

microgen plc

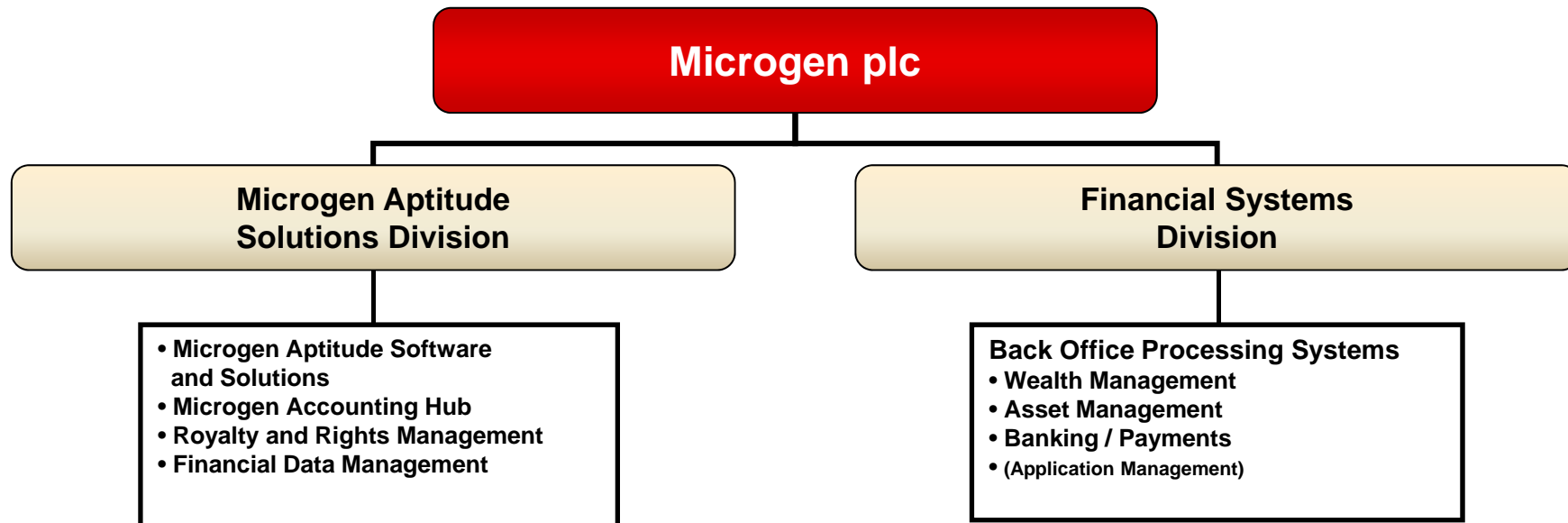
Interim Results for the six months ended 30 June 2012

**Martyn Ratcliffe
David Sherriff
Philip Wood**

**Chairman
Chief Executive Officer
Group Finance Director**

23 July 2012

**To be read in conjunction with the interim results
announcement released on 23 July 2012**



- 53% of Group Revenue
- 40% recurring revenue
- 55% generated from Top 5 clients
- 19% operating margin

- 47% of Group Revenue
- 80% recurring revenue
- 28% generated from Top 5 clients
- 50% operating margin

- The Board is pleased to report a very satisfactory performance in difficult market conditions with results in line with first half market expectations. Current economic climate is impacting consultancy deployment & extending new business sales cycles
- Revenue of £17.0m (H1, 2011: £19.0m) with underlying growth in higher margin recurring revenue
- Operating profit of £4.4m (H1, 2011: £4.5m)
 - Operating margin increased to 25.7% (H1, 2011 : 23.8%) demonstrating resilience of the Group's business model in the difficult market conditions
 - All internal research and development costs expensed. No capitalisation.
- Basic EPS 4.2 pence (H1, 2011: 4.2 pence)
- Strong balance sheet with net funds at 30 June 2012 of £27.1m (H1, 2011:£25.2m)
 - £6.8m cash returned to shareholders in last twelve months
- Interim dividend of 1.1 pence per share (H1, 2011: 1.1 pence)

Group Income Statement

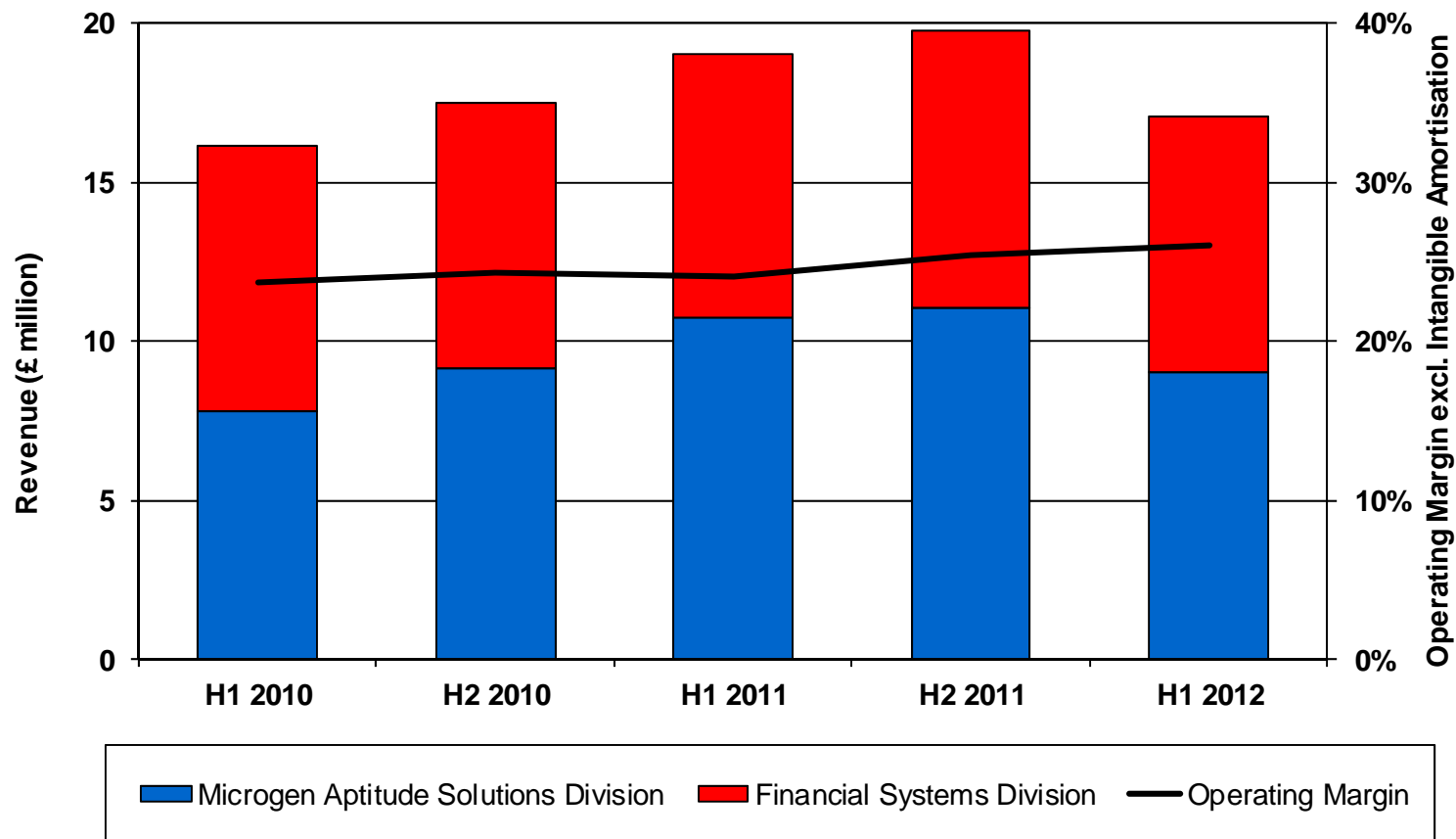
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	Six months ended 30 June 2012 £000	Six months ended 30 June 2011 £000	Year ended 31 December 2011 £000
Revenue			
Microgen Aptitude Solutions Division	9,038	10,763	21,799
Financial Systems Division	8,011	8,251	16,977
Total revenue	17,049	19,014	38,776
Operating costs (excl. Group overheads)	(11,316)	(13,187)	(26,690)
Operating profit before Group overheads	5,733	5,827	12,086
Operating profit before Group overheads (by division)			
Microgen Aptitude Solutions Division	1,761	2,044	4,209
Financial Systems Division	3,972	3,783	7,877
	5,733	5,827	12,086
Group overheads	(1,357)	(1,309)	(2,604)
Operating profit	4,376	4,518	9,482
Net finance income	97	57	116
Profit before tax	4,473	4,575	9,598
Taxation	(1,074)	(1,144)	(2,348)
Net profit for the period	3,399	3,431	7,250

Group Revenue and Operating Margin

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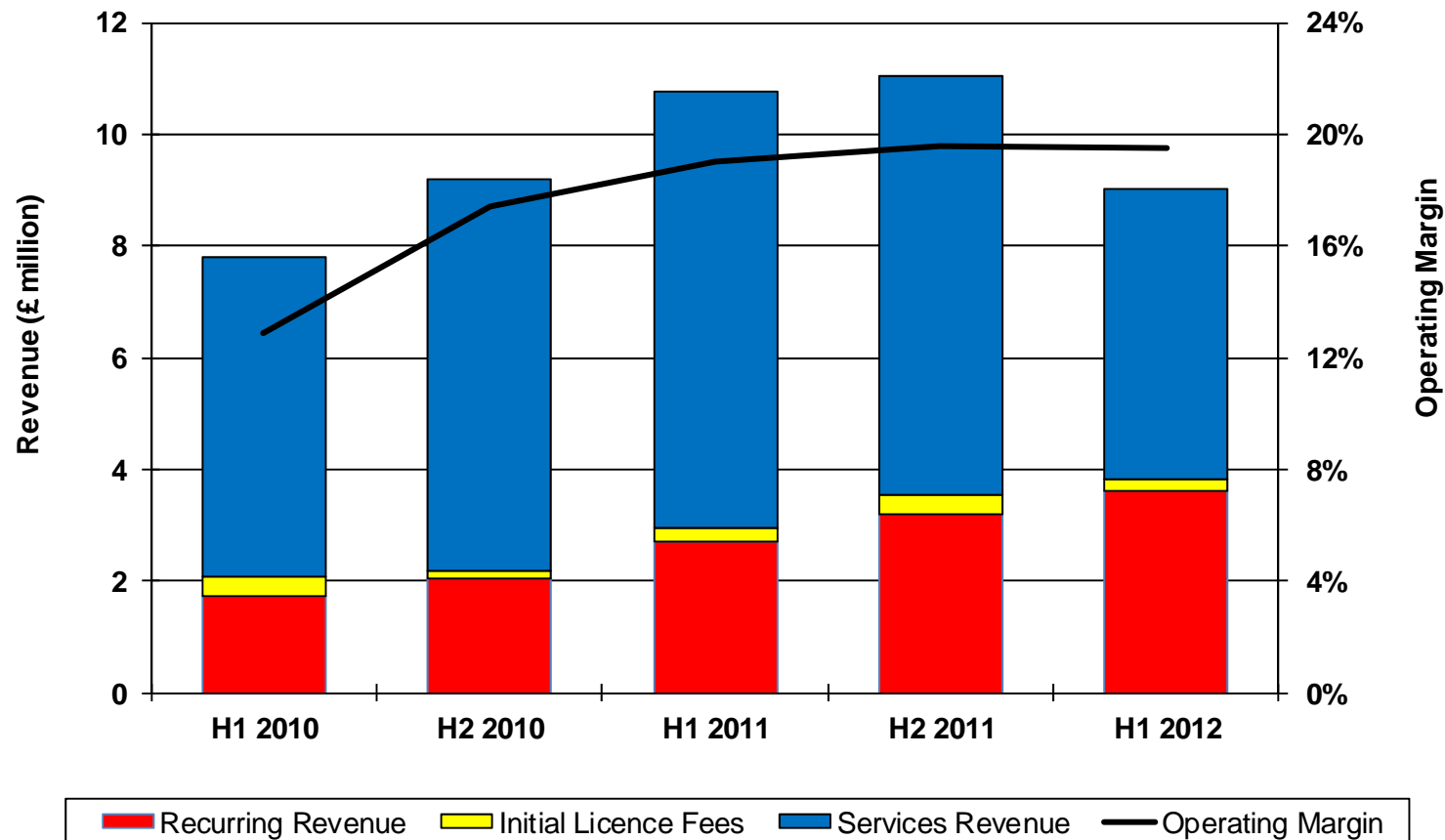
- Current economic climate impacting consultancy deployment and extending new business sales cycles particularly within the Microgen Aptitude Solutions Division
- Group revenue in line with H1 2012 market expectations of £17.0m (H1, 2011: £19.0m)
- Recurring revenue accounts for 59% of Group revenue (H1, 2011: 49%)



Microgen Aptitude Solutions Division

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- Services revenue from existing clients impacted by budgetary pressures
- Licence extensions from client base contribute to 33% increase in recurring revenue
- Achieved preferred supplier status in a number of prospects but final sales stages extending
- Board expectations for 2012 dependent upon a number of sales opportunities closing in the second half of the year



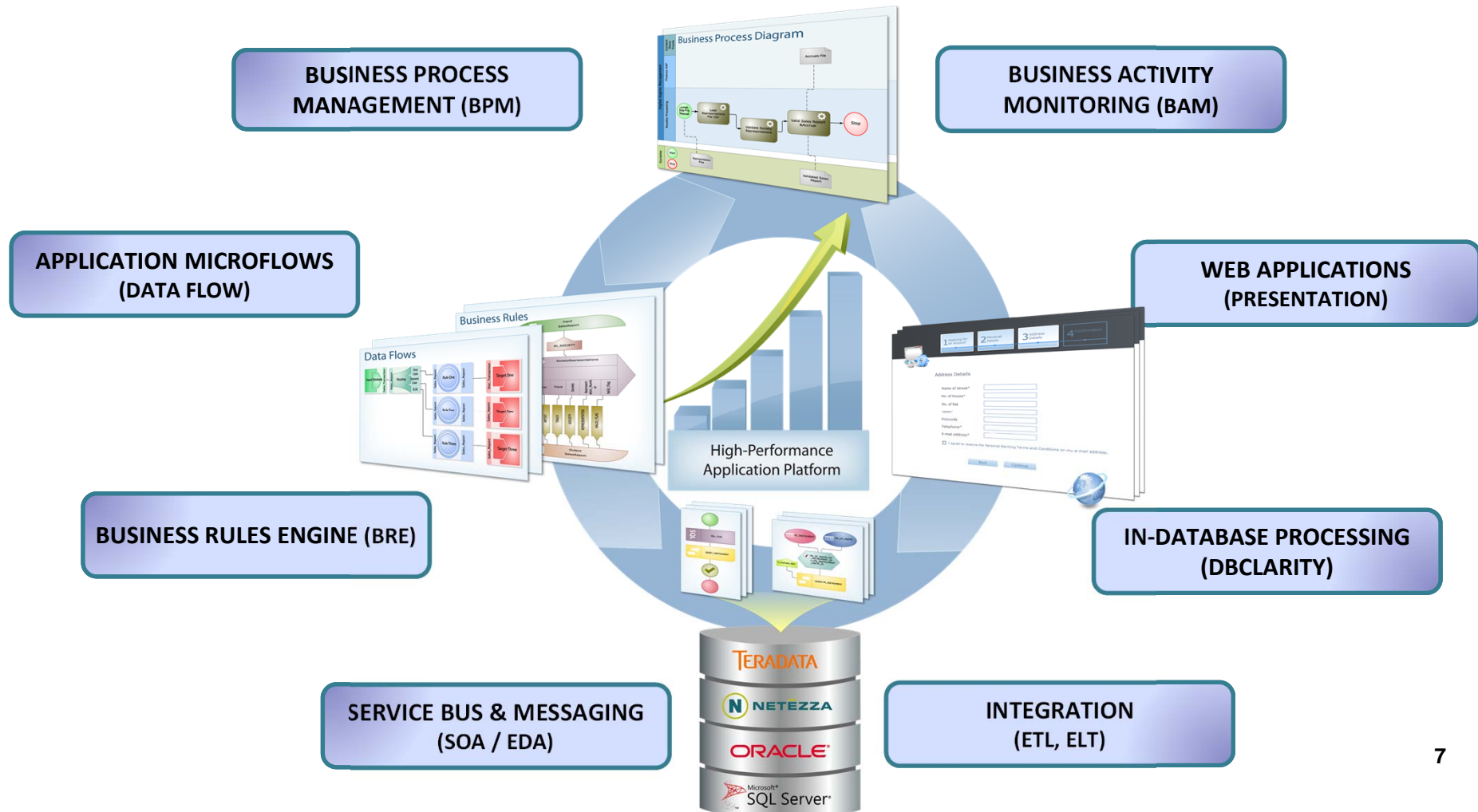
Microgen Aptitude

A Comprehensive Application Platform

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Microgen Aptitude is a complete In-Memory processing Application Platform built on a single code set.

Accelerates the design, implementation and control of mission-critical business applications.

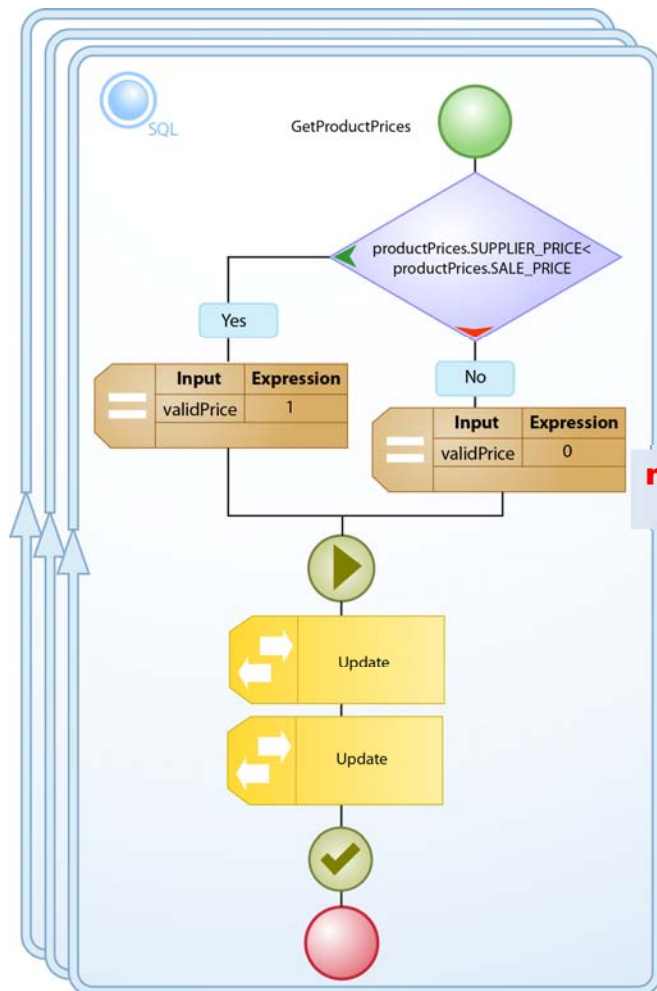


Microgen Aptitude V4

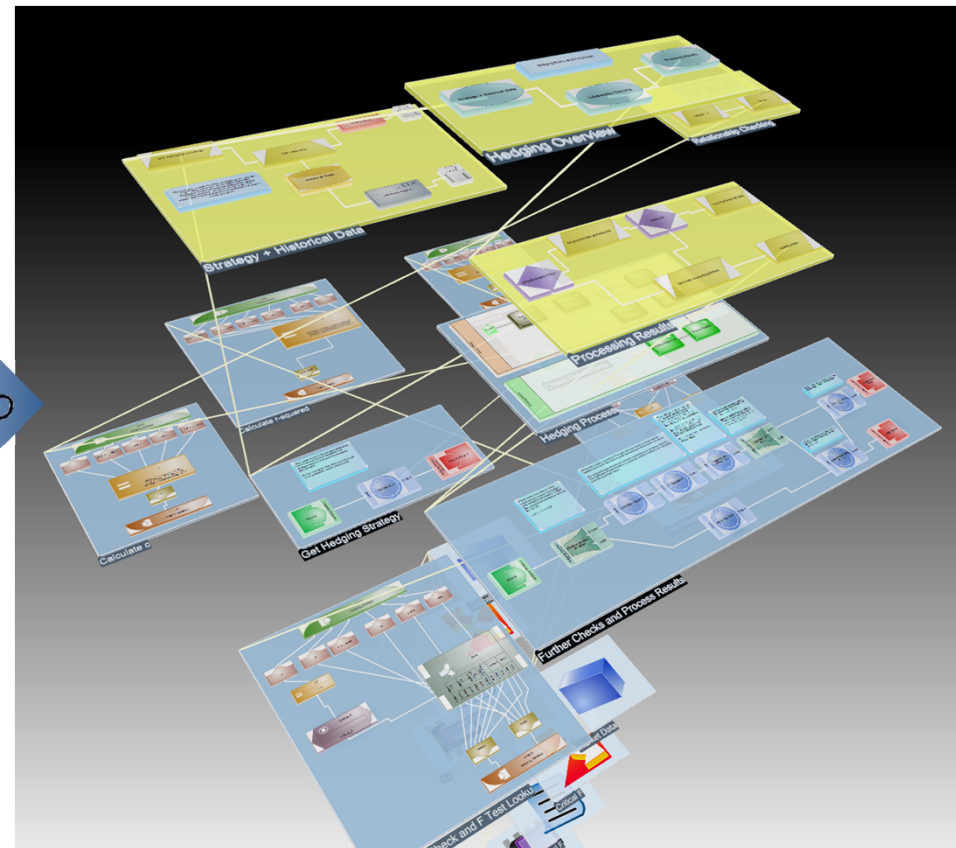
From Graphical to 3D

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The 3D Project Explorer provides an holistic view of an entire project, including component relationships, dependencies and data flow to greatly improve solution design, development and change management processes thus strengthening communication between the business and IT



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aptitude 3D



Microgen Aptitude 3D Navigator Environment

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The screenshot displays the Microgen Aptitude software interface. The main workspace shows a 3D perspective view of a complex business process diagram. The diagram consists of multiple interconnected nodes and flows, represented as 3D objects on a light blue plane. A central node is labeled "Further Checks and Process Results". Other nodes include "Critical F Values", "Hedging Strategy", "Calculate F", "Ratio Test Failed", "Strip Out Historical Data", and "R-squared Check and F Test Looku". A "Black Box" is also visible at the bottom of the diagram.

The interface includes a menu bar (File, Edit, Debugger, View, Tools, Window, Help) and a toolbar with various icons. The left sidebar shows a project tree for "IAS 39" with categories like "Project 3D Models (2)", "Business User Diagrams (4)", "Business Process Diagrams (1)", and "Microflows (3)". The right sidebar contains a "Layers" panel with checkboxes for "Business User Diagram...", "Business Process Diagram...", "File Attachments", "Microflows", "Complex Rules", "Data Objects", "Reference Objects", "Mappings", "External Data Formats", and "Devices". Below the layers panel is a "Dependent Elements" section.

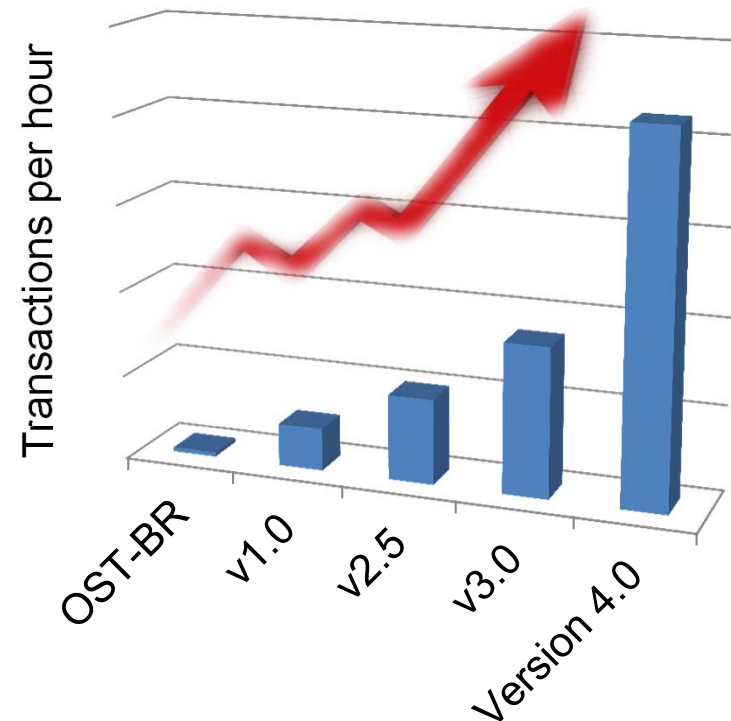
At the bottom left, a status bar indicates the current project: "Project 3D Model '3D Image for Stand' Stored in file 'C:\Users\monika.sobierajska\AppData\Roaming\Microgen\Aptitude\4.00.4.04\My Projects\1e953f77-0274-07aa-177e-f2b9452639ca.bre'".

Microgen Aptitude

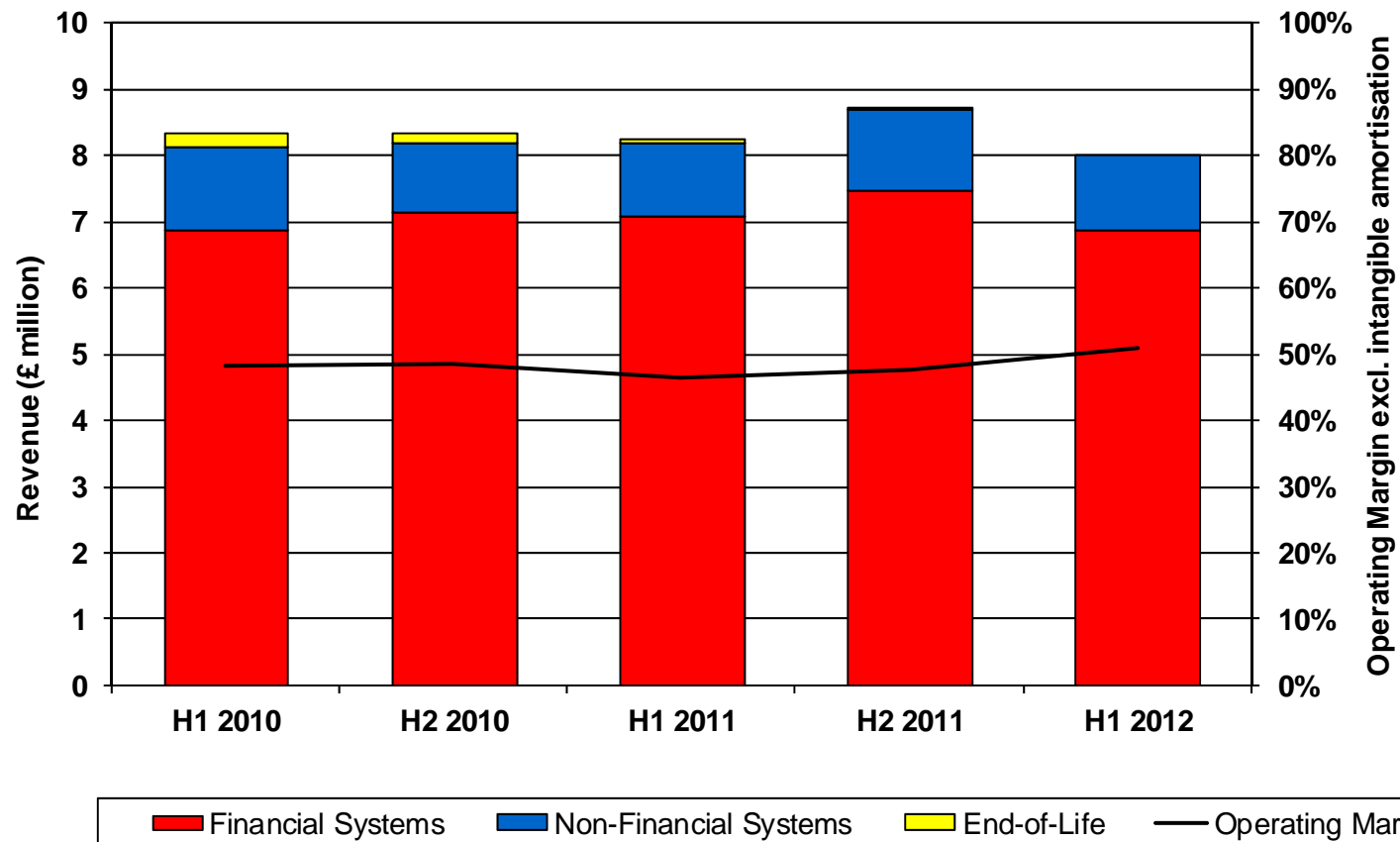
Processing Performance Leadership

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- Microgen recently ran Microgen Aptitude and Microgen Accounting Hub performance tests at an independent testing centre achieving **7 Billion transactions per hour** using in-memory processing
- Further tests, achieved throughput of over **1.7 Billion transactions per hour** when reading and writing to files and over **800 Million transactions per hour** when involving database to database processing
- This market leading transaction processing performance is increasingly required to process “Big Data” levels of transactions and their related data

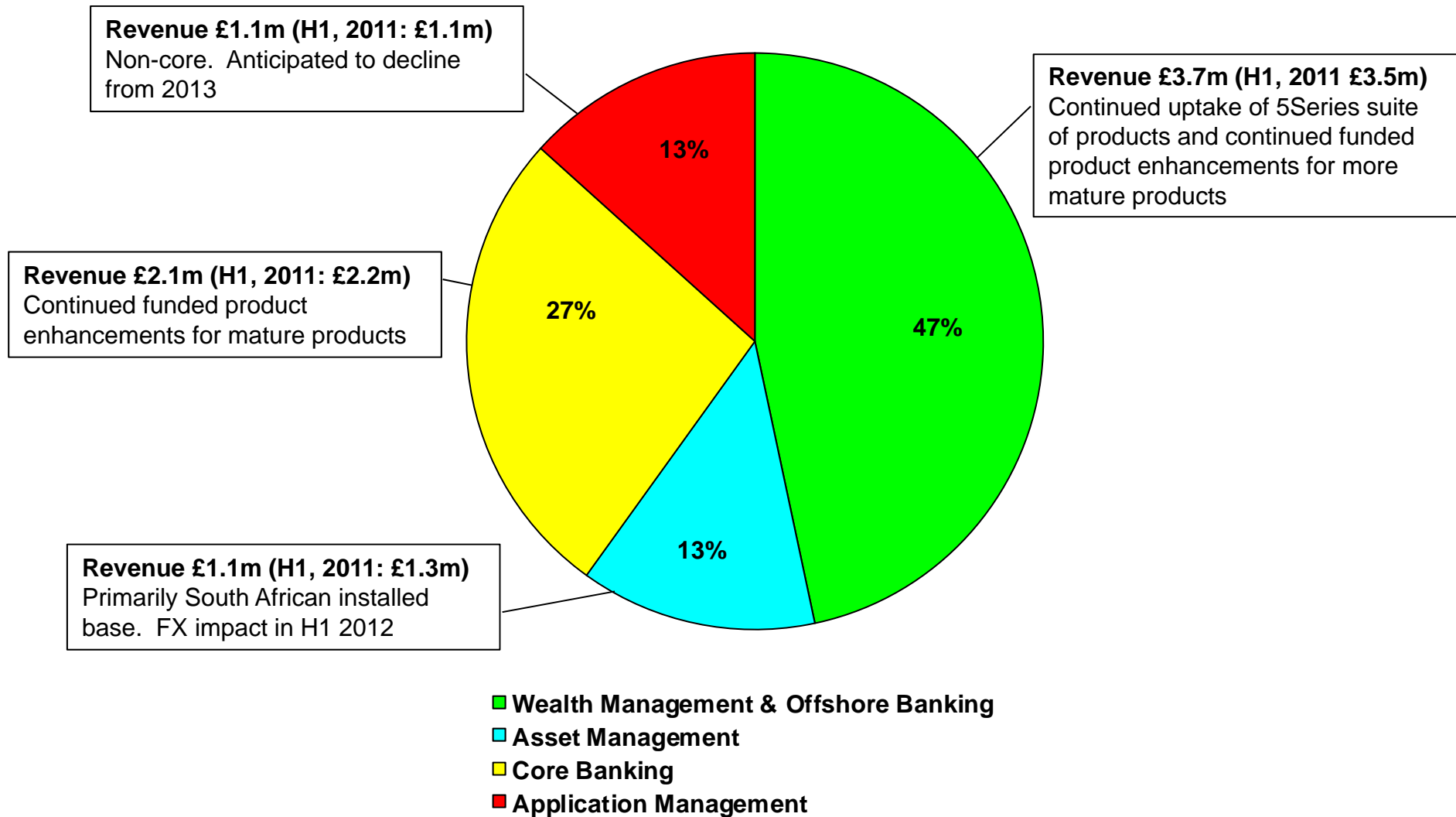


- Revenue of £8.0m (H1, 2011 : £8.3m)
- Operating margins increased to 50% (H1, 2011 : 46%)
- High recurring revenue levels together with diverse client base



Financial Systems Division H1 2012 Revenue Analysis

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- Satisfactory performance in difficult market conditions with results in line with first half expectations
- Microgen Aptitude Solutions Division consultancy revenue has been impacted by budgetary pressures at existing clients
- Microgen Aptitude Solutions Division continues to achieve preferred supplier status on material opportunities although the final stages of new business sales processes are extending
- Financial Systems Division demonstrated resilience due to its high recurring revenue base
- Board expectations for 2012 dependent upon the closure of a number of sales opportunities
- Strong balance sheet with cash at 30 June 2012 of £27.1 million
- Microgen has now returned £29.9 million to shareholders through a progressive dividend policy, special dividends and tender offers since the introduction of VERBS in October 2008

Appendix

Group Balance Sheet

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	As at 30 June 2012 £'000	As at 30 June 2011 £'000	As at 31 Dec 2011 £'000
ASSETS			
Non-current assets			
Goodwill	41,774	41,774	41,774
Intangible assets	59	177	118
Property, plant and equipment	5,451	5,512	5,521
Deferred income tax asset	1,311	1,384	1,324
	<u>48,595</u>	<u>48,847</u>	<u>48,737</u>
Current assets			
Trade and other receivables	4,975	6,461	5,611
Financial assets – derivative financial instruments	-	56	-
Cash and cash equivalents	27,125	26,866	26,971
	<u>32,100</u>	<u>33,383</u>	<u>32,582</u>
LIABILITIES			
Current liabilities			
Financial liabilities - borrowings associated with property	-	(370)	-
- derivative financial instruments	(156)	(40)	(353)
Trade and other payables	(17,441)	(18,330)	(19,981)
Current income tax liabilities	(1,015)	(842)	(768)
Provisions for other liabilities and charges	(107)	-	(107)
	<u>(18,719)</u>	<u>(19,582)</u>	<u>(21,209)</u>
Net current assets	13,381	13,801	11,373
Non-current liabilities			
Financial liabilities – borrowings associated with property	-	(1,297)	-
Provisions for other liabilities and charges	(134)	(151)	(135)
	<u>(134)</u>	<u>(1,448)</u>	<u>(135)</u>
NET ASSETS	61,842	61,200	59,975

Group Cash Flow

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	Six months ended 30 June 2012 £'000	Six months ended 30 June 2011 £'000	Year ended 31 Dec 2011 £'000
Cash flows from operating activities			
Cash generated from operations	2,901	4,448	12,542
Interest paid	-	(40)	(156)
Tax paid	(827)	(691)	(1,758)
Net cash generated from operating activities	2,074	3,717	10,628
Cash flows from investing activities			
Interest received	(267)	97	186
Purchase of property, plant and equipment	97	(685)	(1,171)
Net cash generated (used in)/from investing activities	(170)	(588)	(985)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital	48	176	395
Dividends paid	(1,794)	(1,701)	(6,645)
Repayment of mortgage	-	(185)	(1,852)
Net cash used in financing activities	(1,746)	(1,710)	8,102
Net increase in cash and cash equivalents	158	1,419	1,541
Opening cash and cash equivalents	26,971	25,412	25,412
Effects of exchange rate changes	(4)	35	18
Closing cash and cash equivalents	27,125	26,866	26,971

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