4 November 2009

Logica reports satisfactory third quarter

Logica is today issuing an interim management statement based on unaudited results for the third quarter ended 30 September 2009.

	Q3 2009 actual	YTD 2009 actual	Q3 2008 reported	Q3 growth % (actual)	Q3 growth % (pro forma*)	YTD growth % (pro forma)
Orders (£m)	829	2,916	717	16	6	4
Revenue (£m)	862	2,731	845	2	(4)	(3)

* Q3 2008 revenue adjusted for the impact of acquisitions and disposals at Q3 2009 exchange rates

Highlights

- **Continued order momentum with orders up 6% in the third quarter, driven by Outsourcing**
- **Outsourcing orders year to date up 16% resulting in Outsourcing year to date book to bill of 103% (2008: 99%)**
- **Overall third quarter revenue performance in line with our expectations, with Outsourcing growth of 11% and a 12% decline in Consulting and Professional Services**
- **Revenue decline for the third quarter stable on previous quarter at 4%; revenue down 3% year to date to £2,731 million**
- **By geography, the UK remains our strongest performer, with the Benelux our weakest region**
- **Additional cost reduction focused on markets with weaker demand will deliver ongoing cost savings of £15 million from 2010 at a one-off cost of around £20 million in 2009**
- **Full year revenue expected to show similar trends with decline expected to be around 3%; margin guidance maintained at around 7.5%**
- **Guidance for year end 2009 net debt/EBITDA of below 1.2x unchanged**

Commenting on today's announcement, Andy Green, CEO, said:

"Logica continued to deliver well in the third quarter with our investments in client facing activity showing through in good orders in a tough climate. Our pipeline of Outsourcing opportunities remains strong, balanced by continued market weakness in Consulting and Professional Services."

Outlook

The performance of our business in the third quarter has reflected similar trends to those in the second quarter. Outsourcing has shown strong growth while Consulting and Professional Services declined, based on lower volumes and pricing agreed in the first half. Nevertheless, as we progress through the fourth quarter, levels of utilisation and bench remain stable and we have good visibility of fourth quarter revenue. Based on our current pipeline, we expect full year revenue decline to be around 3%. Our full year adjusted operating margin is expected to be in line with last year, at around 7.5%.

Programme for Growth

The Programme for Growth remains at the core of our strategy and continues to help us to manage our way through the uncertain economic environment.

Our investments in growth areas have driven new contracts in 2009. In order to fully align all our sales and marketing investments, we have created a new role of Chief Client Officer. Amanda Mesler, who currently leads our North American business, will assume this role from 1 January 2010 and will join the Executive Committee.

Our cost saving programme for this year remains on track, with additional headcount reductions and property exits in the third quarter. We continue to take action to reduce costs, with particular emphasis on the areas where we have seen weakness. In areas of shorter term concern, we are using the flexible working programmes we introduced earlier in the year, ensuring that we enter 2010 with a cost structure that is able to be responsive to changes in the market. We expect the actions we are taking to address areas of weakness to incur an additional cost of around £20 million in 2009 over the £145 million total programme cost previously communicated, with the bulk of the additional cash outflow occurring early next year. This will bring total headcount reductions to around 2,200 since the beginning of 2008. We expect to save ongoing savings of £15 million from 2010 as a result of this additional restructuring, bringing total cost savings from the programme to £125 million in 2010.

We have slowed the addition of headcount in our offshore and nearshore centres, reflecting weaker market demand. The percentage of our workforce in these centres was 13% at the end of September 2009, reflecting a headcount of 5,275. We expect this to be at a similar level through to the end of 2009.

Employees

We had 39,157 employees at the end of September compared to 39,525 as at the end of June. Attrition stabilised through the quarter, remaining at around 7%. We continued to manage our recruitment and subcontracting levels carefully, resulting in good utilisation in most geographies outside the Benelux.

Key orders and new wins

Group book to bill was 97% in the third quarter (2008: 87%) and is 107% on a year to date basis (2008 99%). The largest orders booked in the period were with the French Ministry of Finance (ONP - build and run of payroll services) and the European Parliament, driving strong order growth in France. We have also announced a contract extension expected to be worth £110 million with the UK Crown Prosecution Service (CPS) since the end of the third quarter. This will extend our work with the CPS to 2015.

On a year to date basis, this brings the number of deals greater than £20 million to seven, with an average deal size of around £50 million. In addition, we secured important framework agreement wins in the quarter in the Nordics and Benelux regions.

Outsourcing

Revenue in the third quarter was up 11% to £329 million, with growth reflecting market trends for cost reduction. On a year to date basis, revenue was up 11%.

Book to bill was 77% in the third quarter (2008: 83%) and was 103% on a year to date basis (2008: 99%). We expect the new orders booked in the early days of the fourth quarter, along with other opportunities in the pipeline, to contribute to a strong performance on a full year basis and to contribute to a substantial outsourcing order backlog as we enter 2010.

Revenue by geography

REVENUE (£m)	Q3 2009 actual	YTD 2009 actual	Q3 2008 pro forma*	Q3 2008 reported	Q3 growth (actual)	Q3 growth (pro forma)	YTD growth (pro forma)
Nordics	226	745	231	220	3%	(2%)	(2%)
UK	193	572	180	180	7%	7%	7%
France	181	579	191	168	8%	(5%)	(3%)
Benelux	125	431	162	144	(13%)	(23%)	(17%)
International	137	404	138	133	3%	(1%)	(2%)
Total	**862**	**2,731**	**902**	**845**	**2%**	**(4%)**	**(3%)**

* Q3 2008 revenue adjusted for the impact of acquisitions and disposals at Q3 2009 exchange rates

Nordics

Revenue was down 2% in the third quarter to £226 million, driven by a 6% decline in the Swedish market. We continued to perform well in Norway and Finland, driven by a strong order intake at the end of 2008 and the beginning of 2009. On a year to date basis, revenue is down 2%.

While Swedish customers continue to be cautious in their decision-making, we have a good pipeline in the Nordics overall. Book to bill was 91% in the third quarter (2008: 91%) and was 114% on a year to date basis (2008: 107%).

France

Revenue was down 5% in the third quarter to £181 million, with slower recruitment and a reduction in subcontractors contributing to lower billable headcount.

Book to bill in the third quarter was exceptionally strong at 167% (2008: 84%), driven mainly by contract wins with the French Ministry of Finance (ONP) and the European Parliament. On a year to date basis, book to bill was 137% (2008: 99%).

UK

Revenue was up 7% to £193 million in the third quarter. On a year to date basis, revenue was up 7%. Public Sector represented 63% of revenue and was up 13% in the third quarter whilst revenue in the commercial sector stabilised.

Book to bill was 54% in the third quarter (2008: 69%) and was 83% on a year to date basis (2008: 89%). As mentioned above, we have also booked a significant order extension with the UK Crown Prosecution Service (CPS) since the end of the third quarter.

Benelux

Revenue was down 23% to £125 million in the third quarter, reflecting continued weakness in financial services and IDT. On a year to date basis, revenue was down 17%.

The new structure we put in place in the first half of 2009 and our ongoing actions to reduce headcount will ensure we enter 2010 with a more flexible cost base. This should result in improved utilisation, contributing to profitability improvements through 2010.

Book to bill was 85% in the third quarter (2008: 105%) and was 87% on a year to date basis (2008: 97%).

International

Revenue was down 1% to £137 million in the third quarter, with Germany declining and other geographies stable. On a year to date basis, revenue was down 2%.

Book to bill was 90% in the third quarter (2008: 89%) and was 105% on a year to date basis (2008: 102%).

Financial position

We have continued to make good progress on cash collection. Despite the strengthening in the Euro in the third quarter, we remain confident that net debt/EBITDA will be below 1.2x at the end of 2009, as previously indicated.

Financial calendar

In line with our revised financial calendar, the next scheduled statements are:

24 February 2010	FY 2009 preliminary results
5 May 2010	Q1 2010 interim management statement

Disclaimer

This document contains forward-looking statements that involve risks and uncertainties concerning the group's expected growth and profitability in the future. Actual events or results may differ from those described in this document due to a number of risks and uncertainties that are described within the 2008 annual report filed with the UK Listing Authority on 31 March 2009.

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Notes:

1. Book to bill percentage is a measure of the level of orders relative to revenue in the period.
2. Comparative figures for 2008 are pro forma constant currency revenues, unless otherwise stated. Pro forma adjustments have been made to take account of changes in composition of the group through acquisitions and disposals.
3. Exchange rates used are as follows:

	Q3 2009 YTD average	**Q3 2008 YTD average**
£1 / €	1.13	1.28
£1 / SEK	12.06	12.05
£1/USD	1.55	1.95