

microgen plc

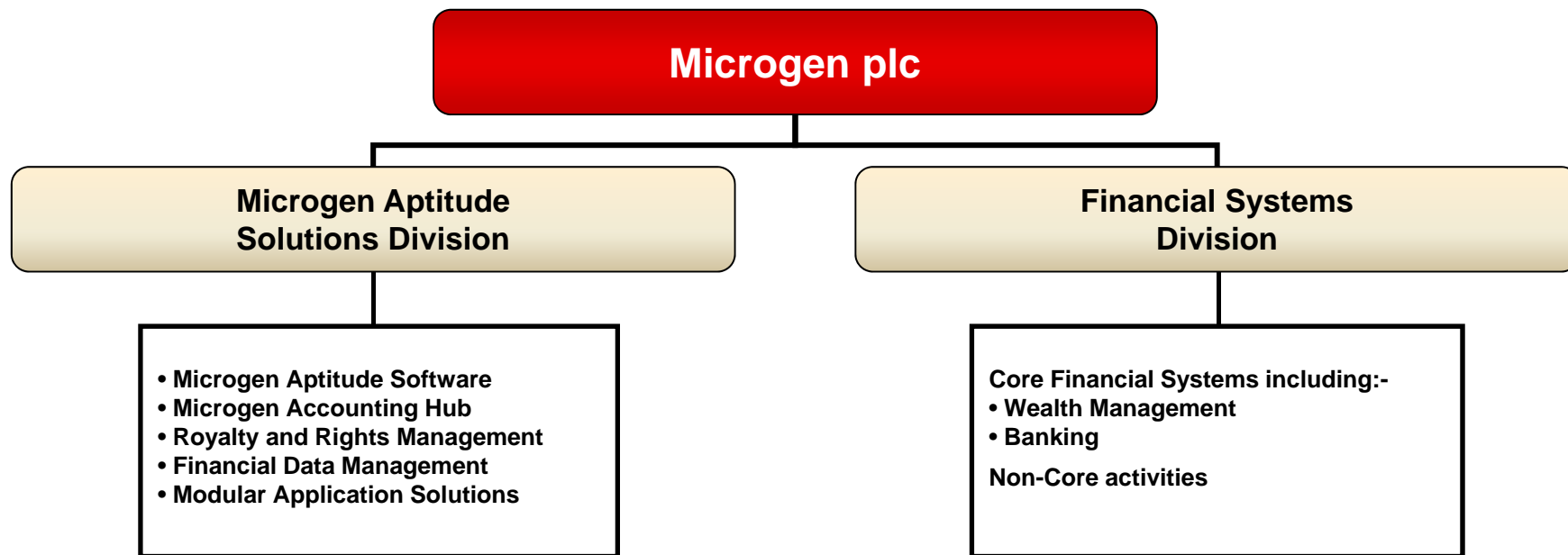
Audited Preliminary Results for the year ended 31 December 2012

**David Sherriff
Philip Wood**

**Chief Executive Officer
Group Finance Director**

25 February 2013

**To be read in conjunction with the audited preliminary
results announcement released on 25 February 2013**



- 50% of Group Revenue
- 44% recurring revenue
- 57% generated from Top 5 clients
- 18% operating margin

- 50% of Group Revenue
- 78% recurring revenue
- 28% generated from Top 5 clients
- 52% operating margin

Preliminary Results 2012

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- Resilient performance in difficult market conditions
- Group revenue of £32.3m (2011 : £38.8m)
 - 23% growth in MASD's annual software licences and other recurring revenue
 - Pressure on consultancy revenue and decline in non-core activities in FSD
- Operating profit of £9.0m (2011 : £9.5m)
 - Operating margin increased to 27.9% (2011 : 24.5%)
 - All internal research and development costs expensed. No capitalisation
- Diluted EPS of 8.3 pence (2011 : 8.7 pence)
- Cash generated from operations of £10.3m (2011 : £12.5m)
 - Net funds of £32.1m (2011 : £27.0m)
- Proposed final dividend of 2.2 pence per share (2011 : 2.2 pence) representing a full year dividend of 3.3 pence (2011 : 3.3 pence)
- Proposed special dividend of 5.2 pence per share
 - Upon payment of the proposed final and special dividends, the Group will have returned 100% of its market capitalisation prior to the introduction of VERBS in October 2008

Group Income Statement

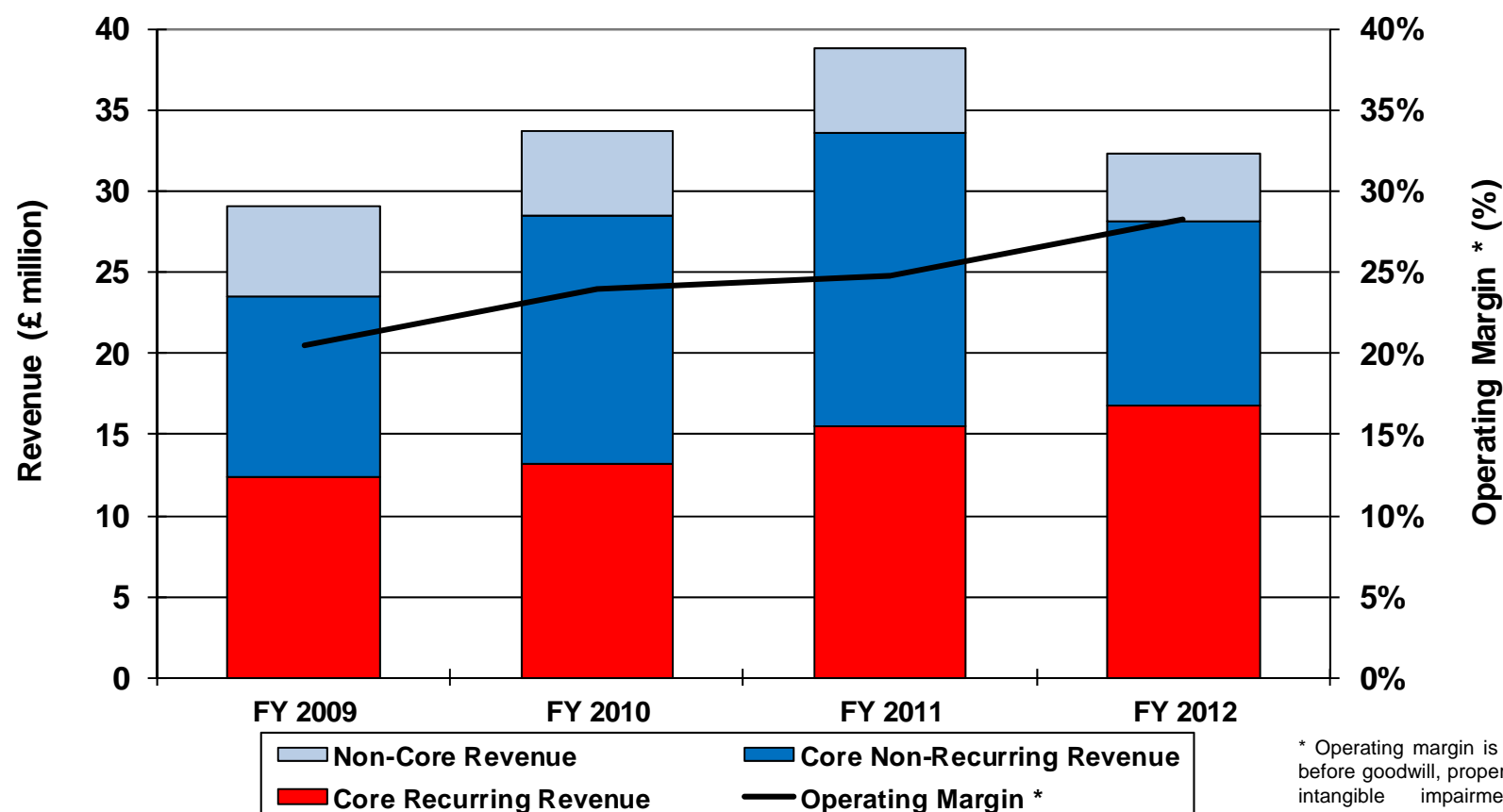
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	FY 2012	FY 2011
	£000	£000
Revenue		
Microgen Aptitude Solutions Division	16,316	21,799
Financial Systems Division	16,002	16,977
Total revenue	32,318	38,776
Operating costs (excl. Group overheads)	(21,094)	(26,690)
Operating profit before Group overheads	11,224	12,086
Operating profit before Group overheads (by division)		
Microgen Aptitude Solutions Division	2,928	4,209
Financial Systems Division	8,296	7,877
	11,224	12,086
Group overheads	(2,211)	(2,604)
Operating profit	9,013	9,482
Net finance income	174	116
Profit before tax	9,187	9,598
Taxation	(2,238)	(2,348)
Net profit for the period	6,949	7,250

Group Revenue and Operating Margin

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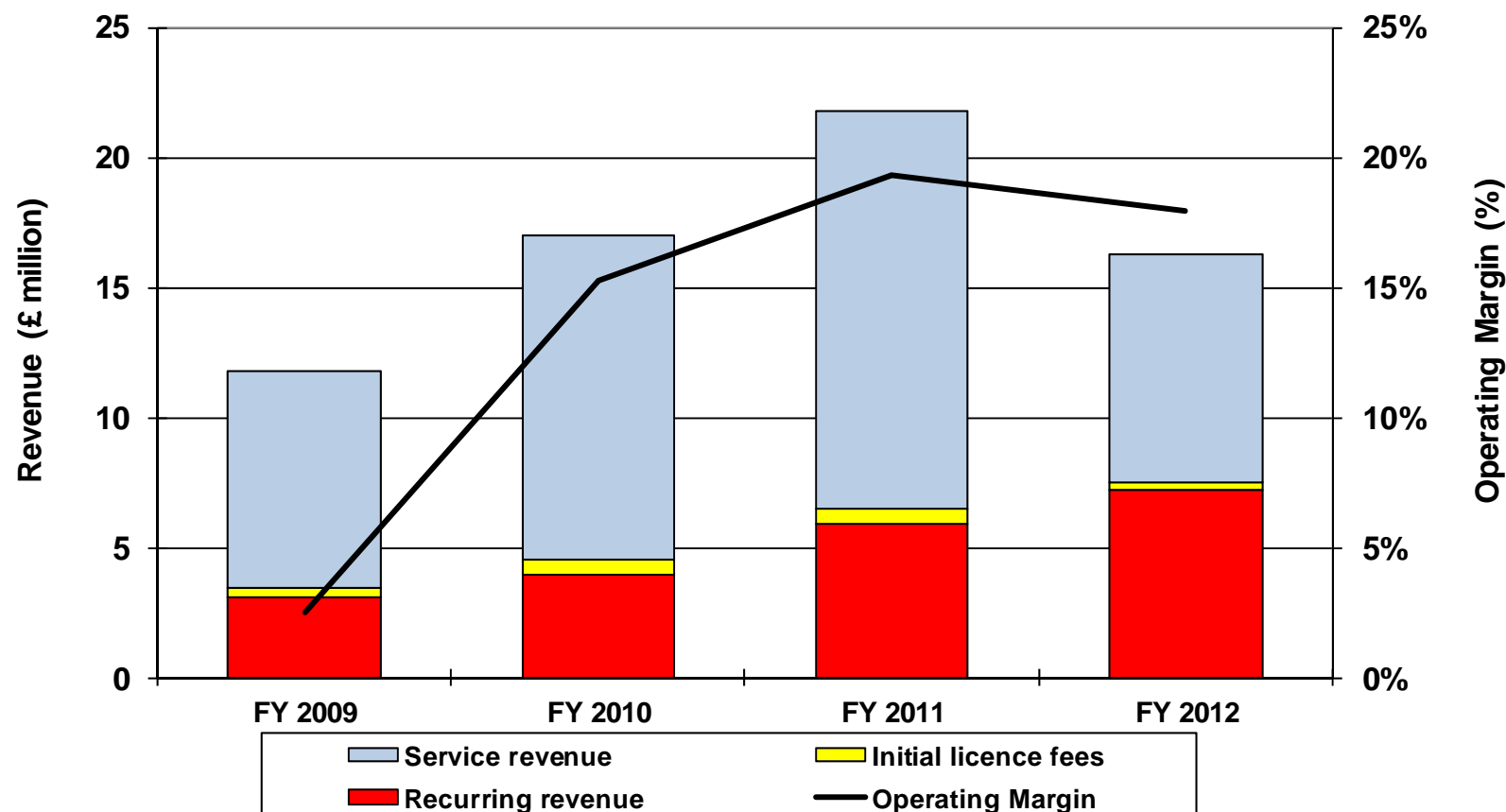
- Resilient performance in difficult market environment
- Operating margin increased to 28% (2011 : 24%) due to growth in annual software licences & other recurring revenue and Group's conservative operational approach
- All internal research and development costs are expensed



Microgen Aptitude Solutions Division

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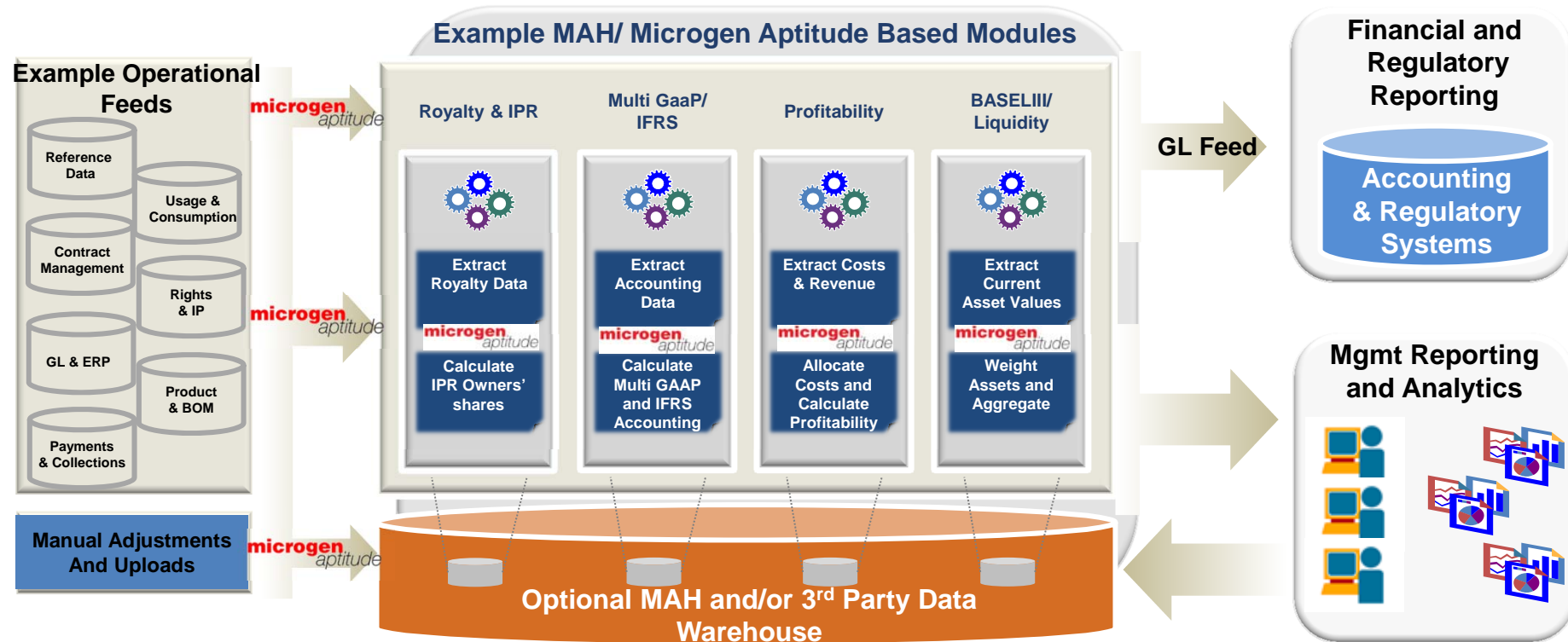
- 23% growth in MASD annual software licences/recurring revenue
- Consultancy revenue impacted by client budgetary pressures as anticipated
- The increased proportion of annual software licences/recurring revenue of MASD (44% in 2012) is consistent with strategy of value enhancement for this division



- Market conditions are causing organisations to prioritise investment in IT solutions that address immediate business needs. Strategic “large scale” transformation projects are increasingly vulnerable to budget cuts in favour of short term requirements such as regulatory compliance, cost control, revenue generation, customer insight etc.
- Existing Microgen products, such as the Microgen Accounting Hub (“MAH”), contain “modules of functionality” which can be delivered as standalone applications to address immediate business and market needs but which can then be extended later with additional modules to deliver a comprehensive enterprise finance solution
- Initial modules identified to service specific business requirements:
 - Royalty and IPR Management, Multi GAAP / IFRS accounting, Profitability, Liquidity Management (Basel III), IASB Telco Revenue Recognition, Manual Adjustments, Dynamic Pricing
- Software modules can be marketed and delivered with a pre-defined package of services
- The underlying Microgen Aptitude technology can be configured to work within most organisations’ IT and business environments alongside an existing application landscape including ERP, General Ledgers and data warehouses
- High performance data processing capability (Big Data) driven by Microgen Aptitude, combined with logic engines, provide a flexible set of solutions

MASD Business Modules

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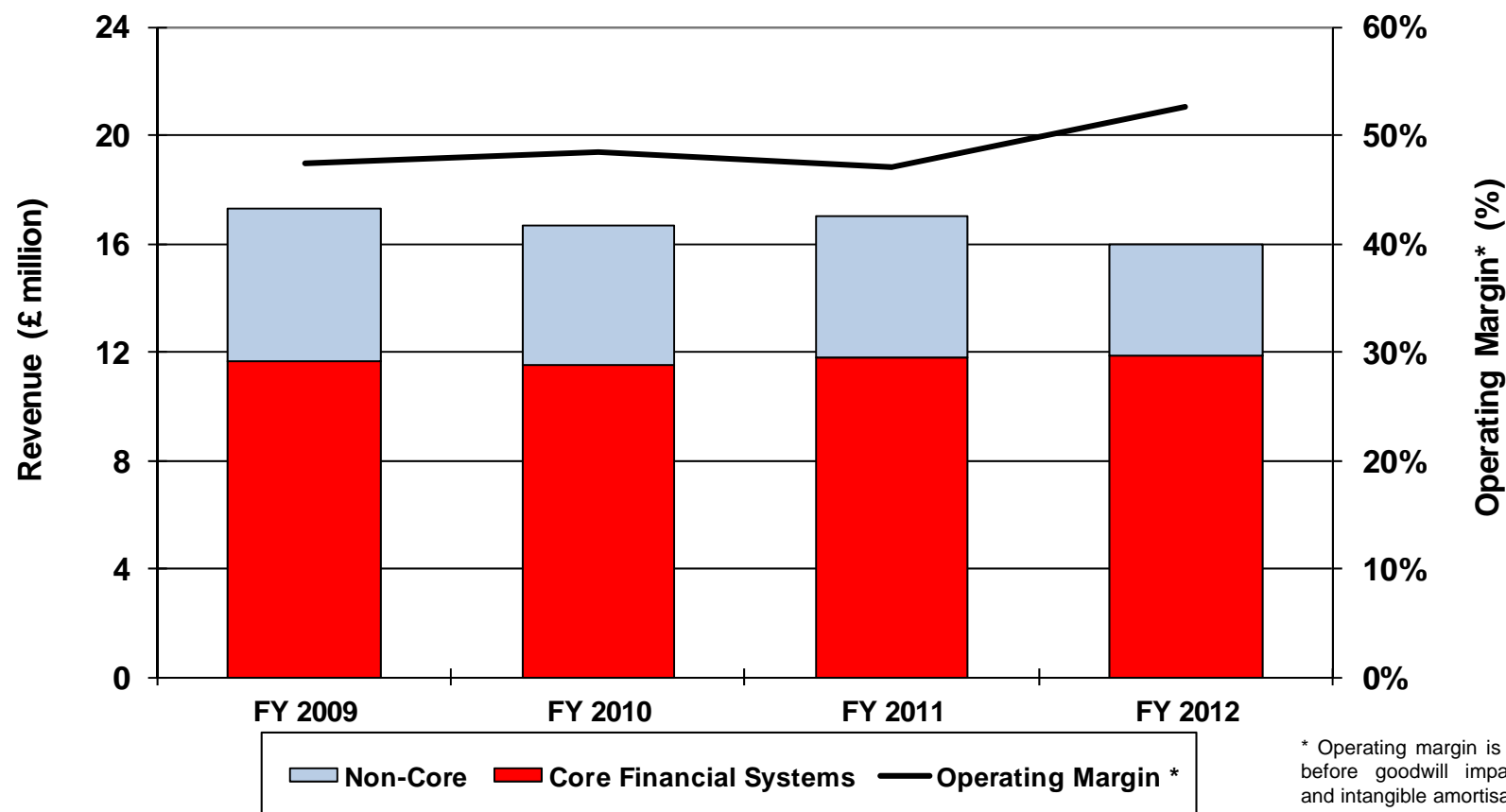


- Each module is a self-contained application designed to deliver a defined set of functionality that can be configured for a business specific requirement
- Modules are principally based on functionality currently available within MAH and use Microgen Aptitude as their means of configuration for specific customer requirements and for connecting to external source and target systems
- Modules are capable of working with the MAH data warehouse or with third-party data warehouses such as the Teradata EDW or Oracle DW.

Financial Systems Division

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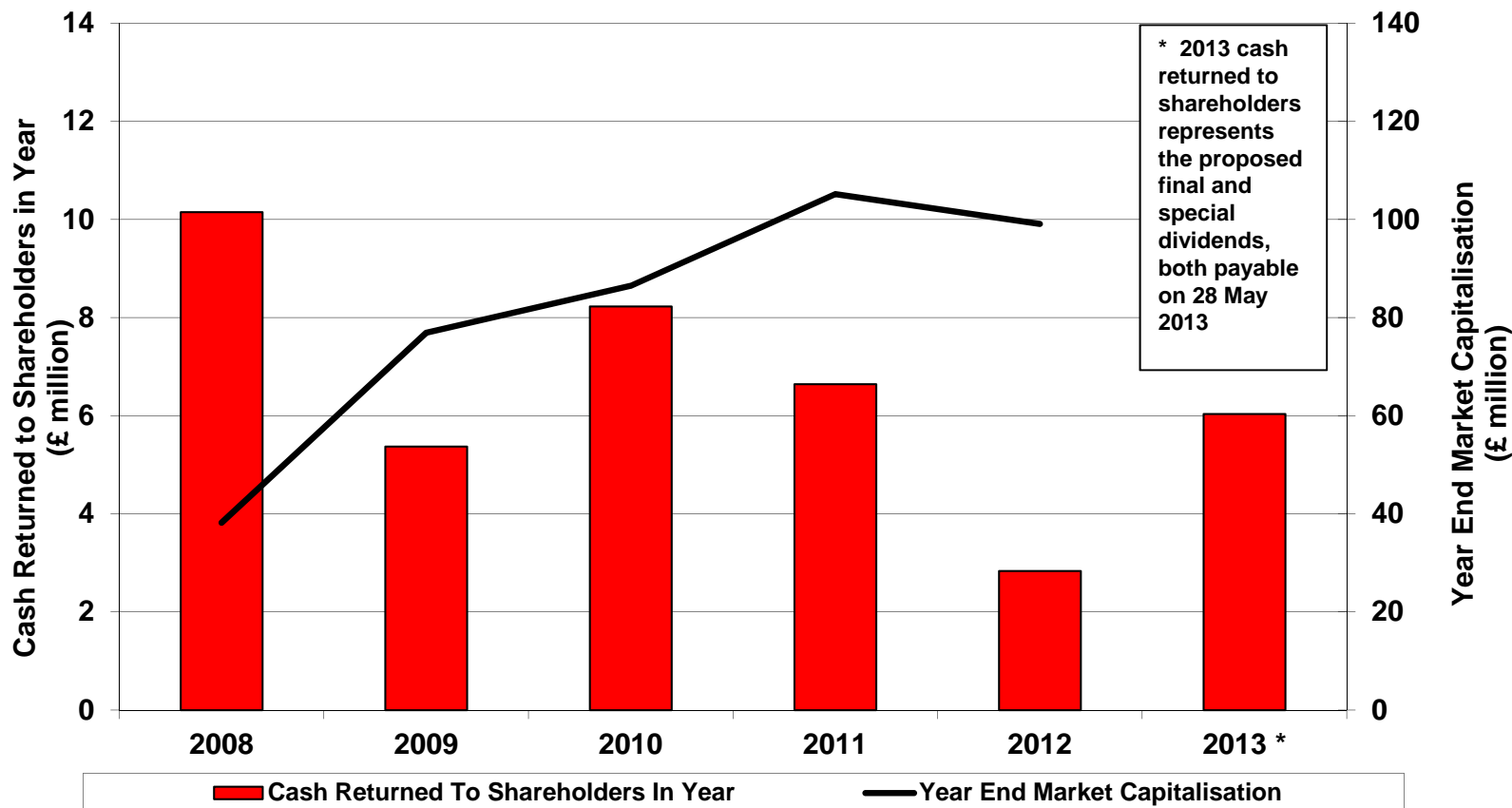
- Revenue of £16.0m (2011 : £17.0m). Recurring revenue of 78% of divisional revenue
- Core revenue stable. Decline in non-core revenue as anticipated
- Wealth Management sector experiencing some recovery with growing demand for 5Series
- Operating margins of 52% (2011 : 46%)



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
- Upon payment of the proposed final and special dividends, the Group will have returned 100% of its market capitalisation prior to the introduction of VERBS in October 2008
- Market capitalisation at 31 December 2012 : £99.1m



- Resilient performance in difficult market conditions
- Growth in the proportion of Microgen Aptitude Solutions Division software and recurring revenue is consistent with the value enhancement strategy for the division. Consultancy revenue impacted by budgetary pressures as anticipated
- Modularisation of existing Microgen Accounting Hub and Microgen Aptitude functionality to meet current market requirements
- Core revenues in Financial Systems Division remain stable with some recovery in Wealth Management sector. Strong margins maintained
- Strong balance sheet with cash at 31 December 2012 of £32.1 million
- Upon payment of the proposed final and special dividends, the Group will have returned 100% of its market capitalisation prior to the introduction of VERBS in October 2008

Appendix

Group Balance Sheet

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	As at 31 Dec 2012 £'000	As at 31 Dec 2011 £'000
ASSETS		
Non-current assets		
Goodwill	41,774	41,774
Intangible assets	-	118
Property, plant and equipment	5,391	5,521
Deferred income tax asset	1,041	1,324
	48,206	48,737
Current assets		
Trade and other receivables	3,163	5,611
Financial assets – derivative financial instruments	69	-
Cash and cash equivalents	32,134	26,971
	35,366	32,582
LIABILITIES		
Current liabilities		
Financial liabilities - derivative financial instruments	(15)	(353)
Trade and other payables	(17,845)	(19,981)
Current income tax liabilities	(742)	(768)
Provisions for other liabilities and charges	(42)	(107)
	(18,644)	(21,209)
Net current assets	16,722	11,373
Non-current liabilities		
Provisions for other liabilities and charges	(256)	(135)
	(256)	(135)
NET ASSETS	64,672	59,975

Group Cash Flow

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	Year ended 31 Dec 2012 £'000	Year ended 31 Dec 2011 £'000
Cash flows from operating activities		
Cash generated from operations	10,348	12,542
Interest paid	-	(156)
Tax paid	(2,023)	(1,758)
Net cash generated from operating activities	8,325	10,628
Cash flows from investing activities		
Purchase of property, plant and equipment	(624)	(1,171)
Interest received	174	186
Net cash used in investing activities	(450)	(985)
Cash flows from financing activities		
Net proceeds from issue of ordinary share capital	59	395
Dividends paid	(2,691)	(6,645)
Repayment of mortgage	-	(1,852)
Purchase of own shares	(146)	-
Net cash used in financing activities	(2,778)	(8,102)
Net increase in cash and cash equivalents	5,097	1,541
Opening cash and cash equivalents	26,971	25,412
Effects of exchange rate changes	66	18
Closing cash and cash equivalents	32,134	26,971

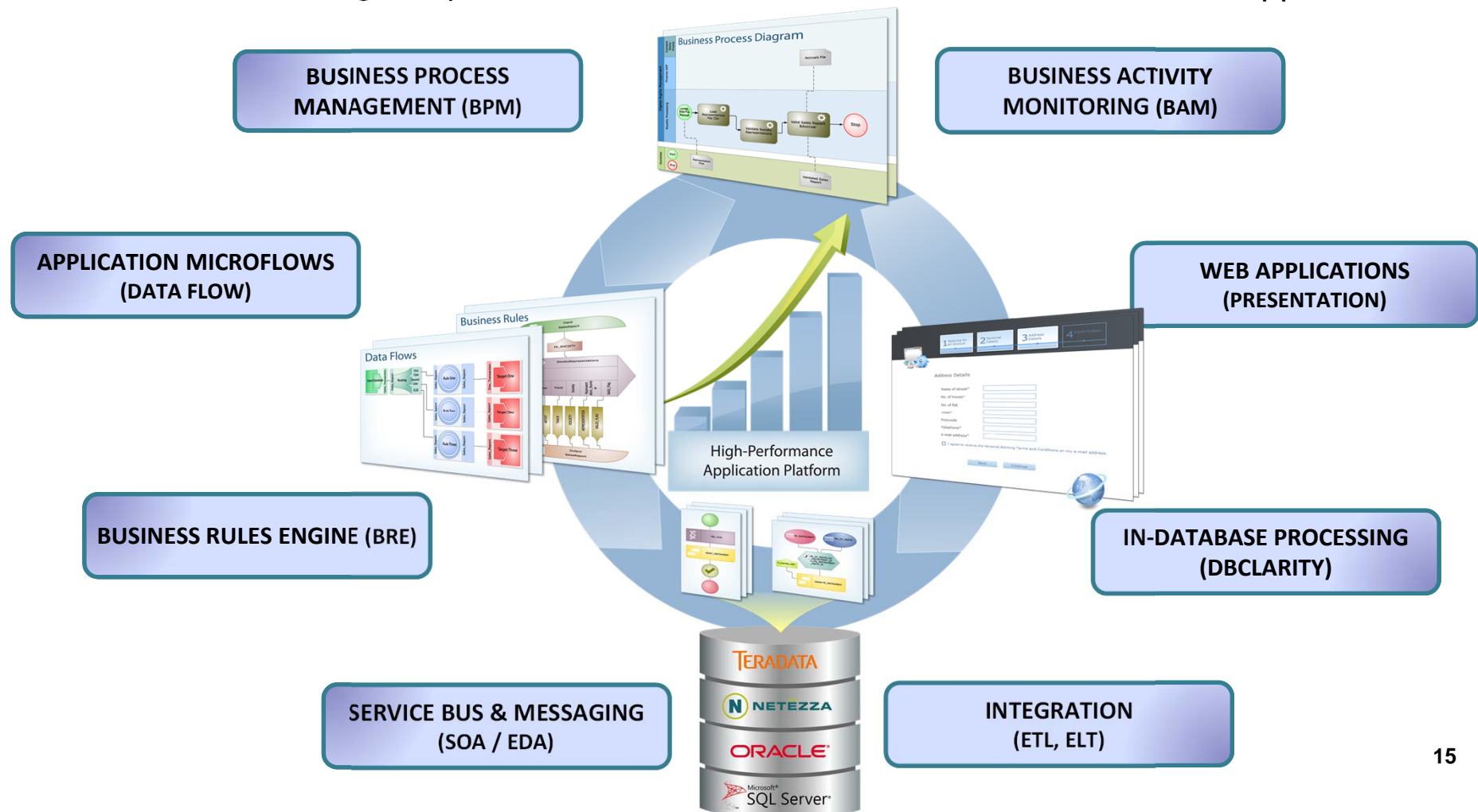
Microgen Aptitude

A Comprehensive Application Platform

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

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



Microgen Aptitude

Enterprise Application Platform

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Very high processing performance with all graphical interface

- Rules engine, 'in-database' analytics, in memory and in database processing

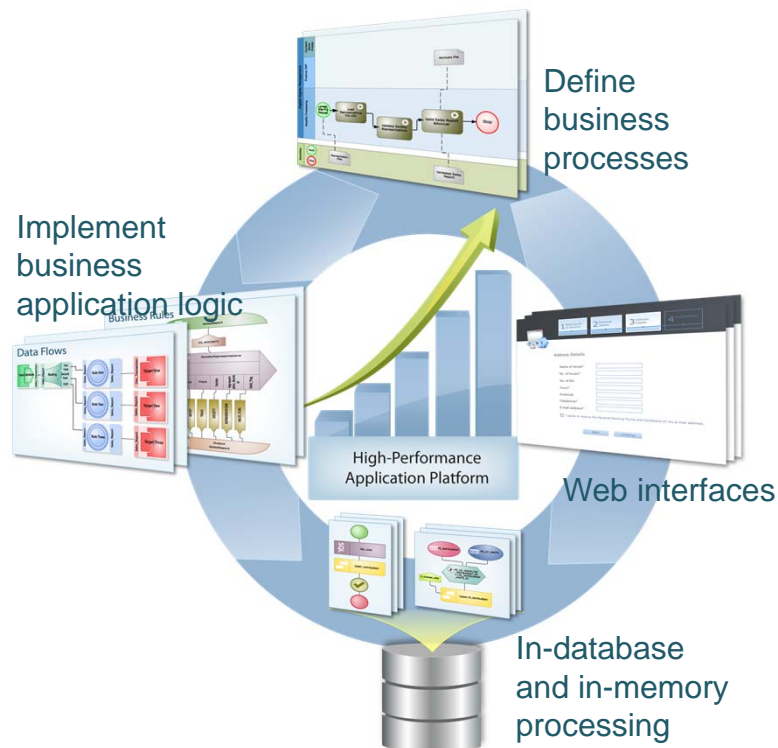
Single tool with integrated modules for rapid project development

- Leverage existing IT assets, build composite applications, avoid the cost and time overhead of using multiple complex tools

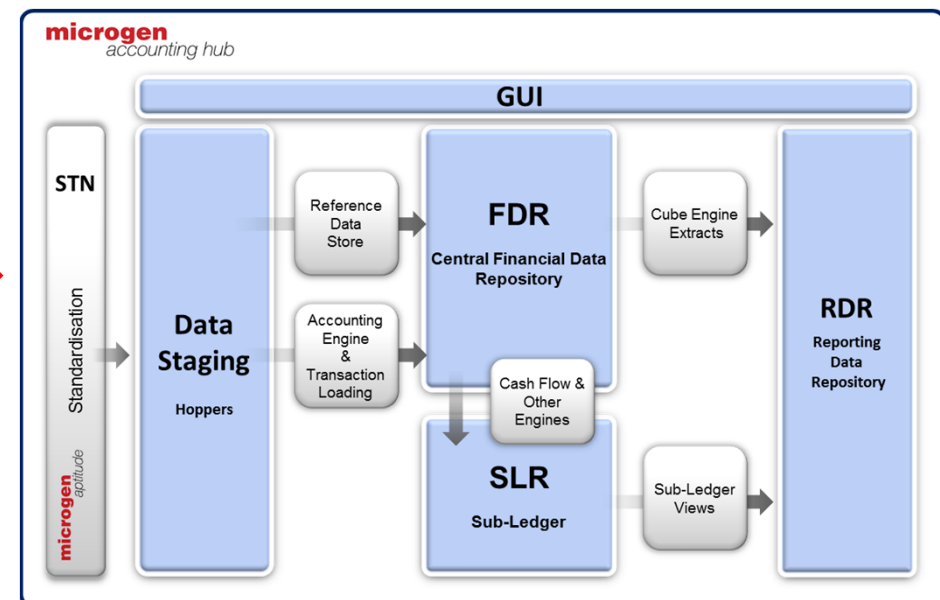
Promote Business and IT collaboration, understood by business users and strong audit controls

- Strong ROI, drive down IT maintenance costs, platform agnostic, domain expertise in finance transformations

MICROGEN APTITUDE



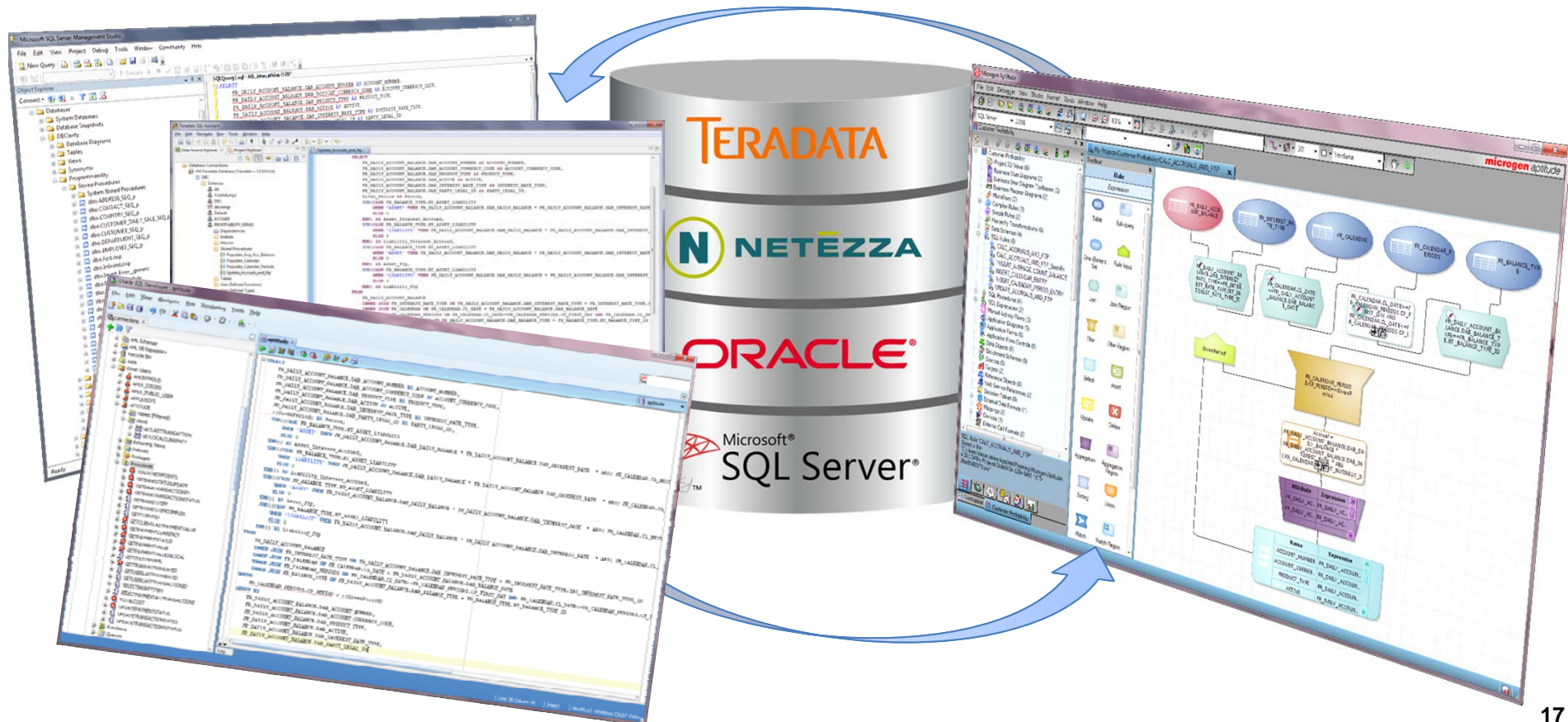
MICROGEN ACCOUNTING HUB (MAH)



DBClarity with SQL Visualisation

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- Microgen Aptitude version 3.0 introduced DBClarity to enable development teams to graphically develop and embed in-database logic into business processes and applications
- Version 4.1 provides the ability to reverse engineer SQL rules and procedures, converting legacy database code to graphical diagrams. Create reusable and sharable visual rules and procedures from existing database code.

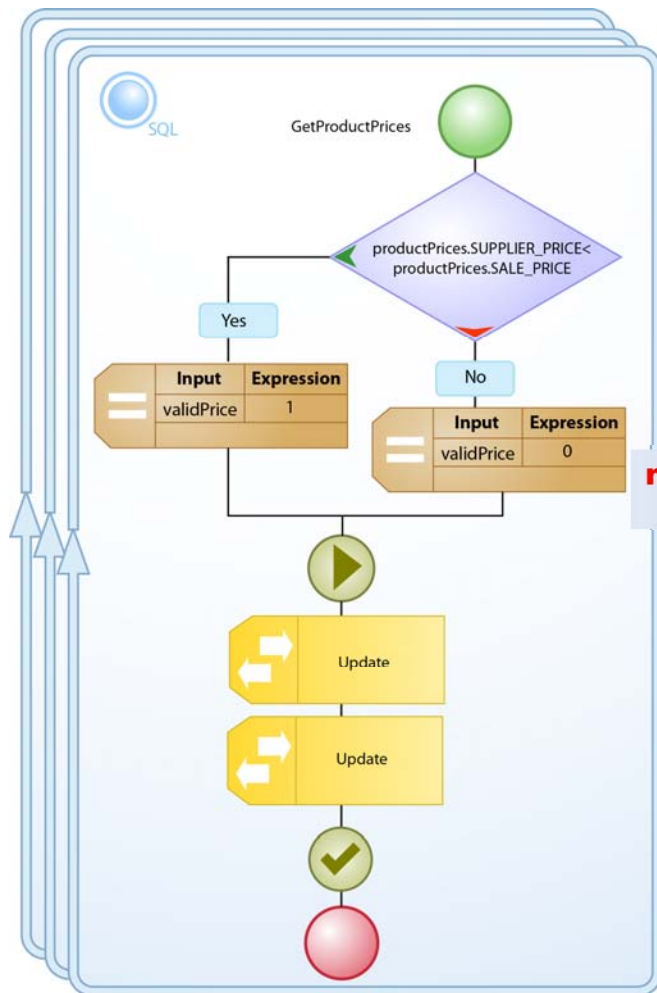


Microgen Aptitude V4

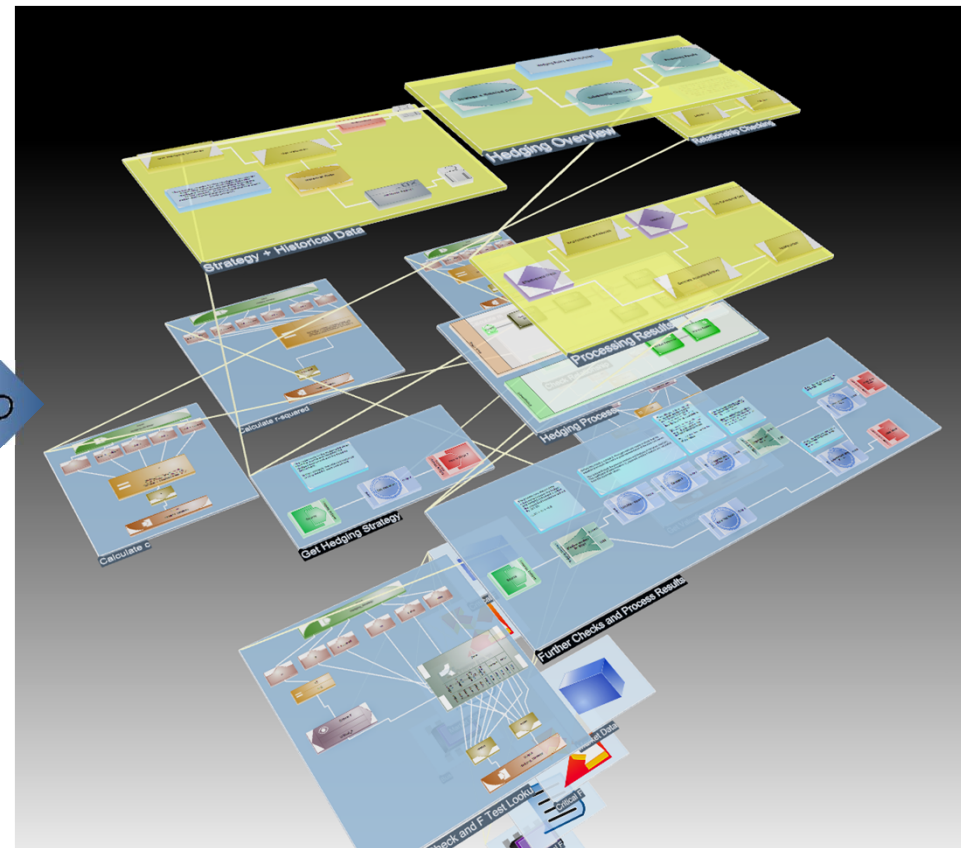
From Graphical to 3D

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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

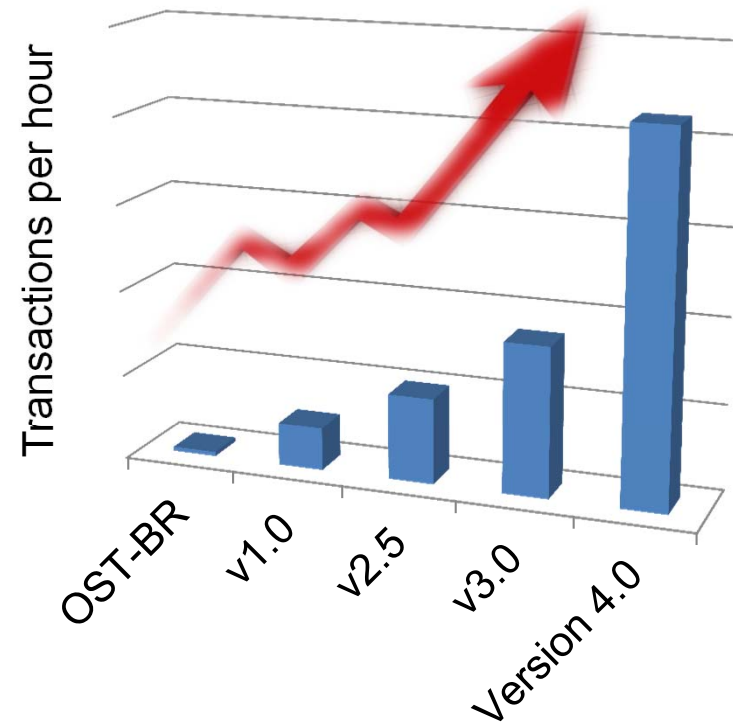


Microgen Aptitude

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
- Near linear levels of scalability were also achieved when both Aptitude and MAH were tested on the Teradata appliance
- This market leading transaction processing performance is increasingly required to process “Big Data” levels of transactions and their related data



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