

Decisive action in a tougher climate

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Key points from today's announcement

Pockets of weakness have widened through Q4 as clients have reacted more broadly to continuing economic uncertainty - we expect this to continue into 2012

As a result, 2011 revenue growth expected to be around 3%, with underlying profitability of £240 to £250 million

Acceleration of restructuring plans and a more prudent view on contracts will lead to new charges in the current financial year of £80 million on restructuring, £13 million on property and £39 million related to contracts

Financial benefit is expected to flow through from H2 2012, with FY operating margin above 6.5% in 2012 even in a difficult market

2011 full year dividend expected to be 4.4p, up 5% over 2010

Acceleration of restructuring plans

Total number of jobs impacted will be around 1,300 of which around 1,000 are billable jobs

- Acceleration of automation and offshoring in our infrastructure management business to deliver efficiency improvements benefiting our clients and ourselves resulting in around 450 job losses, split primarily between Sweden and the UK
- Realignment of our business in Sweden will result in a further reduction of 200 billable jobs as well as property exits
- Action will be taken in the Netherlands and Belgium to reshape the workforce to match the demand conditions and changing shape of the business, with between 450 and 550 people expected to leave the business

Reshaping the Benelux for profitability

Incurring around £50 million of charges in 2011 will allow us to accelerate restructuring to deliver annualised savings of around £25 million which will return the business to profitability in 2012 and ensure a sustainable model going forward

- A significant reduction in overheads will occur as a result of streamlining of our operating model and exiting more than half of the property we currently occupy
- Exits of underperforming billable staff will result in a restructured workforce driving improved utilisation
- Ongoing recruitment and overhead controls as well as investments in performance management and re-skilling will be key to ensuring costs stay aligned to market demand
- Continued transformation to a more Outsourcing led business and investments in commercial sector based solutions will be key to growth

Outlook on contract portfolio in a difficult market

We have undertaken a thorough review of our contract portfolio, taking a more prudent view of a small number of long term contracts to reflect the more difficult economic outlook

This resulted in us:

- Changing the provision for expected lifetime contract losses as a result of the likelihood of lower expected revenue on a small number of volume-dependent contracts
- Applying increased rigour to the achievability of cost transformation across the portfolio; this has been exacerbated by the economic outlook

The one off charge of £39 million will be incurred in 2011 to reflect the expected lifetime contract losses

What we are assuming for 2012

The European market will remain difficult, with GDP forecasts now at -1% to -2% for our markets

Demand for outsourcing will remain strong, with clients looking to cut costs and exit non-core activities

Price pressure will increase in the Professional Services business

Timing of restructuring exits will be subject to consultations with works councils in a more difficult environment

Investments in solutions for clients will continue to be key to differentiating Logica against competitors

Modelling assumptions: restructuring impact

£'m	2011	2012	2013
P&L charges of which:			
Restructuring	c.£80m	-	-
Property	c.£13m	-	-
Contracts	c.£39m	-	-
Restructuring benefit*	-	c.£25-35m	c.£50-60m
Cash outflow related to restructuring	-	c.£60-70m	c.£10-20m

* This will depend on the consultation process and the timing of exits from the business which we assume will be mainly weighted to H2

Guidance for 2011 and 2012

	2011	2012
Revenue	c.+3%	-2% to +2%
Operating profit/margin	c.£240 to £250m	Above 6.5%
Net debt/EBITDA	c.1.0x	c.1.0x
Dividend	4.4p	
Dividend payout (Dividend/Adjusted EPS)		At least 40%

Positioning the business for the future

Logica continues to prove its place as a strong player in the European market

Taking tough decisions today will deliver the stability to build a more sustainable business for the future with:

- Our Benelux business returning to profit in 2012
- Our Swedish business delivering improved margin in 2012
- Our IM business being strongly competitive going forward

This will deliver profitability above 6.5%, underpinned by a prudent view on our contract portfolio, while maintaining a strong balance sheet and sustainable dividends for shareholders

Questions?



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