17 May 2006

LogicaCMG Annual General Meeting: Update on Current Trading

Ahead of its Annual General Meeting for shareholders this afternoon, LogicaCMG has issued the following trading statement:

(Comparisons to 2005 revenue are on a pro forma basis, as if Unilog and Edinfor were consolidated from 1 January 2005).

Trading in the early months of 2006 has been well ahead of last year. We have experienced a continuation of the demand seen in 2005 for IT services in our major markets. In the UK, we have announced a significant new contract with the Ministry of Defence valued at £80m over 10 years and in the Netherlands, a Memorandum of Understanding (MoU) with ING leading to a contract that is expected to be worth 200m Euros over 6 years. The ING MoU is indicative of continuing strong demand in financial services and a confirmation of our ability to win outsourcing projects of scale in mainland Europe. Demand has also been improving in shorter term consulting and project assignments.

First quarter organic revenue growth for the group has been strong at 9.7%, although this has benefited from a higher number of working days, with the Easter holiday falling in the second quarter. Drivers of revenue in the UK in the first quarter were Financial Services and Industry, Distribution and Transport (IDT). Revenue performance in our business in the Netherlands was strong across all sectors. In France, first quarter revenue growth from the combined LogicaCMG and Unilog business was in line with our expectations, benefiting from a market that continues to perform well. Despite a complex integration process, revenue in Germany was stable. We also saw increased revenue in Asia as we began delivery of our contract with telecoms operator Natrindo. Telecoms Products revenue was just ahead of last year. We remain cautious about the growth prospects for Telecoms Products in 2006 given the balance of mature and emerging revenue streams in the business.

Following a strong first quarter, we expect 2006 organic revenue growth for the group to be ahead of last year's 5.3%. We are continuing to recruit in all our major businesses but the improving market conditions are resulting in a tightening labour market and inevitably there is increased use of contract labour to satisfy demand. In 2005, group operating margin on a pro-forma basis was 7.2% with the first half at 5.3%, reflecting the normal seasonality in our business. Additionally in 2006, the cost savings from the Unilog acquisition will largely benefit the second half. While we expect some first half margin improvement in 2006 over last year, the profile of operating profit between the first and second halves is likely to follow the normal seasonal pattern. Overall, our expectations for 2006 remain unchanged.

As announced earlier this year, Unilog formally joined the LogicaCMG group on 13 January 2006. We are progressing with a formal squeeze-out of the remaining shareholders. The filing of a buyout offer with the AMF was announced on 28 April 2006. Progress with our integration plan is in line with expectations. The assimilation of the former LogicaCMG business in France into the Unilog structure is progressing well. We are encouraged by the early evidence of revenue synergies from the combination of LogicaCMG's vertical market expertise and the depth of Unilog's customer relationships. Contracts exploiting these synergies which have already been signed include an outsourcing contract with French supermarket group Carrefour, an SAP contract with network operator SFR and an IT consulting contract with travel provider Carlson Wagonlit Travel. The German integration process is, as expected, more complex. We have now established a unified country board in Germany running lines of business in training, outsourcing, consulting and systems integration. The areas of overlap are chiefly in the latter two lines of business where both companies had significant operations. These are also the businesses with the greatest potential for cost savings in Germany. Across the group, we expect to achieve our planned annualised acquisition cost savings of £19m, of which £10m will be delivered in 2006, with a total cost to achieve the savings of £28m.

In accordance with normal practice, the company will give a further trading update in late July, prior to entering a close period ahead of its interim results. The interim results are scheduled to be released on 30 August 2006.

Dr. Martin Read, Chief Executive, said:

"Trading in the early months of 2006 has been well ahead of last year. Our integration of the Unilog business is proceeding as planned and we are encouraged by the potential of the Unilog acquisition. Overall, our expectations for the full year remain unchanged."

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