .	57,770	0.03
David Maloney . . . . .	50,000	0.02
Paul Pester . . . . .	N/A	N/A
Tom Skelton . . . . .	N/A	N/A

4.2 Taken together, the combined percentage interest of the Micro Focus Directors in the issued ordinary share capital of Micro Focus as at 7 July 2009 (the latest practicable date prior to publication of this document) was approximately 0.3 per cent.

4.3 Details of other rights over Ordinary Shares held by the Micro Focus Directors as at 7 July 2009 (the latest practicable date prior to publication of this document) are set out below. Those rights are not included in the interests of the Micro Focus Directors shown in the table in paragraph 4.1 of Part VIII of this document.

4.3.1 The interests of the Micro Focus Directors in Ordinary Shares under the Micro Focus Incentive Plan 2005 (in respect of market value options) as at 7 July 2009 (being the latest practicable date prior to publication of this document) are as follows:

<u>Name of Director</u>	<u>Total number of Ordinary Shares</u>	<u>Exercise Price</u>	<u>Exercise period</u>
Stephen Kelly . . . . .	1,153,846	104.0p	17 July 2009 to 16 July 2016
	169,332	265.75p	12 July 2010 to 11 July 2017
	134,831	244.75p	3 July 2011 to 2 July 2018
Nicholas Bray . . . . .	100,000	104.0p	17 July 2009 to 16 July 2016
	75,258	265.75p	12 July 2010 to 11 July 2017
	89,888	244.75p	3 July 2011 to 2 July 2018

4.3.2 The interests of the Micro Focus Directors in Ordinary Shares under the Micro Focus Incentive Plan 2005 (in respect of matching conditional awards) as at 7 July 2009 (being the latest practicable date prior to publication of this document) are as follows:

<u>Name of Director</u>	<u>Total number of Ordinary Shares</u>	<u>Exercise Price</u>	<u>Vesting date</u>
Stephen Kelly . . . . .	125,000	10p	11 January 2010
Nicholas Bray . . . . .	57,659	10p	17 October 2009

4.3.3 The interests of the Micro Focus Directors in Ordinary Shares under the Sharesave Plan as at 7 July 2009 (being the latest practicable date prior to publication of this document) are as follows:

<u>Name of Director</u>	<u>Total number of Ordinary Shares</u>	<u>Exercise Price</u>	<u>Exercise period</u>
Nicholas Bray . . . . .	11,130	84.0p	1 October 2009 to 1 April 2010

## 5. Micro Focus Directors' Service Agreements

### 5.1 Executive Directors' Service Agreements

Details of the terms of each executive Micro Focus Director's service agreement are set out below:

<u>Name</u>	<u>Date of Agreement</u>	<u>Salary per annum</u>		<u>Holiday (days)</u>	<u>Benefits on Termination</u>	<u>Term</u>	<u>Company Notice Period</u>	<u>Executive Notice Period</u>	<u>Expenses</u>	<u>Confidentiality Obligations</u>
		<u>as at 30 April 08 (£)</u>	<u>as at 30 April 09 (£)</u>							
Stephen Kelly	1 May 2006	300,000	330,000	25	None other than payment in lieu of notice period	Indefinite	12 months	6 months	All reasonable business expenses	During and after employment
Nicholas Bray	30 November 2005	200,000	220,000	26	None other than payment in lieu of notice period	Indefinite	12 months	6 months	All reasonable business expenses	During and after employment

In addition, the Company will reimburse Stephen Kelly and Nicholas Bray for all reasonable expenses properly incurred in the execution of their duties for the Micro Focus Group.

## 5.2 Non-executive Directors' letters of Appointment

Details of the terms of each non-executive Micro Focus Director's letter of appointment in place during the financial years ended 30 April 2008 and 30 April 2009 are set out below:

Name	Date of appointment	Date of expiry of current 3 year appointment	Non-executive fee per annum		Expenses	Confidentiality obligations	Termination provisions
			as at 30 April 08 (£)	as at 30 April 09 (£)			
Kevin Loosemore	4 April 2005	3 April 2011	150,000	150,000	Reimbursement of travel, hotel and other incidental expenses incurred in the course of duties	Confidentiality undertaking without limitation in time	90 days' notice
David Maloney	4 April 2005	3 April 2011	60,000	65,000	Reimbursement of travel, hotel and other incidental expenses incurred in the course of duties	Confidentiality undertaking without limitation in time	90 days' notice
Paul Pester	27 June 2007	26 June 2010	45,000	45,000	Reimbursement of travel, hotel and other incidental expenses incurred in the course of duties	Confidentiality undertaking without limitation in time	90 days' notice
Tom Skelton	23 October 2006	22 October 2009	40,000	40,000	Reimbursement of travel, hotel and other incidental expenses incurred in the course of duties	Confidentiality undertaking without limitation in time	90 days' notice

5.3 Save as set out in paragraphs 5.1 and 5.2 of Part VIII of this document, there are no existing or proposed service agreements or letters of appointment between any Micro Focus Director and any member of the Micro Focus Group providing for benefits upon termination of employment.

6. As at 7 July 2009 (the latest practicable date prior to the publication of this document) the Company has granted the following share options/awards to directors and employees of the Micro Focus Group under the Share Incentive Schemes, which share options/awards are outstanding:

Number of Ordinary Shares subject to option/award	Exercise period	Exercise price per Ordinary Share (pence)
3,000	10 August 2003 to 17 November 2009	0.37
3,750	10 August 2003 to 17 November 2009	0.99
178,952	4 September 2004 to 3 September 2010	5.99
36,000	9 September 2005 to 9 September 2011	29.39
30,947	11 January 2009 to 10 July 2009	10
1,923,850	17 July 2009 to 16 July 2016	104
601,906	1 October 2009 to 31 March 2010	84
23,370	1 October 2009 to 31 March 2010	242.8
57,659	17 October 2009 to 17 October 2009	10
75,000	30 October 2009 to 30 October 2016	144
120,000	13 December 2009 to 12 December 2016	198
1,000	13 December 2009 to 12 December 2016	198
46,000	21 December 2009 to 20 December 2016	211
125,000	11 January 2010 to 11 January 2010	10
47,000	21 February 2010 to 20 February 2017	251.5
817,090	12 July 2010 to 12 July 2017	265.75
63,731	1 October 2010 to 31 March 2011	239.32
74,661	1 October 2010 to 31 March 2011	252.7
2,500	11 October 2010 to 10 October 2017	292.25
86,500	18 October 2010 to 17 October 2017	281.35
20,000	12 December 2010 to 11 December 2017	271.5
49,261	5 March 2011 to 5 September 2011	10
14,285	27 March 2011 to 27 September 2011	10
45,186	1 April 2011 to 30 September 2011	252.9
50,000	15 April 2011 to 14 April 2018	198.5
1,207,344	3 July 2011 to 2 July 2018	244.75
130,000	3 July 2011 to 2 January 2012	10
244,158	4 July 2011 to 3 July 2018	241
28,538	4 July 2011 to 3 January 2012	10
37,213	4 September 2011 to 3 September 2018	305
129,298	1 October 2011 to 30 September 2018	285
72,391	1 October 2011 to 31 March 2012	202
30,000	13 October 2011 to 12 October 2018	226
30,000	15 December 2011 to 14 December 2018	264.25
40,000	13 January 2012 to 12 January 2019	296.5
30,000	23 January 2012 to 22 January 2019	300
36,866	25 February 2012 to 24 February 2019	271.25
52,329	1 April 2012 to 30 September 2012	244
20,000	8 April 2012 to 7 April 2019	320.75
979,015	3 July 2012 to 2 July 2019	358

## 7. Major Interests in Shares

- 7.1 So far as the Company is aware, as at 7 July 2009 (being the latest practicable date prior to publication of this document) the following persons (other than the Micro Focus Directors) hold directly or indirectly three per cent. or more of the Company's voting rights:

Shareholder	Number of Ordinary Shares	Percentage holding of Ordinary voting rights
Standard Life Investments Ltd. . . . .	22,023,644	10.9
Majedie Asset Management Limited . . . . .	16,330,461	8.2
GAM International Management Limited . . . . .	11,717,270	5.8
BlackRock, Inc. . . . .	12,863,784	6.4
JP Morgan Chase & Co. . . . .	9,963,590	5.0
Legal & General Group plc . . . . .	7,835,219	3.9
Fidelity International Limited . . . . .	6,605,572	3.3

- 7.2 So far as the Company is aware, the information given in paragraph 7.1 of Part VIII of this document will remain correct as at the Effective Date. Save as set out in this Part VIII, the Company is not aware of any person who holds, or who will immediately following the completion of the Acquisition hold, as shareholder (within the meaning of the Disclosure Rules and Transparency Rules published by the FSA), directly or indirectly, three per cent. or more of the voting rights of the Company.
- 7.3 None of the Micro Focus Shareholders referred to in paragraph 7.1 above has different voting rights from any other holder of Ordinary Shares in respect of any Ordinary Shares held by them.
- 7.4 Save as set out in this Part VIII, the Company is not aware of any person who immediately following Readmission, directly or indirectly, jointly or severally, will own or could exercise control over the Company.

## **8. Details of the Borland Group's Key Individuals**

- 8.1 Save as varied by the information set out in paragraph 8.2 of Part VIII of this document, the information on the Company as set out in paragraph 8 of Part VIII of the Micro Focus Circular is incorporated by reference into this document.
- 8.2 *Erik E. Prusch.* Mr. Prusch has served as President and Chief Executive Officer since January 2009 (having been appointed as Acting President and Chief Executive Officer in January 2009 and confirmed as the President and Chief Executive Officer in May 2009) and as Chief Financial Officer from November 2006 to March 2009. From January 2004 to November 2006, Mr. Prusch served as Vice President, Finance at Intuit, Inc., a provider of business and financial management software, in its Consumer Tax Group. From April 2001 to January 2004, Mr. Prusch served as Chief Financial Officer of Identix Incorporated, an identity solutions company. Mr. Prusch earned an MBA from the Stern School of Business at New York University and a bachelor's degree in economics from Yale University.

## **9. Undertakings that will become part of the Enlarged Group**

The information on the Borland Group as set out in paragraph 8 of Part VIII of the Micro Focus Circular is incorporated by reference into this document.

## **10. Material Contracts**

- 10.1 The information as set out in paragraph 9.1, 9.2 and 9.3 of the Micro Focus Circular is incorporated by reference into this document.
- 10.2 In addition to the material contracts for the Micro Focus Group, the Borland Group and the Enlarged Group incorporated by reference in this document pursuant to paragraph 10.1 of Part VIII of this document, the following are additional material contracts, being contracts not entered into in the ordinary course of business since the date of the Micro Focus Circular, which: (i) are or may be material to the Micro Focus Group, and have been entered into by Micro Focus and/or a member of the Micro Focus Group; or (ii) (regardless of when entered into) contain provisions under which a member of the Micro Focus Group has an obligation or entitlement which is or may be material to the Micro Focus Group, as at the date of this document:

### **10.2.1 Second Borland Amendment Agreement**

The Second Borland Amendment Agreement, a summary of which is set out in Part VII of this document.

### **10.2.2 Loan Facility Agreement**

On 6 May 2009 a Loan Facility Agreement was entered into between Micro Focus (as parent company) (1), Micro Focus Holdings Limited (as borrower) (2), Micro Focus and certain other subsidiaries (as original guarantors) (3), HSBC Bank plc, Barclays Capital, Lloyds TSB Bank plc, Corporate Markets, The Royal Bank of Scotland plc (as arrangers) (4), HSBC Bank plc, Barclays Bank PLC, Lloyds TSB Bank plc, The Royal Bank of Scotland plc (as original lenders) (5), and HSBC Bank plc (as agent) (6), pursuant to which the original lenders have made available to the Micro Focus Group a fully fluctuating revolving credit facility of up to US\$175 million to assist with the funding of the Acquisition (including related costs) and for the general corporate purposes of the Enlarged Group, including acquisitions. On 12 June 2009 Micro Focus, Micro Focus Holdings

Limited, HSBC Bank plc, Barclays Capital, Lloyds TSB Bank plc, Corporate Markets and The Royal Bank of Scotland plc entered into a supplemental agreement pursuant to which the original lenders have agreed to make available an additional US\$40 million of funds to the Micro Focus Group to assist with the funding of the Acquisition at the revised offer price of US\$1.50 per Borland Share (the “**facility**”).

Drawdown under the facility for the purpose of the Acquisition is conditional upon satisfaction of standard conditions usual in facility agreements of this nature and, in relation to any drawdown in respect of the Acquisition, includes, inter alia, completion of the following conditions prior to the earlier of the completion of the Acquisition and the date falling six months after the date of the facility:

- (i) all conditions to the consummation of the Acquisition pursuant to the Acquisition documents having been complied with or waived by the Company (subject to the provisions of the facility), other than payment of the consideration and the issue of the merger certificate; and
- (ii) cross guarantees from certain companies in the Micro Focus Group.

The facility is available for drawing in minimum amounts of US\$2 million. All facilities are available for drawing in Sterling, US\$ and/or Euros, subject to the overall US\$ equivalent not exceeding the agreed total limit of the facility.

The facility is repayable on the date being 36 months after the date of the Loan Facility Agreement.

On a ‘change of control’ of Micro Focus, all facilities become immediately due and payable.

## **11. Related Party Transactions**

- 11.1 Save as disclosed in the financial information set out in the related party transactions notes to the financial statements of the Micro Focus Group for the financial years ended 30 April 2006, 30 April 2007 and 30 April 2008, which are incorporated by reference into this document, the Micro Focus Group, and subject to completion of the Acquisition, the Enlarged Group entered into no material transactions with related parties during the financial years ended 30 April 2006, 30 April 2007 and 30 April 2008 or during the period between 1 May 2008 and 7 July 2009 (the last practicable date prior to the publication of this document).
- 11.2 The Borland Group entered into no material transactions with related parties during the financial years ended 31 December 2006, 31 December 2007 and 31 December 2008 or during the period between 1 January 2009 and 7 July 2009 (the last practicable date prior to the publication of this document).

## **12. Litigation**

- 12.1 Other than as set out at paragraph 12.3 below, neither the Company nor any member of the Micro Focus Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the 12 months preceding the date of this document which may have, or have had, a significant effect on the financial position or profitability of the Micro Focus Group.
- 12.2 Other than as set out at paragraph 12.3 below, neither Borland nor any member of the Borland Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Micro Focus is aware) during the 12 months preceding the date of this document which may have, or have had, a significant effect on the financial position or profitability of the Borland Group.
- 12.3 On 17 May 2009, a putative class action lawsuit was filed in the District Court of Travis County, Texas against Borland, the Borland Directors, Merger Sub, Micro Focus and Micro Focus US. The claim generally alleges that the Borland Directors breached their fiduciary duties owed to the Borland Shareholders in the attempt to sell Borland to Merger Sub, Micro Focus and Micro Focus US by means of an unfair process and for an unfair price. The claim further alleges that the Borland Directors agreed to onerous and preclusive deal protection devices within the Borland Merger Agreement, that operate to ensure that no competing offers for Borland will emerge or be successful. The claim also alleges that the Borland Directors are in possession of information



concerning Borland's financial condition and prospects which has not been disclosed to the Borland Shareholders, including the true value and expected increased future value of the Borland Group and its assets. The claim alleges that the Borland Directors have clear and material conflicts of interest and are acting to better their own interests at the expense of the Borland Shareholders. The claim further alleges that Borland filed a materially misleading and/or incomplete proxy statement and that Borland committed multiple disclosure violations. The claim seeks to obtain an injunction against completion of the merger and seeks unspecified damages including 'rescissory' damages. Based on a review of the lawsuit, the Borland directors believe that the claim is without merit and intend to vigorously defend the claim.

- 12.4 Other than as set out in paragraph 12.3 above, no member of the Enlarged Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Micro Focus is aware) during the 12 months preceding the date of this document which may have, or have had, a significant effect on the financial position or profitability of the Enlarged Group.

### **13. Significant Change**

- 13.1 Other than the acquisition of the Application Testing /Automated Software Quality solutions business from Compuware Corporation, there has been no significant change in the financial or trading position of the Micro Focus Group since 30 April 2009, the date to which the last published unaudited preliminary results of the Micro Focus Group were prepared.
- 13.2 There has been no significant change in the financial or trading position of the Borland Group since 31 March 2009, the date to which the last published interim results of the Borland Group were prepared.
- 13.3 Other than as set out in paragraphs 13.1 and 13.2 of Part VIII of this document there has been no significant change in the financial or trading position of the Enlarged Group since 30 April 2009, the date to which the last published unaudited preliminary results of the Micro Focus Group were prepared.

### **14. Working Capital**

- 14.1 The Company is of the opinion that, taking into account the bank facilities available to it, the Micro Focus Group has sufficient working capital for its present requirements, that is, for at least the 12 months following the date of publication of this document.
- 14.2 The Company is of the opinion that, taking into account the bank facilities available, the Enlarged Group has sufficient working capital for its present requirements, that is, for at least the 12 months following the date of publication of this document.

### **15. Consents**

- 15.1 Arma Partners LLP has given and has not withdrawn its written consent to the inclusion in this document of the references to its name in the form and context in which they are included.
- 15.2 UBS Limited has given and has not withdrawn its written consent to the inclusion in this document of the references to its name in the form and context in which they are included.
- 15.3 PricewaterhouseCoopers LLP, whose registered office is at 1 Embankment Place, London WC2N 6RH, is a member of the Institute of Chartered Accountants in England and Wales and has given and has not withdrawn its written consent to the inclusion of its reports on (i) the unaudited financial information on the Borland Group for the period 1 January 2009 to 31 December 2009 set out in Part V(A); and (ii) the historical audited financial information on the Borland Group set out in Part IV(A); and (iii) the pro forma financial information set out in Part VI(A); the form and consent in which they appear and has authorised the contents of such reports for the purposes of items 5.5.3(R)(2)(f) of the Prospectus Rules.

### **16. Documents for Inspection**

In addition to the documents available for inspection listed at paragraph 15 of Part VIII of the Micro Focus Circular copies of the following documents will be available for inspection during normal business hours on any weekday (Saturday, Sundays and public holidays excepted) at Micro

Focus International plc, The Lawn, 22-30 Old Bath Road, Newbury, Berkshire RG14 1QN and at Field Fisher Waterhouse LLP, 35 Vine Street, London EC3N 2AA to and including the date of Readmission:

- (a) the Loan Facility Agreement;
- (b) the Second Borland Amendment Agreement;
- (c) the unaudited preliminary financial results for the Micro Focus Group for the financial year ended 30 April 2009;
- (d) Form 10-Q of the Borland Group for the three months ended 31 March 2009;
- (e) this document; and
- (f) the Supplementary Prospectus.

Dated 8 July 2009

**PART IX**  
**DEFINITIONS/GLOSSARY**

The following definitions apply throughout this document, unless the context requires otherwise:

<b>“1985 Act”</b>	the Companies Act 1985, as amended and for the time being in force;
<b>“2006 Act”</b>	the Companies Act 2006, as amended and for the time being in force;
<b>“Acquisition”</b>	the recommended acquisition by Micro Focus of all the Borland Shares on the terms and subject to the conditions set out in the Borland Merger Agreement as amended by the Borland Amendment Agreement;
<b>“ALM”</b>	application lifecycle management solutions;
<b>“Annual General Meeting” or “AGM”</b>	the annual general meeting of Micro Focus Shareholders;
<b>“Application Testing / Automated Software Quality”</b>	a set of activities conducted to provide information about the quality of the software product or service under test, finding and managing the process of fixing errors or bugs in software and validating that software meets the business and technical requirements set out initially;
<b>“Arma Partners LLP”</b>	Arma Partners LLP of 11 Berkeley Street, London W1J 8DS;
<b>“Australia”</b>	the Commonwealth of Australia and its dependent territories;
<b>“Board”</b>	the Micro Focus Directors;
<b>“Borland”</b>	Borland Software Corporation, incorporated in Delaware, US and with registered number 94-2895440;
<b>“Borland Amendment Agreement”</b>	the agreement to amend the Borland Merger Agreement dated 17 June 2009, a summary of which is set out in Part VII of the Micro Focus Circular;
<b>“Borland Directors”</b>	the directors of Borland;
<b>“Borland Group”</b>	Borland, its subsidiaries and subsidiary undertakings;
<b>“Borland Merger”</b>	the merger (in accordance with the laws of the State of Delaware) of Borland and Merger Sub, with Merger Sub surviving such merger in accordance with the terms of the Borland Merger Agreement;
<b>“Borland Merger Agreement”</b>	the conditional agreement and plan of merger dated 5 May 2009 in relation to the Borland Merger, a summary of which is set out in Part VII of the Micro Focus Circular as amended by the Borland Amendment Agreement and the Second Borland Amendment Agreement;
<b>“Borland Noteholders”</b>	holders of Borland Notes;
<b>“Borland Notes”</b>	2.75 per cent. Convertible senior notes issued by Borland due on 15 February 2012;
<b>“Borland Shareholders”</b>	holders of Borland Shares;

<b>“Borland Shares”</b>	the unconditionally allotted or issued and fully paid common shares of US\$0.10 each in the capital of Borland;
<b>“Business Day”</b>	a day (other than a Saturday or Sunday or public holiday) on which banks are open for business in London;
<b>“Canada”</b>	Canada, its provinces and territories and all areas subject to its jurisdiction or any political subdivision thereof;
<b>“CodeGear”</b>	the IDE and database products and services business disposed of by Borland to Embarcadero Technologies, Inc. pursuant to an agreement dated 6 May 2008;
<b>“Company” or “Micro Focus”</b>	Micro Focus International plc being part of the Micro Focus Group and with effect from the Effective Date, part of the Enlarged Group;
<b>“Companies Acts”</b>	the 1985 Act and the 2006 Act;
<b>“Compuware Corporation”</b>	Compuware Corporation, incorporated in Michigan, US;
<b>“Conditions”</b>	the conditions to the implementation of the Acquisition which are mortizati in paragraph 3 of Part I of this document;
<b>“Consideration”</b>	US\$113.0 million;
<b>“CREST”</b>	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the operator (as defined in the CREST Regulations);
<b>“CREST Regulations”</b>	the Uncertificated Securities Regulations 2001 (SI 2001 No. 01/378), as amended;
<b>“Disclosure and Transparency Rules” or “DTR”</b>	the Disclosure and Transparency Rules as published by the FSA;
<b>“DPG”</b>	deployment product group including products that are designed to enable interoperability for major critical applications running in distributed heterogenous computing environments;
<b>“EBITDA”</b>	earnings before interest, taxes, depreciation and amortization;
<b>“Effective”</b>	the Borland Merger Agreement becoming unconditional in all respects;
<b>“Effective Date”</b>	the date on which the Acquisition becomes Effective;
<b>“Enlarged Group”</b>	with effect from the Effective Date, the combined Micro Focus Group and Borland Group;
<b>“EU”</b>	the European Union;
<b>“Euroclear”</b>	Euroclear UK & Ireland Limited, the operator of CREST;
<b>“Expiration Date”</b>	5 November 2009;
<b>“Form of Proxy”</b>	the form of proxy for use at the Micro Focus General Meeting which accompanies this document;
<b>“FSA”</b>	the United Kingdom Financial Services Authority;

<b>“FSMA”</b>	the Financial Services and Markets Act 2000, as amended from time to time;
<b>“Hart-Scott-Rodino Act”</b>	Hart-Scott-Rodino Antitrust Improvements Act 1976;
<b>“IAS”</b>	international accounting standards;
<b>“IDE”</b>	an integrated development environment also known as integrated design environment, being a software application that provides computer programmers with comprehensive tools for software development;
<b>“IFRS”</b>	International Financial Reporting Standards;
<b>“IT”</b>	information technology;
<b>“Internet”</b>	the worldwide system of connected computers enabling information and communications to be shared by people;
<b>“LIBOR”</b>	London Interbank Offered Rate published by the British Bankers’ Association;
<b>“Listing Rules”</b>	the listing rules made by the FSA under section 73A of the Financial Services and Markets Act 2000;
<b>“Loan Facility Agreement”</b>	the loan facility agreement further details of which are set out in paragraph 9.1.3 of Part VIII of the Micro Focus Circular;
<b>“London Stock Exchange”</b>	the London Stock Exchange plc or its successor;
<b>“MDD”</b>	model driven development being model based software design which provides guidelines for the structuring of specifications and functionality;
<b>“Merger Sub”</b>	Bentley Merger Sub, Inc., a subsidiary of Micro Focus US established for the purposes of the Borland Merger;
<b>“Micro Focus Board”</b>	the board of directors of Micro Focus;
<b>“Micro Focus Circular”</b>	the circular sent to Micro Focus Shareholders on 24 June 2009 in relation to the Acquisition;
<b>“Micro Focus Directors”</b>	the directors of Micro Focus;
<b>“Micro Focus General Meeting” or “General Meeting”</b>	the general meeting of Micro Focus to be held on 24 July 2009 to vote on the resolution set out in the notice of general meeting contained in this document;
<b>“Micro Focus Group”</b>	Micro Focus, its subsidiaries and subsidiary undertakings;
<b>“Micro Focus Shareholders” or “Shareholder”</b>	holders of Ordinary Shares;
<b>“Micro Focus Supplementary Circular”</b>	this supplementary circular to Micro Focus Shareholders together with the notice of General Meeting;
<b>“Micro Focus US”</b>	Micro Focus (US) Inc., a Delaware corporation and indirect subsidiary of Micro Focus;
<b>“NASDAQ”</b>	the NASDAQ Global Market of the NASDAQ Stock Market Inc.;
<b>“Official List”</b>	the official list of the UK Listing Authority;
<b>“Open Source”</b>	computer software for which the source code is freely available or in the public domain under a software

	license that permits users to use, change and improve the software and to redistribute it in modified or unmodified forms;
<b>“Ordinary Shares”</b>	ordinary shares of ten pence each in the capital of Micro Focus International plc;
<b>“Pence”, “Sterling” and “£”</b>	the lawful currency of the United Kingdom;
<b>“PPM”</b>	project and portfolio management solutions providing analysis and reporting tools to determine the optimal mix and sequencing of individual projects which are a subset of the broader project portfolio to best achieve predefined overall goals;
<b>“Prospectus”</b>	the document comprising a prospectus relating to the Company and the Enlarged Group dated 30 June 2009;
<b>“Prospectus Rules”</b>	the rules for the purposes of Part VI of the Financial Services and Markets Act 2000 in relation to offers of securities to the public and the admission of securities to trading on a regulated market;
<b>“RDM”</b>	requirements definition and management solutions providing frameworks and tools for iterative and collaborative approaches for defining, validating and managing software requirements during the software development process;
<b>“Readmission”</b>	readmission of the Ordinary Shares to listing on the Official List and to trading on the main market for listed securities of the London Stock Exchange becoming effective;
<b>“Regulation S”</b>	Regulation S under the US Securities Act;
<b>“Resolution”</b>	the resolution to be proposed at the Micro Focus General Meeting (and set out in the notice of general meeting contained in this document) to approve the Acquisition;
<b>“SCM”</b>	software change management, being the task of tracking and controlling changes, revisions and modifications in software, particularly during the software development process;
<b>“SEC”</b>	the US Securities and Exchange Commission;
<b>“Second Borland Amendment Agreement”</b>	the agreement to amend the Borland Merger Agreement (as previously amended by the Borland Amendment Agreement) dated 30 June 2009, a summary of which is set out in Part VII of this document;
<b>“Segue”</b>	Segue Software, Inc. incorporated in Delaware, US;
<b>“Silk”</b>	the Silk product range added to Borland’s product portfolio through the acquisition of Segue on 19 April 2006 which addresses the full range of software quality assurance challenges through an integrated suite of quality management software;
<b>“SilkCentral”</b>	an Application Testing / Automated Software Quality tool that helps manage the software testing process;
<b>“Supplementary Prospectus”</b>	the document comprising a supplement to the Prospectus;

<b>“Termination Fee”</b>	the termination fee of US\$3.0 million payable to the Micro Focus Group in accordance with the terms of the Borland Merger Agreement as increased to US\$4.0 million pursuant to the Borland Amendment Agreement and as increased to US\$5.2 million under the Second Borland Amendment Agreement;
<b>“UBS” or “UBS Investment Bank”</b>	UBS Limited of 1 Finsbury Avenue, London EC2M 2PP;
<b>“UK Listing Authority”</b>	the FSA in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000;
<b>“UK” or “United Kingdom”</b>	the United Kingdom of Great Britain and Northern Ireland;
<b>“US” or “United States”</b>	the United States of America (including the states of the United States and the District of Columbia), its possessions and territories and all areas subject to its jurisdiction;
<b>“US GAAP”</b>	US generally accepted accounting principles;
<b>“US Person”</b>	as defined in Regulation S;
<b>“US Securities Act”</b>	the US Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder;
<b>“US\$”</b>	the lawful currency of the US.

All references to legislation in this document are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof.

For the purpose of this document, “**subsidiary**” and “**subsidiary undertaking**” have the meanings given by the 2006 Act.

Words importing the singular shall include the plural and *vice versa*, and words importing the masculine gender shall include the feminine or neutral gender.

## PART X

### RELEVANT DOCUMENTATION AND DOCUMENTATION INCORPORATED BY REFERENCE

The following documentation, which was sent to Micro Focus Shareholders or Borland Shareholders at the relevant time and/or is available for inspection in accordance with paragraph 16 of Part VIII, contains information which is relevant to the Acquisition:

**1. Form 10-Q of the Borland Group for the three months ended 31 March 2009**

This report contains the unaudited financial information of the Borland Group for the three months ended 31 March 2009.

**2. The unaudited financial information on the Borland Group for the period 1 January 2009 to 31 March 2009 and the accountants' report relating to the same**

These reports and accounts contain the unaudited US GAAP to IFRS reconciliation of the financial information of the Borland Group for the period 1 January 2009 to 31 March 2009.

**3. The historical audited financial information on the Borland Group for the financial years ended 31 December 2006, 31 December 2007 and 31 December 2008 and accountants' report relating to the financial years ended 31 December 2006, 31 December 2007 and 31 December 2008**

These reports and accounts contain the audited consolidated historical financial information of the Borland Group for the financial years ended 31 December 2006, 31 December 2007 and 31 December 2008 and the accountants' report relating to the financial years ended 31 December 2006, 31 December 2007 and 31 December 2008.

**4. Part VII of the Micro Focus Circular**

The information set out in Part VII of the Micro Focus Circular contains the summary of the Borland Merger Agreement, as amended by the Borland Amendment Agreement.

**5. Paragraph 2 of Part VIII of the Micro Focus Circular**

The information set out in paragraph 2 of Part VIII of the Micro Focus Circular sets out historical information on the incorporation of the Company.

**6. Paragraph 7 of Part VIII of the Micro Focus Circular**

The information set out in paragraph 7 of Part VIII of the Micro Focus Circular sets out details of Borland's key individuals.

**7. Paragraph 8 of Part VIII of the Micro Focus Circular**

The information set out in paragraph 8 of Part VIII of the Micro Focus Circular sets out details on the Borland Group's subsidiaries which, as at the Effective Date, will become part of the Enlarged Group.

**8. Paragraph 9 of Part VIII of the Micro Focus Circular**

The information set out in paragraph 9 of Part VIII of the Micro Focus Circular sets out details of the material contracts of the Micro Focus Group, the Borland Group and the Enlarged Group.

**9. The information incorporated by reference**

The table below sets out the documents which are incorporated by reference into this document, to ensure that Micro Focus Shareholders and others are aware of all information which, according to the particular nature of the Company and of the Ordinary Shares, is necessary to enable Micro Focus Shareholders and others to make an informed assessment of the assets and liabilities,



financial position, profit and losses and prospects of the Company and of the rights attaching to the Ordinary Shares:

<u>Information incorporated by reference into this document</u>	<u>Location of incorporation in this document</u>	<u>Page number(s) in this document</u>
Form 10-Q of the Borland Group for the three months ended 31 March 2009	Part V(A) Part VI(A)	27 29
The unaudited financial information of the Borland Group for the period ended 31 March 2009	Part V(A)	27
Accountants' report on the unaudited financial information of the Borland Group for the period ended 31 March 2009	Part V(B)	28
Historical audited financial information of the Borland Group for the period ended 31 December 2006	Part IV(A)	25
Accountants' report on the historical audited financial information of the Borland Group for the period ended 31 December 2006	Part IV(B)	26
Historical audited financial information of the Borland Group for the period ended 31 December 2007	Part IV(A)	25
Accountants' report on the historical audited financial information of the Borland Group for the period ended 31 December 2007	Part IV(B)	26
Historical audited financial information of the Borland Group for the period ended 31 December 2008	Part IV(A)	25
Accountants' report on the historical audited financial information of the Borland Group for the period ended 31 December 2008	Part IV(B)	26
Micro Focus Circular	Part VII and Part VIII	34 35

The information incorporated by reference is available for inspection at Micro Focus International plc, The Lawn, 22-30 Old Bath Road, Newbury, Berkshire RG14 1QN, at Field Fisher Waterhouse LLP, 35 Vine Street, London EC3N 2AA and at [www.microfocus.com](http://www.microfocus.com).

## DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

<b>DIRECTORS</b>	Kevin Loosemore ( <i>Non-Executive Chairman</i> ) Stephen Kelly ( <i>Chief Executive Officer</i> ) Nicholas Bray ( <i>Chief Financial Officer</i> ) David Maloney ( <i>Non-Executive Director</i> ) Paul Pester ( <i>Non-Executive Director</i> ) Tom Skelton ( <i>Non-Executive Director</i> )
<b>COMPANY SECRETARY</b>	Jane Smithard
<b>REGISTERED OFFICE</b>	The Lawn 22-30 Old Bath Road Newbury Berkshire RG14 1QN
<b>SPONSOR AND BROKER</b>	UBS Limited 1 Finsbury Avenue London EC2M 2PP
<b>FINANCIAL ADVISER TO MICRO FOCUS</b>	Arma Partners LLP 11 Berkeley Street London W1J 8DS
<b>LEGAL ADVISERS TO MICRO FOCUS</b>	Field Fisher Waterhouse LLP (in the UK) 35 Vine Street London EC3N 2AA  <i>and</i> Kirkland & Ellis (in the US in relation to the Acquisition) 555 California Street San Francisco CA94104 USA  <i>and</i> Lawrence Graham (outside the US in relation to the Acquisition) 4 More London Riverside London SE1 2AU
<b>LEGAL ADVISER TO SPONSOR AND BROKER</b>	White & Case LLP 5 Broad Street London EC2N 1DW
<b>REGISTRARS TO MICRO FOCUS</b>	Equiniti Aspect House Spencer Road Lancing West Sussex BN99 6DA
<b>AUDITORS TO MICRO FOCUS AND REPORTING ACCOUNTANTS</b>	PricewaterhouseCoopers LLP 9 Greyfriars Road Reading Berkshire RG1 1JG

## MICRO FOCUS INTERNATIONAL PLC

*(registered in England and Wales with registered number 05134647)*

### NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a General Meeting of Micro Focus International plc (the “**Company**”) will be held at The Lawn, 22-30 Old Bath Road, Newbury, Berkshire RG14 1QN at 9 a.m. on 24 July 2009 for the purpose of considering and, if thought fit, passing the following resolution, which will be proposed as an ordinary resolution:

#### ORDINARY RESOLUTION

THAT the proposed acquisition by the Company of the entire issued and to be issued share capital of Borland Software Corporation (the “**Acquisition**”), substantially on the terms and subject to the conditions set out in the circular to shareholders of the Company outlining the Acquisition dated 24 June 2009 and the supplementary circular to shareholders of the Company dated 8 July 2009 (copies of which are produced to the meeting and signed for identification purposes by the chairman of the meeting) be and is hereby approved and the directors of the Company (or any duly constituted committee thereof) be authorised (1) to take all such steps as may be necessary or desirable in connection with, and to implement, the Acquisition; and (2) to agree such modifications, variations, revisions or amendments to the terms and conditions of the Acquisition (provided such modifications, variations, revisions or amendments are not material), and to any documents relating thereto, as they may in their absolute discretion think fit.

8 July 2009

Registered office:  
The Lawn  
22-30 Old Bath Road  
Newbury  
Berkshire  
RG14 1QN

By Order of the Board

JANE SMITHARD  
Secretary

## NOTES

- (i) The holders of Ordinary Shares are entitled to attend this meeting. A member entitled to attend and vote may appoint a proxy to exercise all or any of his rights to attend, speak and vote at the meeting. Such a member may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to different shares. A proxy need not be a member of the Company.
- (ii) A form of proxy is enclosed with this notice. To be effective, a form of proxy must be completed, signed and deposited, together with any power of attorney or authority under which it is signed or a certified copy of such power or authority, with the Company's registrars at the address specified on the form of proxy by 9 a.m. on 22 July 2009. Depositing a completed form of proxy will not preclude a member from attending the meeting and voting in person.
- (iii) Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "**nominated person**") may, under an agreement between him and the shareholder by whom he was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a nominated person has no such proxy appointment right or does not wish to exercise it, he may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
- (iv) Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, to be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members by 6.00 p.m. on 22 July 2009. Changes to entries on the register of members after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.
- (v) In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that
  - (a) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and
  - (b) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative.

Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives—[www.icsa.org.uk](http://www.icsa.org.uk)—for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (a) above.