

microgen plc

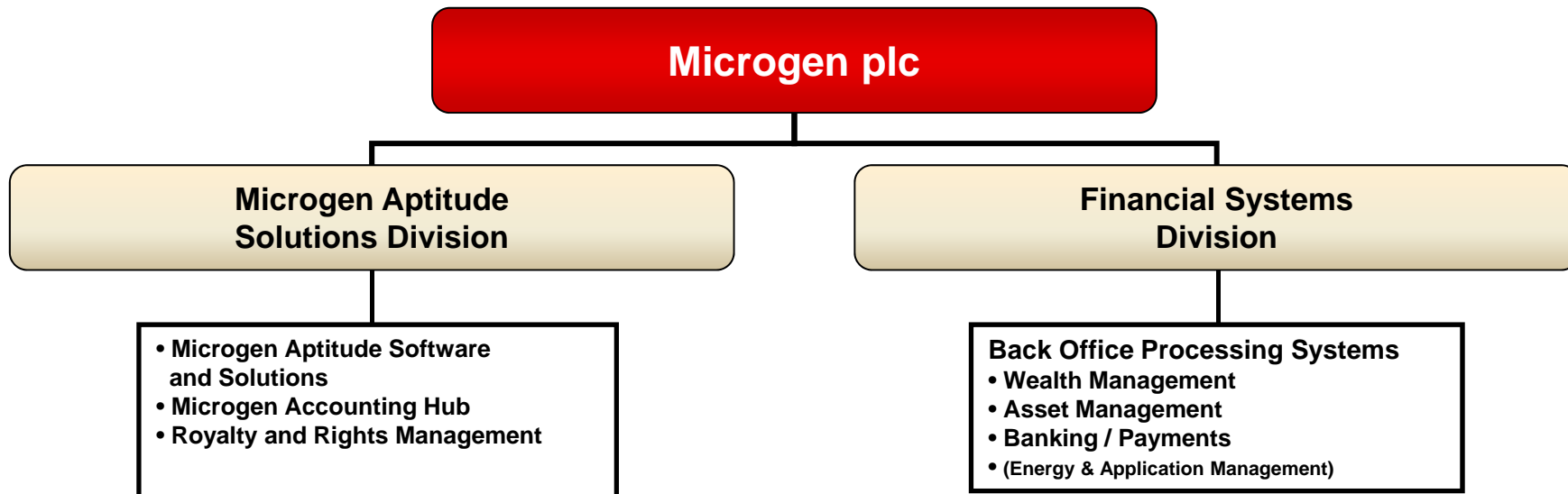
Audited Preliminary Results for the year ended 31 December 2011

**Martyn Ratcliffe
David Sherriff
Philip Wood**

**Chairman
Chief Executive Officer
Group Finance Director**

27 February 2012

**To be read in conjunction with the audited preliminary
results announcement released on 27 February 2012**



- 56% of Group Revenue
- 27% recurring revenue
- 64% generated from Top 5 clients
- 19% operating margin

- 44% of Group Revenue
- 78% recurring revenue
- 24% generated from Top 5 clients
- 47% operating margin

- Group revenue increased by 15% to £38.8m (2010 : £33.7m)
 - 28% revenue growth in Microgen Aptitude Solutions Division
- Adjusted operating profit increased by 19% to £9.6m (2010 : £8.1m)
 - Adjusted operating margin of 24.8% (2010 : 24.0%)
 - All internal research and development costs expensed. No capitalisation.
- Adjusted diluted EPS increased by 24% to 8.4 pence (2010 : 6.8 pence)
- Cash generated from operations of £12.5m (2010 : £11.3m)
 - Net funds of £27.0m (2010 : £23.6m)
 - £6.6m returned to shareholders during 2011 via ordinary and special dividends
 - No debt following repayment of £1.6m loan in September 2011
- Proposed final dividend of 2.2 pence (2010 : 2.1 pence) increasing the full year dividend by 10% to 3.3 pence (2010 : 3.0 pence)

Group Income Statement

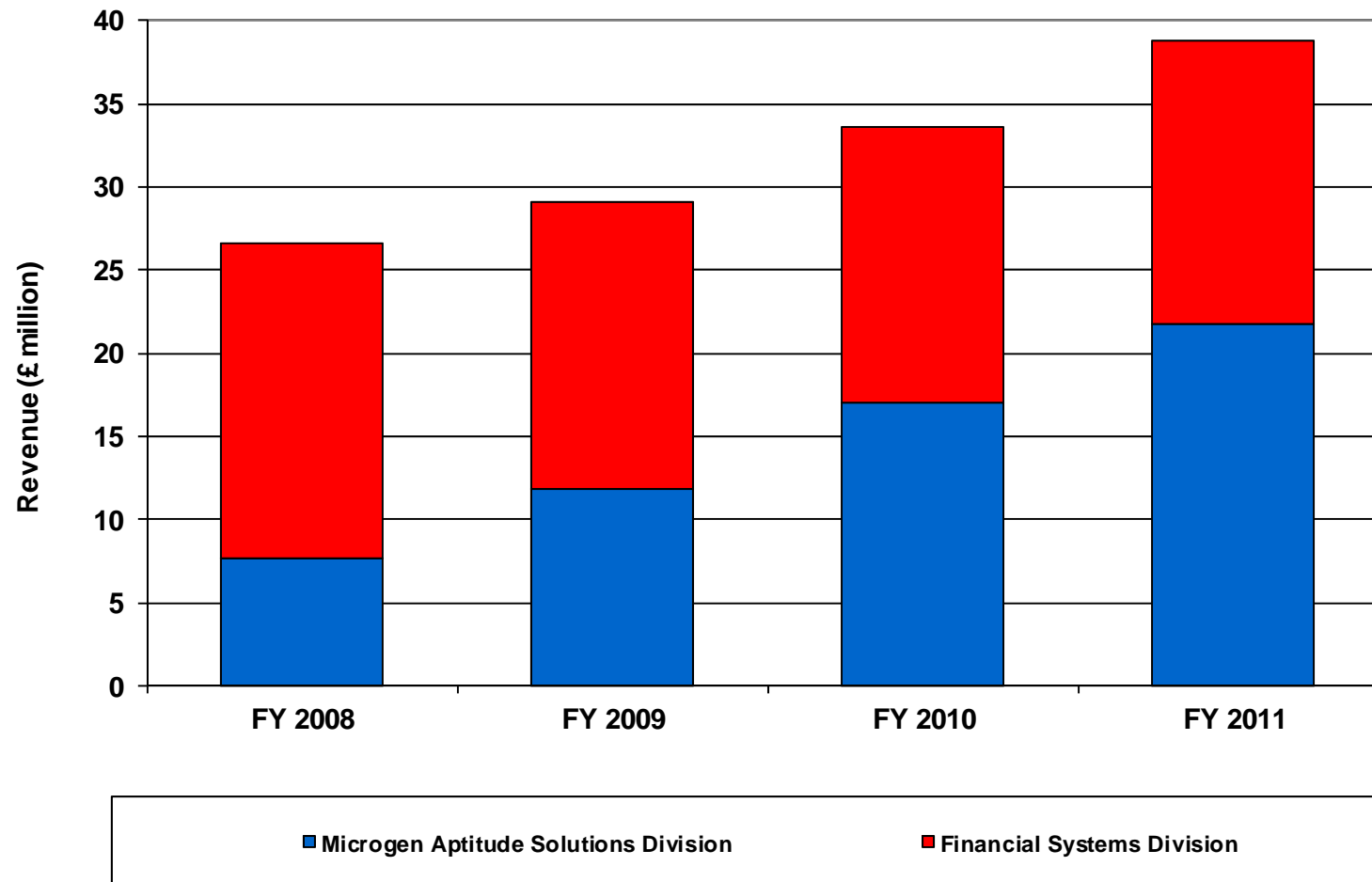
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	FY 2011	FY 2010
	£000	£000
Revenue		
Microgen Aptitude Solutions Division	21,799	16,995
Financial Systems Division	16,977	16,674
Total revenue	38,776	33,669
Operating costs (excl. Group overheads)	(26,573)	(22,976)
Operating profit before Group overheads	12,203	10,693
Operating profit before Group overheads (by division)		
Microgen Aptitude Solutions Division	4,209	2,609
Financial Systems Division	7,994	8,084
	12,203	10,693
Group overheads	(2,604)	(2,600)
Profit before interest, tax and intangible amortisation (PBITA)	9,599	8,093
Net finance income	116	14
Profit before tax and intangible amortisation (PBTA)	9,715	8,107
Intangible amortisation	(117)	(255)
Profit before tax	9,598	7,852
Taxation	(2,348)	(1,341)
Net profit for the period	7,250	6,511

Group Revenue

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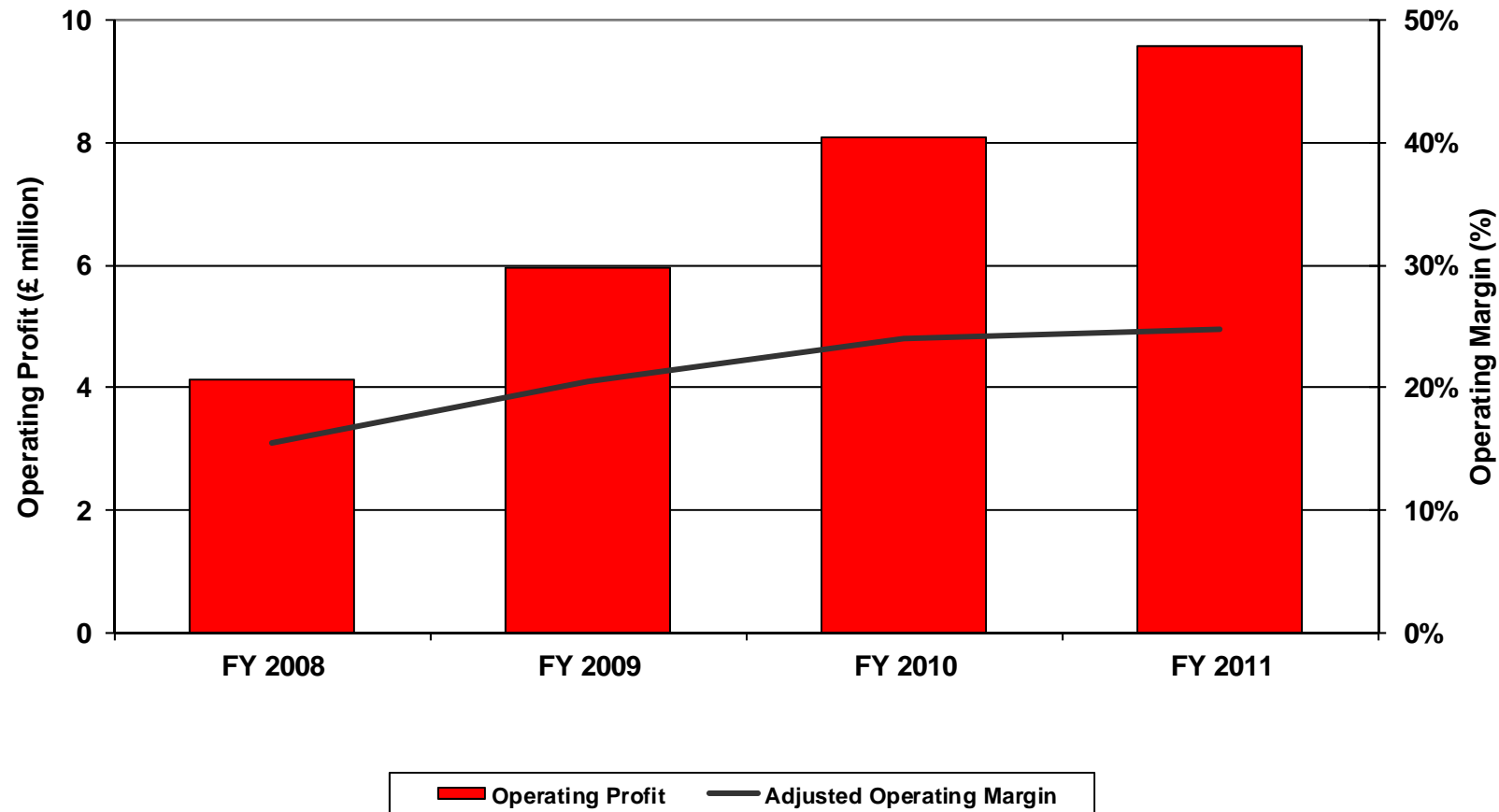
- Revenue growth of 15% to £38.8m (2010 : £33.7m)
- Microgen Aptitude Solutions Division accounted for 56% of the Group's revenue
- Financial Systems Division revenue maintained



Group Operating Profit

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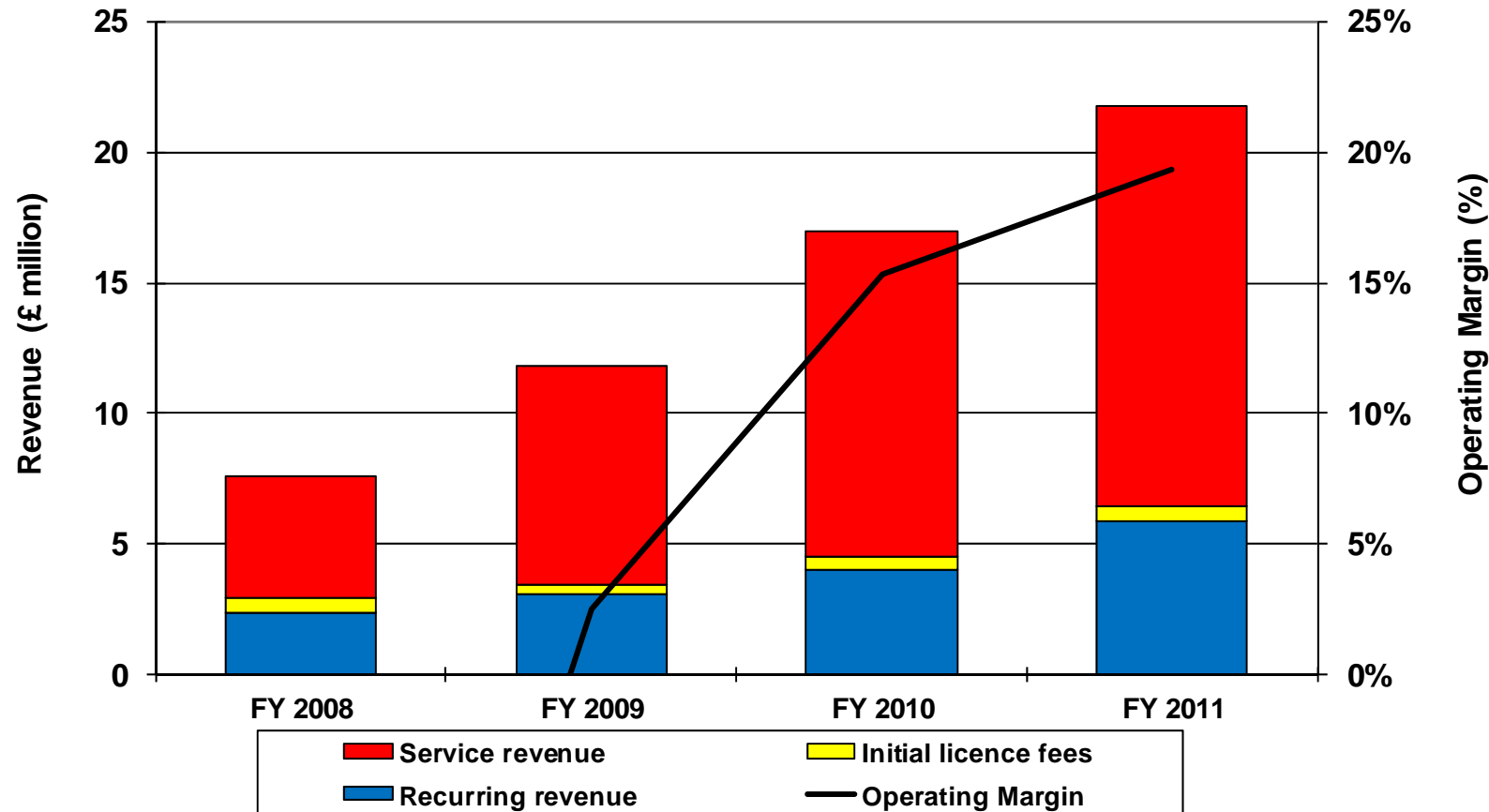
- Adjusted operating profit increased by 19% to £9.6m (2010 : £8.1m)
- Adjusted operating margin increased to 24.8% (2010 : 24.0%)
- All internal research and development costs are expensed



Microgen Aptitude Solutions Division

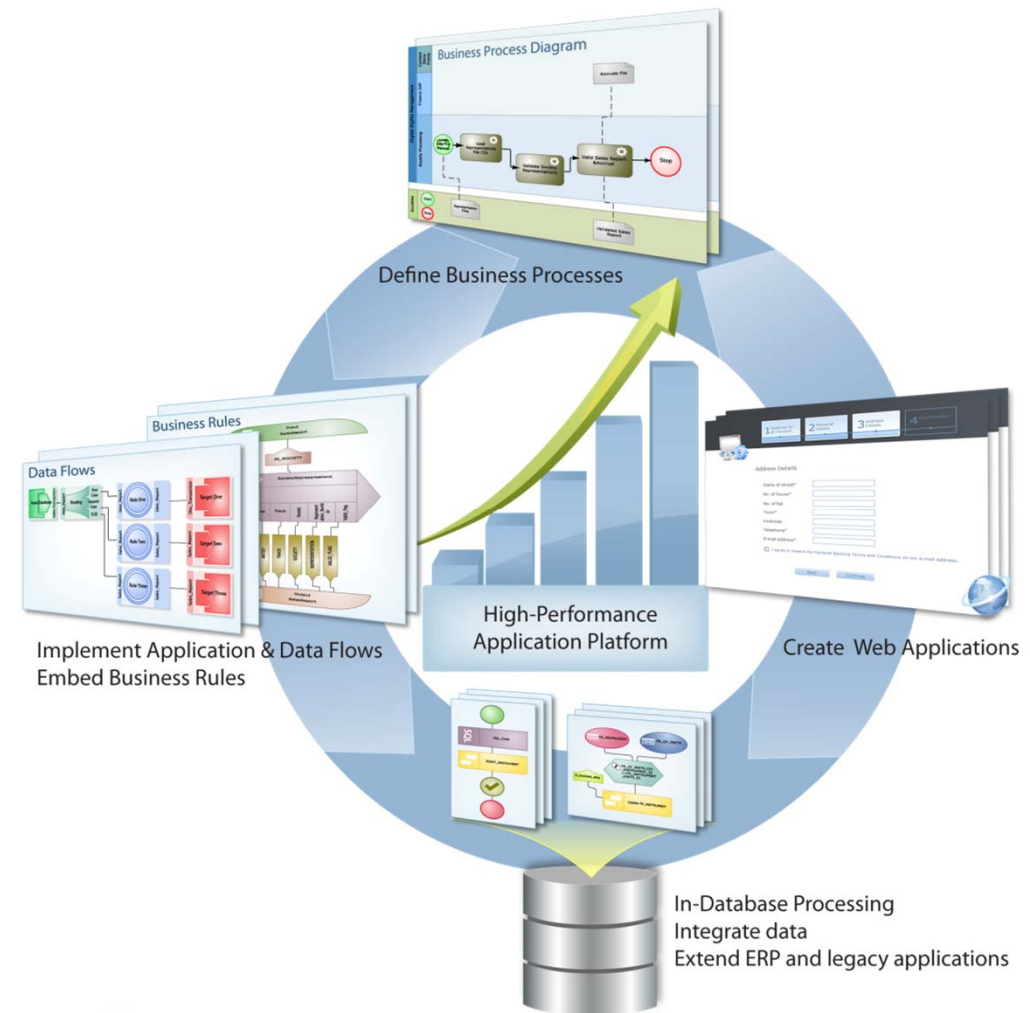
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- Revenue growth of 28% to £21.8 million (2010 : £17.0 million) benefitting from high consultancy demand, particularly in H1
- Recurring revenue represents 27% of overall revenue (2010 : 24%)
- Operating profit increased by 61% to £4.2 million (2010 : £2.6 million)
- Macro-economic environment has impacted project budgets and sales cycles in H2



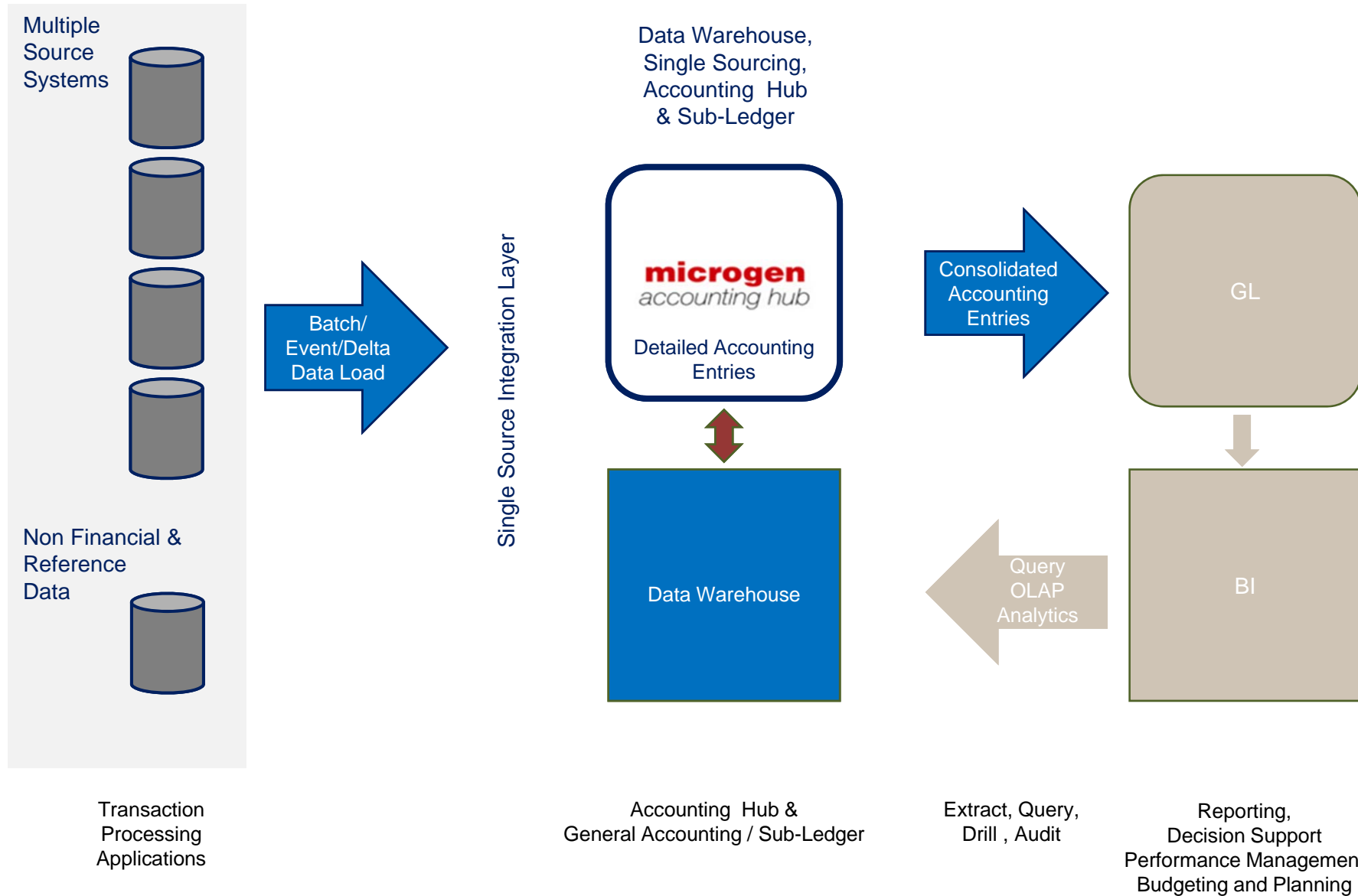
Microgen Aptitude is a complete application platform built on a single code set.

- Microgen Aptitude accelerates the design, implementation and control of mission-critical business applications.
- Microgen Aptitude is used to automate complex processes or those that involve large transaction volumes.
- Microgen's intuitive graphical environment empowers enterprises to build and change applications quickly.
- DBClarity Developer has been launched (using the same graphical user interface as Microgen Aptitude) to enable business and IT users to collaboratively and rapidly define and implement SQL queries and procedures in database.
- A major new enhancement to Microgen Aptitude will be launched in the summer that will deliver a 3-Dimensional design and development user interface thereby increasing developer productivity and reducing project timescales.

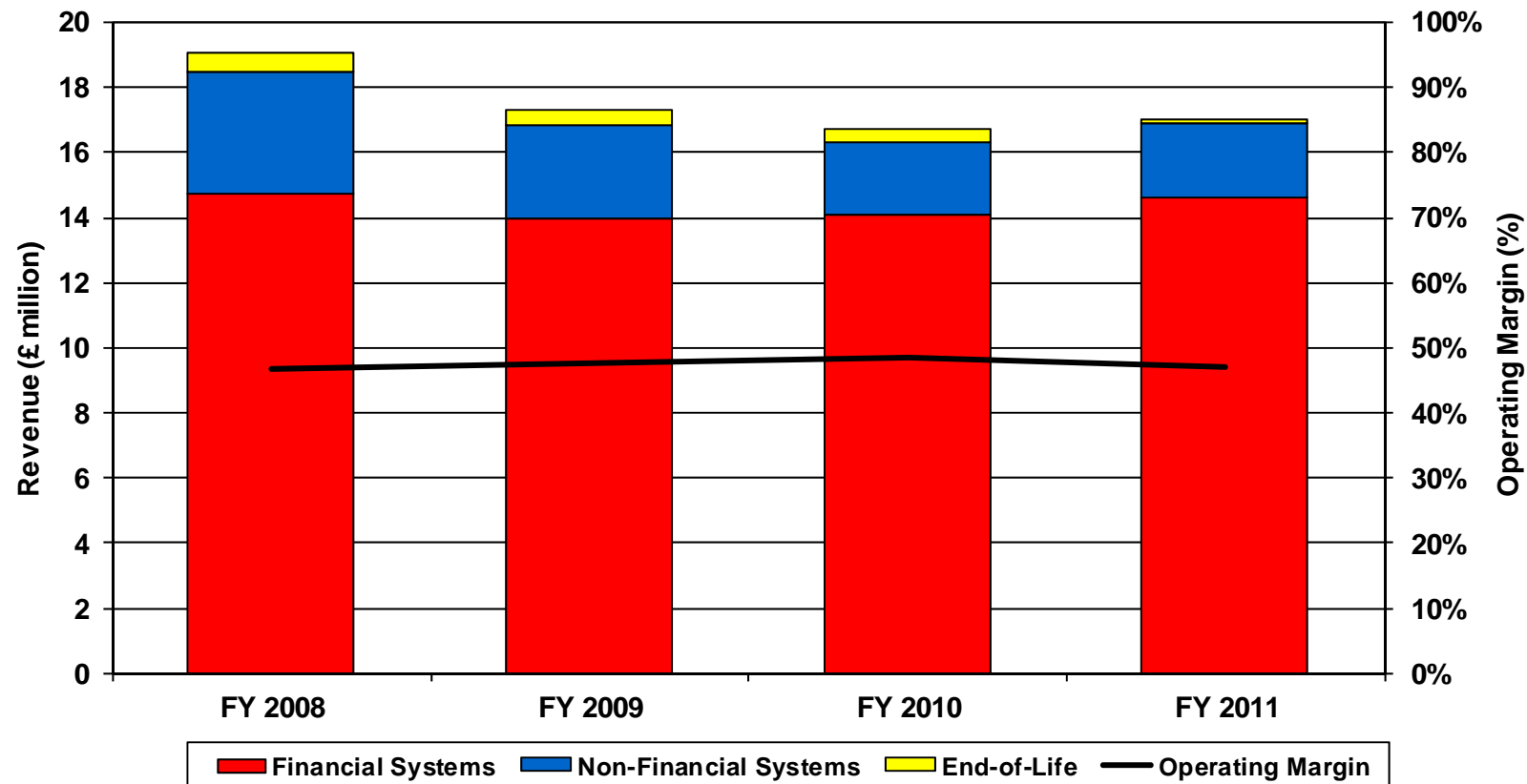


Microgen Accounting Hub

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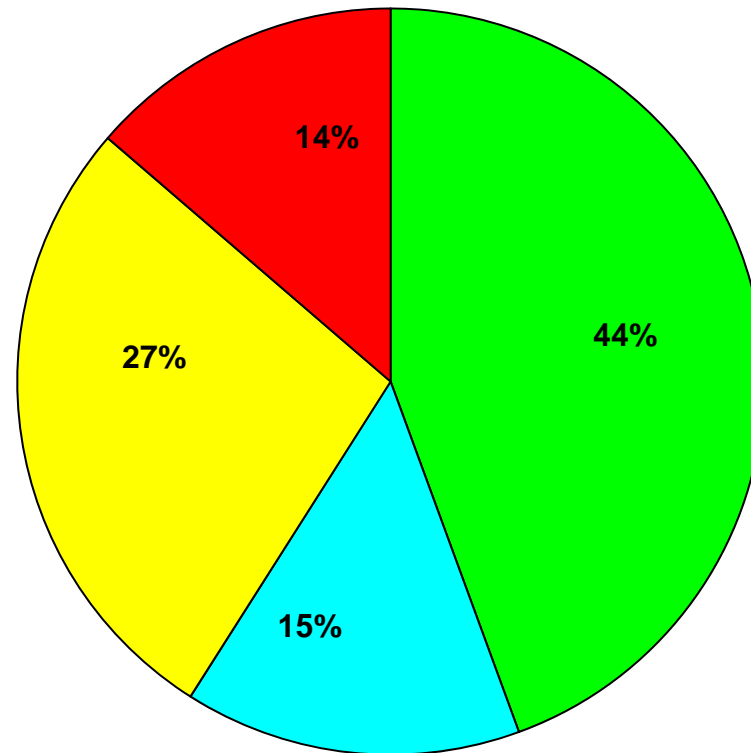
- Revenue of £17.0m (2010 : £16.7m)
- Operating margins of 47% (2010 : 48%)
- High recurring revenue levels together with diverse client base provides resilience



Financial Systems Division

Revenue Analysis

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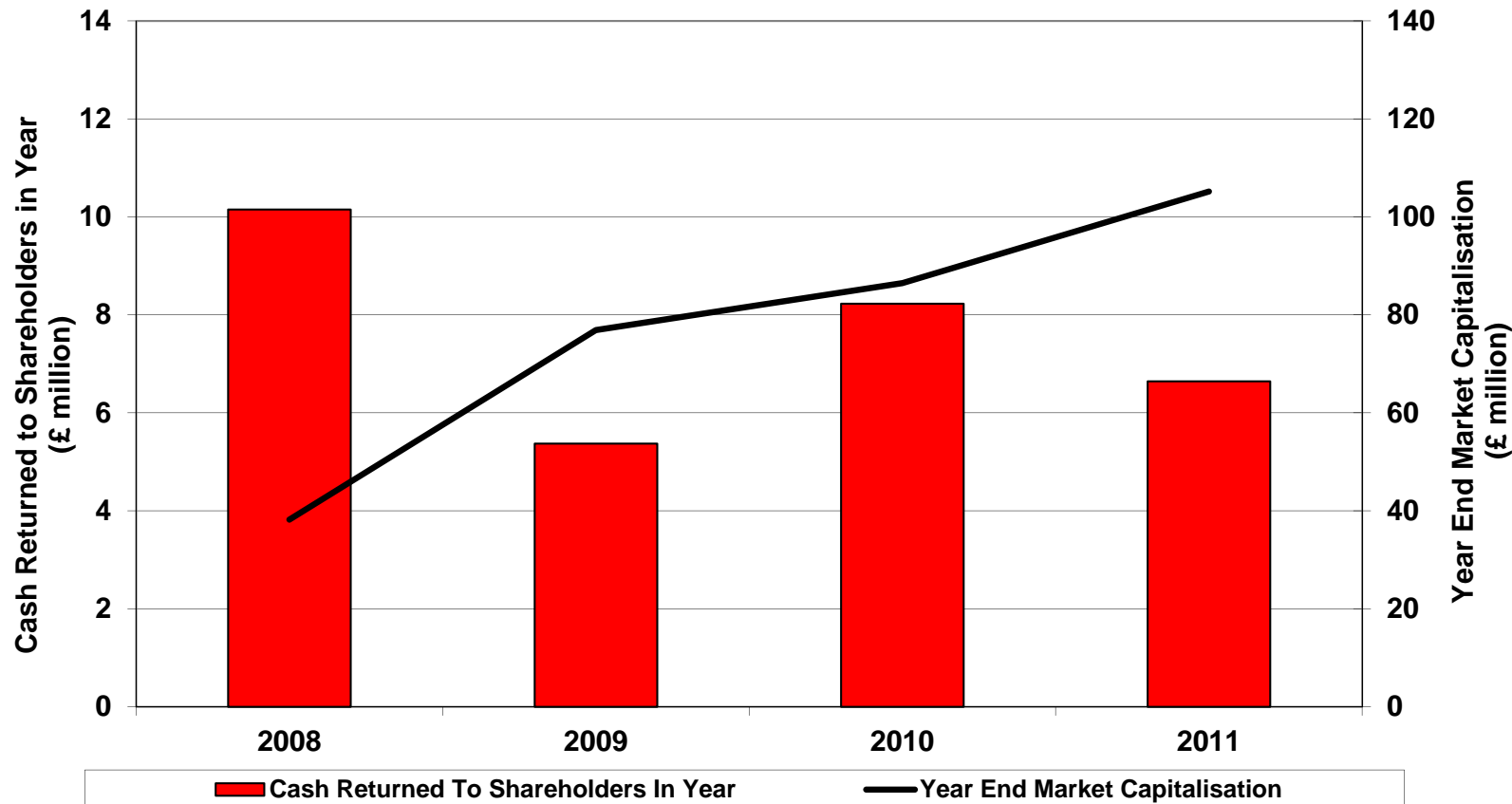


- Wealth Management & Offshore Banking
- Asset Management
- Banking / Payments
- Energy & Application Management

Delivering Shareholder Value

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- Value Enhancement and Realisation Bonus Scheme (“VERBS”) introduced in October 2008
 - Market capitalisation of Microgen prior to VERBS was £37.0m
- Since October 2008, £28.2m returned to shareholders via tender offers & dividends
 - 76% of pre-VERBS market capitalisation returned to shareholders (to December 2011)
- Market capitalisation at 31st December 2011 : £105.2m



- Approved by shareholders on 19 November 2008
 - At announcement share price : 36p. Market capitalisation : £37m
- 3 Divisional schemes with base level valuation on each division
 - Aggregated valuation before VERBS payout was approximately 70p per share
 - Billing division sold in 2009. Realised value slightly below base level and shortfall added to MASD and FSD base level valuations to safeguard shareholder interests
 - 25% of realised value in excess of base level valuation payable via VERBS
- 2010 Amendments – beneficial to shareholders
 - FSD : Base level valuation limited to 50% of original base valuation
 - MASD : Base level valuation increases annually by 15%
- 2011 Proposed Amendments – beneficial to shareholders
 - Aggregated realised value in excess of £1.40 per share reduced to 20% VERBS payout
 - Payable in shares or cash

- Microgen Aptitude Solutions Division delivered strong profitable growth securing new name business and expanding presence in existing accounts
- Financial Systems Division showed resilience benefitting from its high recurring revenue base
- Board remains cautious regarding the macro-economic environment in 2012. Impact progressively more apparent to project budgets / sales cycles in H2 2011
- Strong balance sheet with cash at 31 December 2011 of £27.0 million demonstrates Microgen's financial stability to its prospects/customers
- Microgen has now returned £28.2 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 31 Dec 2011 £'000	As at 31 Dec 2010 £'000
ASSETS		
Non-current assets		
Goodwill	41,774	41,774
Intangible assets	118	235
Property, plant and equipment	5,521	5,157
Deferred income tax asset	1,324	1,402
	48,737	48,568
Current assets		
Trade and other receivables	5,611	5,971
Financial assets – derivative financial instruments	-	56
Cash and cash equivalents	26,971	25,412
	32,582	31,439
LIABILITIES		
Current liabilities		
Financial liabilities - borrowings associated with property - derivative financial instruments	-	(370)
	(353)	(115)
Trade and other payables	(19,981)	(18,205)
Current income tax liabilities	(768)	(408)
Provisions for other liabilities and charges	(107)	(150)
	(21,209)	(19,248)
Net current assets	11,373	12,191
Non-current liabilities		
Financial liabilities – borrowings associated with property	-	(1,482)
Provisions for other liabilities and charges	(135)	(139)
	(135)	(1,621)
NET ASSETS	59,975	59,138

Group Cash Flow

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	Year ended 31 Dec 2011 £'000	Year ended 31 Dec 2010 £'000
Cash flows from operating activities		
Cash generated from operations	12,542	11,348
Interest paid	(156)	(94)
Tax paid	(1,758)	(1,506)
Net cash generated from operating activities	<u>10,628</u>	<u>9,748</u>
Cash flows from investing activities		
Proceeds from sale of investments	-	336
Purchase of property, plant and equipment	(1,171)	(586)
Interest received	186	140
Net cash generated (used in)/from investing activities	<u>985</u>	<u>(110)</u>
Cash flows from financing activities		
Net proceeds from issue of ordinary share capital	395	285
Dividends paid	(6,645)	(2,084)
Repayment of mortgage	(1,852)	(370)
Purchase of own shares	-	(6,288)
Net cash used in financing activities	<u>(8,102)</u>	<u>(8,457)</u>
Net increase in cash and cash equivalents	1,541	1,181
Opening cash and cash equivalents	25,412	24,178
Effects of exchange rate changes	18	53
Closing cash and cash equivalents	<u>26,971</u>	<u>25,412</u>

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