Computacenter

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Interim Report 2000

Half year results to 30 June 2000

Computacenter

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Directors

Major shareholders, executive and non-executive directors

Press releases

The latest company announcements, win news and key appointments

Calendar

The key dates of Computacenter's financial calendar

Reports

Five year financial review, annual reports and summaries from 1996 to date

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In the first half of 2000 we continued to work with our customers to help them realise their vision.

Through anticipating and acting on our customers needs, by continuous investment in our systems and services, and through the knowledge, experience and ongoing commitment of our staff, we strive to make the difference.

Group highlights

Turnover: £926.7m (€1,514.2m)

Group operating profit: £21.4m (€35.0m)

Profit before tax: £21.2m (€31.4m)

Profit after tax: £13.3m (€21.7m)

Diluted earnings per share: 7.1p (11.6 cents)

All Euro values were calculated using the rate £1 = 1.634

Chairman's statement

The first half of 2000 has been a challenging one for the Group. The first quarter was slow but in line with our expectations for the immediate post-millennium period. In the second quarter the expected recovery in the market failed to materialise at the rate that we had anticipated. The result was that Group revenues for the half-year, at £926.7 million, were up only 2.4% compared to the corresponding period of 1999 and sales to our larger corporate customers were significantly down. Profit before tax, prior to our investment in our Biomni e-commerce joint venture, was £21.2 million, down 47.9% compared to the first half of 1999. The Group's share of losses in Biomni Ltd was £2.0 million.

The Group's cash flow generation remained very strong in the first half. Cash generated from operations was £36.4 million, representing 170% of operating profit. After capital expenditure and investments of £20.7million, tax payments and the payment of the 1999 dividend, net funds increased by £5.2 million to £26.3 million.

The challenges facing corporate IT departments have changed substantially since 1999. Last year Y2000 compliance issues were a major concern. This year there has been a greater emphasis on e-business. In the first half, our Unix systems business, especially the deployment of Sun Microsystems solutions, performed very strongly on the back of this demand. However, in the same period there was a substantial reduction in the amount of large-scale PC deployment projects associated with IT infrastructure investments. This was partly due to the high level of spending in this area pre-Y2000 and partly due to the early stage of Windows 2000 adoption.

The lower demand for project work significantly reduced utilisation in several of our service divisions and the overall level of service billings in the first half. This was the predominant reason for the reduced profitability of the Group. During the second quarter utilisation levels increased, reflecting the underlying recovery of the market and the Group's success in winning a number of large new projects including enterprise systems implementations, network infrastructure projects and some early Windows 2000 implementations.

The growth of our managed services operations has continued strongly in the current year. Our UK customer contract base at the end of June was 21% higher than at the same time in 1999 despite many customers deciding not to make outsourcing decisions in the Y2000 period. We remain committed to accelerating the rate of growth in our service businesses and have recently strengthened our senior management team to increase our capability in this area.

Turning to our overseas operations, France and Germany were also affected by the post-millennium slowdown and both reported losses in this exceptionally difficult period. We expect France to return to profit in the second half, although Germany will make a further loss.

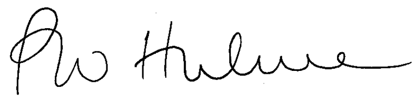
With regard to the outlook for the remainder of this year, the order book for the second half is encouraging. Prospects for our Unix systems business remain very strong and we expect that the rate of implementation of Windows 2000 infrastructure projects will accelerate as the year progresses. The third quarter will still be somewhat affected by the post-millennium slowdown and recent market conditions have increased the downward pressure on product margins, which we expect to continue into 2001. Nevertheless, our expectations for the current year remain broadly in line with those indicated in our trading statement of 13th June this year.

Despite the difficult market conditions we remain confident about the positioning of the Group. We will continue to build on the very strong and longstanding relationships that we enjoy with our customers by developing and extending the range of products and services we provide. The scale of our market presence and the depth of our technical resources mean that we are well positioned to identify and exploit emerging opportunities.

The Group's strong cash position means that we are well placed to consider appropriate acquisitions and investments as opportunities arise. In June we acquired Inacom Services Europe SA, a services company based in Belgium, Luxembourg and the UK to further strengthen our international project management and services capability. Biomni Ltd, our e-commerce joint venture, is enjoying considerable sales success and it remains our intention to seek a UK public listing as soon as market conditions allow.

As always, I would like to take this opportunity to thank all our staff for their hard work and their tremendous commitment to delivering the highest standards of customer service. The uncertainties surrounding the millennium period and the rapidly changing demands of the market have made their task unusually difficult.

Finally, I am delighted to report that Ron Sandler has joined the Board of the company as a non-executive director. Ron's skills and experience will be of great value to Computacenter and I am confident that he will play a very significant role in the future development of the Group.



Philip Hulme, Chairman

Cash flow generation remained very strong in the first half

Our Unix systems business performed very strongly on the back of increased demand for e-business solutions

Our UK managed services customer contract base grew by 21%

We remain committed to accelerating the growth in our service businesses

Review of operations

Despite the slower than expected market recovery in the first half of the year, the Group continued to extend the range of services provided to existing customers, as well as winning some significant new customers across Europe.

A major contract win in the first half of the year was BP, for whom we will provide international supply-chain and other services. These services will be delivered in partnership with the International Computer Group (ICG), across 61 countries. The project includes one of the largest European rollouts of Microsoft Windows 2000 to date. Additionally, Computacenter has extended the scope of its managed service contract with Shell Services International to include the deployment of Windows 2000 across Shell UK. Other new UK account wins during the first half included Corus (formerly British Steel), and a five year managed services contract with Unipart Group Ltd.

Service contracts won with existing customers included BT Cellnet, where we are providing a managed service using Biomni's e-procurement system. We also provided the equipment and services for the new London Assembly on behalf of the DETR, an Internet help-desk service for Banque Paribas, and secured an extension to our managed services contract with UBS Warburg.

We continued our investment in The iGroup, our e-business division, where headcount increased from 37 to 64 and revenues by over 1300% compared to the same period last year. Major projects completed included www.jamjar.com, the new online motoring website from Direct Line. We also successfully launched a number of additional hosting and support services during the period.

In conjunction with The iGroup, Computacenter's Managed Services division delivered its first support services for web hosting infrastructures. With our customers' growing reliance on Sun Microsystems and other Unix systems for e-business, we also created a dedicated UK engineering resource for midrange enterprise systems in the first quarter of 2000. Our new enterprise offering includes deployment, configuration and systems management services.

Work continued in the first half on our new operations centre in Hatfield, Hertfordshire. Our staff are progressively moving into this 34,000 sq. metre facility, which remains on schedule to become operational by the end of this year.

Our French business reported a loss due to the post-millennium slowdown, although we expect it to return to profitability in the second half of this year. New business won during the first half included a large migration project for Ernst & Young covering 3,500 PCs and 20 sites. We also won additional services business with a number of established customers, including managed services for Groupe Schneider and

for GEMS Europe (General Electric Medical Systems), where we are now providing a managed service for all desktop installations and maintenance.

In spite of the difficult trading conditions in the first half of the year, Computacenter Germany won some significant new contracts, including EDS and Sharp, while also extending the range of services provided to existing customers, including DVAG, Dresdner Bank and Deutsche Hypotheken Bank.

Computacenter Belgium was strengthened with our new acquisition, Inacom Services Europe SA in June. The acquisition underpins Computacenter's existing capabilities in pan-European project management and multi-lingual support. It also consolidates our position as a leading IT solutions provider in Belgium and Luxembourg.

Biomni Ltd, our joint venture with Computasoft e-Commerce Ltd, saw considerable success in the first half of 2000. New agreements entered into by Biomni include TRW Aerospace Systems, Greenwich Natwest and Royal & SunAlliance. Today, 27 of the UK FTSE 100 companies and 750 government organisations and departments use Biomni's e-procurement solution.

The company continues to invest in people and made significant new senior appointments in the first half of the year. Gordon Channon, formerly Information Services Director at BT, was appointed Computacenter's IT Director in January. In May Ron Sandler, previously Chief Operating Officer of NatWest Group, was appointed as a non-executive director and in July David Courtley was appointed to a newly created position of Group Services Director. David joins from EDS where he was Managing Director for the UK Information Solutions Business and has taken responsibility for overall management and direction of Computacenter's services operations.

Despite the difficult market conditions we have been experiencing, we remain confident that, for the remainder of 2000, both product and services revenues will continue to grow as customers increase their investments in e-business and accelerate deployment of Windows 2000. The Group will continue to invest to ensure we are well positioned to take advantage of changing customer needs and future demand.

Mike Norris, Chief Executive

UK contract wins included BP, Corus and Unipart

Revenues of The iGroup, our e-business division, grew by 1300%

Contract extensions included BT Cellnet in the UK, Groupe Schneider in France and DVAG in Germany

The acquisition of Inacom Services Group SA strengthened our international support capabilities

Auditors' independent review report

Introduction

We have been instructed by the Company to review the financial information set out on pages 7 to 12 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board. A review consists principally of making enquires of management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2000.

Ernst & Young
16 August 2000

Summarised profit and loss account

For the six months ended 30 June 2000	Unaudited Six months ended 30 June 2000 £'000	Unaudited Six months ended 30 June 1999 £'000	Audited year ended 31 Dec 1999 £'000
Turnover	926,725	904,816	1,760,628
Operating costs	(905,289)	(864,104)	(1,685,016)
Group operating profit	21,436	40,712	75,612
Share of operating loss in joint venture	(1,970)	-	-
Total operating profit: Group and share of joint venture	19,466	40,712	75,612
Interest receivable and similar income	3,310	3,481	7,238
Interest payable and similar charges	(3,589)	(3,461)	(7,714)
Profit on ordinary activities before taxation	19,187	40,732	75,136
Tax on profit on ordinary activities	(5,897)	(13,210)	(22,125)
Profit on ordinary activities after taxation	13,290	27,522	53,011
Minority interests – equity	41	(5)	(48)
Profit attributable to members of the parent Company	13,331	27,517	52,963
Dividends – ordinary dividends on equity shares	(31)	(90)	(5,291)
Retained profit for the period	13,300	27,427	47,672
Earnings per share			
– Basic	7.5p	16.2p	30.6p
– Diluted	7.1p	14.6p	28.1p
– Diluted (excluding impact of loss of joint venture)	7.8p	14.6p	28.1p
Dividends per ordinary share	-	-	2.9p

Statement of total recognised gains and losses

For the six months ended 30 June 2000	Unaudited Six months ended 30 June 2000 £'000	Unaudited Six months ended 30 June 1999 £'000	Audited year ended 31 Dec 1999 £'000
Profit for the financial period excluding share of loss of joint venture	15,301	27,517	52,963
Loss attributable to joint venture	(1,970)	-	-
Profit attributable to members of the parent Company for the period	13,331	27,517	52,963
Exchange differences on retranslation of net assets of associated and subsidiary undertakings	64	(1,300)	(2,029)
Total recognised gains for the period	13,395	26,217	50,934

Summarised balance sheet

At 30 June 2000	Unaudited 30 June 2000 £'000	Unaudited 30 June 1999 £'000	Audited 31 Dec 1999 £'000
Fixed assets			
Goodwill	6,988	1,612	3,756
Tangible assets	106,564	79,325	96,647
Investments			
– joint venture			
share of gross assets	943	-	-
share of gross liabilities	(2,888)	-	-
	(1,945)	-	-
loans to joint venture	1,975	-	-
	30	-	-
– associates	135	99	135
– own shares	2,502	2,040	2,679
– other	4,617	2,031	1
	7,284	4,170	2,815
	120,836	85,107	103,218
Currents assets			
Stocks	76,865	116,045	92,884
Debtors	288,335	258,017	244,177
Cash at bank and in hand	79,536	75,984	63,688
	444,736	450,046	400,749
Creditors: amounts falling due within one year	(341,151)	(343,387)	(292,753)
Net current assets	103,585	106,659	107,996
Total assets less current liabilities	224,421	191,766	211,214
Creditors: amounts falling due after more than one year	(39,863)	(42,830)	(41,008)
Provision for liabilities and charges	(1,736)	(1,035)	(1,736)
Total assets less liabilities	182,822	147,901	168,470
Capital and reserves			
Called up share capital	9,170	8,876	9,043
Share premium account	66,733	51,106	57,055
Profit and loss account	106,782	87,777	102,194
Shareholders' funds – equity	182,685	147,759	168,292
Minority interests – equity	137	142	178
	182,822	147,901	168,470

Approved by the Board on 16 August 2000

PW Hulme, Chairman

MJ Norris, Chief Executive

Summarised statement of cash flows

For the six months ended 30 June 2000	Unaudited Six months ended 30 June 2000 £'000	Unaudited Six months ended 30 June 1999 £'000	Audited year ended 31 Dec 1999 £'000
Cash flow from operating activities	36,408	42,041	81,924
Returns on investments and servicing of finance	1,894	127	(262)
Taxation			
Corporation tax (paid)/refunded	(5,281)	1,536	(25,284)
Capital expenditure and financial investment	(20,676)	(26,295)	(49,778)
Acquisitions and disposals	(2,870)	(1,974)	(3,806)
Equity dividends paid	(5,231)	(4,392)	(4,482)
Cash inflow/(outflow) before financing	4,244	11,043	(1,688)
Financing			
Issue of shares	1,029	1,454	2,470
Decrease in debt	-	(114)	(2,217)
Increase/(decrease) in cash in the period	5,273	12,383	(1,435)

Reconciliation of net cash flow to movement in net funds

For the six months ended 30 June 2000	Unaudited Six months ended 30 June 2000 £'000	Unaudited Six months ended 30 June 1999 £'000	Audited year ended 31 Dec 1999 £'000
Net funds at 1 January 2000	21,152	21,126	21,126
Increase/(decrease) in cash	5,273	12,383	(1,435)
Cash outflow from repayment of debt and lease finance	-	114	2,217
Changes in net funds arising from cash flows	5,273	12,497	782
Loans acquired on acquisition of subsidiary undertaking	-	(542)	(542)
Other non cash movements	(107)	(107)	(214)
Net funds at 30 June/31 December	26,318	32,974	21,152

Notes to the unaudited interim report

1 Basis of Preparation of Interim Financial Information

The interim financial information has been prepared on the basis of the accounting policies set out in the Group's statutory accounts for the year ended 31 December 1999. The taxation charge is calculated by applying the Directors' best estimate of the annual tax rate to the profit for the period. Other expenses are accrued in accordance with the same principles used in the preparation of the annual accounts.

2 Turnover and Segmental Analysis

Turnover represents the amounts derived from the provision of goods and services which fall within the Group's ordinary activities, stated net of VAT. The Group operates in one principal activity, that of the design, supply, project management and long-term support of information technology systems.

An analysis of turnover by destination, origin and operating profit is given below.

	Unaudited Six months ended 30 June 2000 £'000	Unaudited Six months ended 30 June 1999 £'000	Audited year ended 31 Dec 1999 £'000
Turnover by destination			
UK	791,075	757,451	1,448,805
France and Belgium	92,088	110,117	226,640
Germany	35,433	33,536	77,164
Rest of the world	8,129	3,712	8,019
Total	926,725	904,816	1,760,628
Turnover by origin			
UK	799,483	762,981	1,460,523
France and Belgium	92,754	109,399	227,789
Germany	34,488	32,436	72,316
Total	926,725	904,816	1,760,628
Operating profit			
UK	24,800	40,197	74,028
France and Belgium	(1,612)	1,262	4,453
Germany	(1,752)	(747)	(2,869)
Total Group excluding associated undertakings	21,436	40,712	75,612

All turnover and operating profit relates to continuing operations.

3 Operating costs

	Unaudited Six months ended 30 June 2000 £'000	Unaudited Six months ended 30 June 1999 £'000	Audited year ended 31 Dec 1999 £'000
Decrease/(Increase) in stocks of finished goods	16,018	(6,192)	16,969
Goods for resale and consumables	714,216	706,312	1,322,101
Depreciation and other amounts written off tangible and intangible assets	6,236	6,001	12,407
Staff costs	98,978	97,554	205,366
Other operating charges	69,841	60,429	128,173
	905,289	864,104	1,685,016

4 Interest receivable and similar income

	Unaudited Six months ended 30 June 2000 £'000	Unaudited Six months ended 30 June 1999 £'000	Audited year ended 31 Dec 1999 £'000
Bank interest received	3,310	3,481	7,154
Other interest receivable	-	-	84
	3,310	3,481	7,238

5 Interest payable and similar charges

	Unaudited Six months ended 30 June 2000 £'000	Unaudited Six months ended 30 June 1999 £'000	Audited year ended 31 Dec 1999 £'000
Bank loans and overdraft	301	18	99
Other loans	3,288	3,431	7,613
Finance charges payable under finance leases and hire purchase contracts	-	12	2
	3,589	3,461	7,714

Notes to the unaudited interim report continued

6 Tax on profit on ordinary activities

The charge for the period is based on the estimated effective tax rate for the year ending 31 December 2000 and comprises the following:

	Unaudited Six months ended 30 June 2000 £'000	Unaudited Six months ended 30 June 1999 £'000	Audited year ended 31 Dec 1999 £'000
UK Corporation tax			
Current	5,897	13,210	21,424
Deferred tax	-	-	701
	5,897	13,210	22,125

7 Reconciliation of operating profit to operating cash flows

	Unaudited Six months ended 30 June 2000 £'000	Unaudited Six months ended 30 June 1999 £'000	Audited year ended 31 Dec 1999 £'000
Operating profit	21,436	40,712	75,612
Depreciation	6,143	6,001	12,345
Amortisation	93	-	62
Loss on disposal of fixed assets	-	-	(490)
Increase in debtors	(44,074)	(21,052)	(7,243)
Decrease/(increase) in stocks	16,018	(6,160)	17,030
Increase/(decrease) in creditors	36,732	23,852	(13,632)
Currency and other adjustments	60	(1,312)	(1,760)
Net cash inflow from operating activities	36,408	42,041	81,924

8 Publication of non-statutory accounts

The financial information contained in this interim statement does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The financial information for the full preceding year is based on the statutory accounts for the financial year ended 31 December 1999. Those accounts, upon which the auditors issued an unqualified opinion, have been delivered to the Registrar of Companies.

Corporate information

Board of Directors:
Philip Hulme (Chairman)
Mike Norris (Chief Executive)
Tony Conophy (Finance Director)

Peter Ogden
(Non-Executive Director)
Roderick Richards
(Non-Executive Director)
Adrian Beecroft
(Non-Executive Director)
Ron Sandler
(Non-Executive Director)

Company Secretary:
Alan J Pottinger FCIS

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