

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

**Terms of 2020 LTIP grants to Executive Directors**

The Company’s 2019 Annual Report & Accounts stated that long-term incentive grants for Executive Directors in 2020 would be delayed until after the 2020 Annual General Meeting in March to allow time for consultation with shareholders on the proposed performance measures, weightings and targets.

Further to the commitment made in the Company’s 2019 Annual Report & Accounts, and following consultation with shareholders, this statement provides details on the terms of awards to be granted to Executive Directors in April 2020 under the Micro Focus International plc Incentive Plan 2005 (“LTIP”).

**Performance measures**

The 2020 LTIP awards to be granted to Executive Directors will have performance measures based on Cumulative Free Cash Flow (80% weighting) and Relative Total Shareholder Return (20% weighting) over a three-year period. These measures support the Company’s strategic objectives to stabilise revenues, deliver improved margin in the mid-forties percent, and produce annual free cash flow of between \$700 and \$800 million by the conclusion of the financial year ending 31 October 2023. The performance measures, targets and payout percentages are as follows:

	<b>Cumulative Free Cash Flow (80% weighting)</b>	<b>Company TSR relative to FTSE 250 (excl. Investment Trusts) Index (20% weighting)</b>	<b>Vesting % for this element</b>
<b>Threshold</b>	\$100m below Target	Equal to Index	0%
<b>Target</b>	Commercially sensitive	Outperform Index by 20%	50%
<b>Maximum</b>	\$200m above Target	Outperform Index by 40%	100%

Vesting will be on a straight-line basis between Threshold and Target, and between Target and Maximum.

Free Cash Flow means cash generated from operations adjusted for interest payments, bank loan costs, tax payments, capital expenditure and finance lease payments and excludes the cash impact of exceptional items. Free Cash Flow will be measured on a cumulative basis over the three financial years ending 31 October 2020, 31 October 2021 and 31 October 2022. The Free Cash Flow Target is considered commercially sensitive at this time and will be disclosed at the end of the performance period. TSR will be measured over a three-year period from grant.

**Award size**

Awards will be granted to the Executive Directors under the LTIP on the following basis:

<b>Executive Director</b>	<b>Number of shares under award</b>
CEO - Stephen Murdoch	250,000
CFO - Brian McArthur-Muscroft	300,000 (or such lower number as required to stay within the 200% of salary maximum limit)

The grant level for Stephen Murdoch is lower than the maximum 200% to reflect the share price decrease. The grant level for Brian McArthur-Muscroft is based on the maximum 200% of salary at an assumed share price of £4.00.

**Other terms**

The awards will vest three years from grant, subject to achievement of the performance measures. A two-year holding period will apply post-vesting, during which time Executive Directors are required to retain any net (after tax) vested shares.

Executive Directors will be entitled to dividend equivalents in accordance with the rules of the LTIP and the approved Directors' Remuneration Policy.