



Half year results to 30 June 1999

Computacenter

Chairman's statement

I am pleased to be able to report another set of record results for the Group in the half year to 30 June.

Group turnover, at £904.8 million, was up 16.6% over the same period last year and profit before tax, at £40.7 million, was up 30.0%. The Group's net margin as a percentage of sales increased from 4.0% to 4.5% and diluted earnings per share grew by 28.1% to 14.6 pence. The Group's balance sheet remains strong. The net cash position, after debt, was £33.0 million at the half year compared to £21.1 million at the end of 1998.

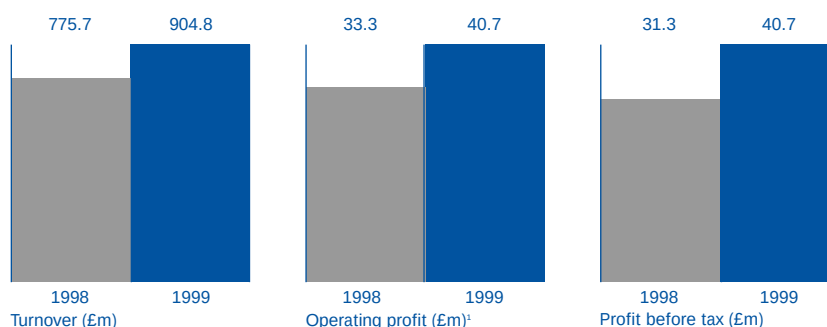
The rate of growth in Computacenter's service businesses accelerated in the first half of 1999. Total Group staff numbers have grown by 39.1% over the past year. The number of personnel providing support services on customer sites has grown by 46.1% and the number of staff engaged in other service activities has grown by 32.3% over the past year. This strong performance contributed to an overall growth of 32.2% in gross profit.

The growth in overall sales, although substantial, is lower than last year, reflecting slower growth in product sales. This was due

to an accelerated decline in hardware prices, combined with some uncertainty in the corporate marketplace as the Year 2000 approaches. The long-term decline in hardware prices is to be welcomed as it opens up new applications for distributed IT, fuelling demand for the Group's services.

The Group has continued to invest heavily in expanding its service operations. These investments take the form of recruitment, training and systems development, virtually all of which are expensed through the profit and loss account. The development of our new service, logistics and administration centre in Hatfield is also on track with occupation commencing in September. All of these investments will help to secure our long-term growth.

We have also continued to expand our market share in France and Germany at a rapid rate. Turnover for Computacenter France, at FF1,061 million, was ahead 54.3% compared to the same period last year and operating profit grew 8.5% to FF12.4 million. Turnover for Computacenter Germany grew by 146.7% to DM94.4 million. Operating losses in Germany



¹ Computacenter plc interim report 1999

increased slightly to DM2.2 million in line with plan. In June 1999 the Group made a small acquisition in Belgium, providing a foothold to expand our customer base in this region. We remain satisfied with progress in the Group's overseas operations.

With respect to the Year 2000 issue, as noted, there has been some evidence that the growth rate in the corporate market has slowed. Market indications are that this will continue for the remainder of this year before recovering in 2000. However, we have seen no evidence of a slowdown in the demand for our services and the outlook is for continued strong growth in this area.

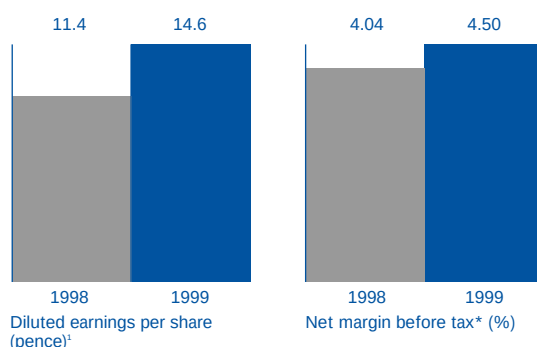
Computacenter's success has been built on providing a comprehensive and competitive range of high quality distributed IT support services. As always the IT industry is a cauldron of change. Our task is to adapt, and help our customers adapt, to these changes. For example, in the first half of this year over 40% of all customer orders were placed via On-Trac our electronic commerce system. Our business, which is characterised by stable, long-term customer relationships, is

underpinned by our strategy of investing to deliver the quality support services that our customers demand.

In the rapidly changing and demanding environment in which we compete, it is a tribute to our staff that we have once more achieved record results. I thank them all once again and look forward to reporting on our results, and declaring a full dividend, at the end of this financial year.

Philip Hulme

Philip Hulme, Chairman



Financial highlights for the six months ended 30 June 1999 versus the six months ended 30 June 1998.

* Defined as profit on ordinary activities before tax/turnover.

Review of operations

During the first half of the year the Group enjoyed a very satisfactory rate of growth in overall revenues. However, the growth achieved in our service operations was outstanding. This was the result of extending our service provision with existing accounts and also winning a number of significant contracts with new customers.

Extensions to existing contracts included Shell Service International and Credit Suisse First Boston (CSFB). New accounts won towards the end of 1998, which came on stream and contributed to revenues in the first half of this year, included Halifax plc. New account wins in the first six months of this year included The Houses of Parliament, Royal & Sun Alliance and SmithKline Beecham Research & Development.

Our highest profile win in the first half of 1999 was British Telecom. BT is a long-established Computacenter customer and we are delighted to renew our relationship with a new three-year contract with the option to extend for a further two years. The range of services provided now includes maintenance of all BT's distributed IT systems, equipment supply chain re-engineering and the full implementation of electronic commerce into BT's business units.

Growth in UK product sales during the first half was somewhat slower than in previous years. However, more importantly, PC system unit sales grew by 26% in the UK compared with the same period last year. This helped

feed customer demand for product-related services, enabling us to continue to develop these offerings at a rapid rate.

Computacenter's spread of business across a number of core industry sectors reduced the impact of slower growth in some markets. We saw strong growth in the government and telecommunication sectors. In contrast, revenues from the financial services industry, particularly in the City, weakened; although we believe we are now starting to see signs of recovery.

The first half of 1999 saw the first successes of our new e-commerce division, The iGroup. Computacenter has invested heavily in this area throughout the last year, establishing a group of over 50 specialists with Internet and Intranet design, development and consulting skills. We are now starting to establish e-commerce products and services, which we will leverage across our customer base in the future.

Customer demand for our On-Trac electronic commerce system has also increased. On-Trac enables our customers to procure services and products from the Group directly from their desktops. The system, which was developed by our partner, Computasoft, exclusively to our specification, has established itself as an invaluable aid to our business and a significant source of competitive advantage. We continue to work with Computasoft to find ways of marketing the product to a wider range of customers,

for example by including the ability to procure products and services from companies other than Computacenter.

In France our business continues to grow rapidly due to significant gains in market-share. Headcount has grown by 52% to 657 over the last year and we have now successfully moved our headquarters and operations centre to a new facility, establishing a solid platform for future growth. With the implementation of best practices that have already proved successful in the UK, we are starting to see significant growth of our French maintenance, systems engineering and project management capability.

Two years after the acquisition of our German subsidiary, growth in Germany remains in line with our expectations. As with France we have invested strongly. Staff numbers grew by 113% to 312 in the past year and we moved into a new operations centre during the first half of 1999. We also opened new sales offices in Hannover, Stuttgart and Nuremberg. As in the UK, achieving such growth in France and Germany involved significant levels of investment, the vast majority of which was expensed through the profit and loss account.

In the second quarter of 1999 we made our first two acquisitions as a public company. A small acquisition has established a new subsidiary in Belgium. Again, as in France and Germany, we expect Computacenter Belgium

to benefit from our best practices and strong international customer base.

The second of our two acquisitions is a UK-based IT disposal services company, RDC, which will continue to operate under its own name. The acquisition was made to meet the demand from our customers for a cost-effective and environmentally friendly disposal service for redundant distributed technology. We can now provide a superior level of service at every stage of the product life-cycle.

Trading in the second half has started satisfactorily, although the Group has budgeted for some slowdown in the final few weeks of the year. We believe there is significant pent-up demand within our customer base, which will be released next year. The Group will continue to invest to ensure we are well positioned to take advantage of this and future demand.



Mike Norris, Chief Executive

Auditors' independent review report

To Computacenter plc

Introduction

We have been instructed by the Company to review the financial information set out on pages 6 to 10 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 London Stock Exchange 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 enquiries 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 1999.

Ernst & Young

18 August 1999

Summarised profit and loss account

For the six months ended 30 June 1999

	Unaudited Six months ended 30 June 1999 £'000	Unaudited Six months ended 30 June 1998 £'000	Audited Year ended 31 December 1998 £'000
Turnover	904,816	775,746	1,586,238
Operating costs	(864,104)	(742,451)	(1,519,942)
Operating profit	40,712	33,295	66,296
Loss from interests in associated undertakings	–	–	(12)
Other income	3,481	1,495	4,945
Interest payable and similar charges	(3,461)	(3,458)	(6,626)
Profit on ordinary activities before taxation	40,732	31,332	64,603
Taxation	(13,210)	(10,402)	(21,232)
Profit on ordinary activities after taxation	27,522	20,930	43,371
Minority interests – equity	(5)	(15)	(77)
Profit attributable to members of the parent Company	27,517	20,915	43,294
Dividends – ordinary dividends on equity shares	(90)	–	(4,302)
Retained profit for the period	27,427	20,915	38,992
Earnings per share – basic	16.2p	13.1p	27.0p
– diluted	14.6p	11.4p	23.5p
Dividends per ordinary share	–	–	2.5p

Statement of total recognised gains and losses

For the six months ended 30 June 1999

	Unaudited Six months ended 30 June 1999 £'000	Unaudited Six months ended 30 June 1998 £'000	Audited Year ended 31 December 1998 £'000
Profit attributable to members of parent Company for the period	27,517	20,915	43,294
Exchange differences on retranslation of net assets of associated and subsidiary undertakings	(1,300)	(44)	287
Total recognised gains for the period	26,217	20,871	43,581

Summarised balance sheet

At 30 June 1999

	Unaudited 30 June 1999 £'000	Unaudited 30 June 1998 £'000	Audited 31 December 1998 £'000
Fixed assets			
Goodwill	1,612	–	–
Tangible assets	79,325	37,522	59,768
Investments	4,170	2,805	1,467
	85,107	40,327	61,235
Current assets			
Stocks	116,045	122,868	109,853
Debtors: gross	258,081	257,126	237,855
Less non-returnable proceeds	(64)	(36,032)	(1,293)
	258,017	221,094	236,562
Cash at bank and in hand	75,984	64,136	63,601
	450,046	408,098	410,016
Creditors: amounts falling due within one year	(343,387)	(293,783)	(307,382)
Net current assets	106,659	114,315	102,634
Total assets less current liabilities	191,766	154,642	163,869
Creditors: amounts falling due after more than one year	(42,830)	(52,816)	(42,013)
Provision for liabilities and charges	(1,035)	–	(1,035)
Total assets less liabilities	147,901	101,826	120,821
Capital and reserves			
Called up share capital	8,876	8,601	8,678
Share premium account	51,106	49,410	49,850
Profit and loss account	87,777	43,736	62,144
Shareholders' funds – equity	147,759	101,747	120,672
Minority interests – equity	142	79	149
	147,901	101,826	120,821

Approved by the Board on 18 August 1999.

Summarised statement of cash flows

For the six months ended 30 June 1999

	Unaudited Six months ended 30 June 1999 £'000	Unaudited Six months ended 30 June 1998 £'000	Audited Year ended 31 December 1998 £'000
Cash inflow from operating activities	42,041	16,172	63,734
Returns on investments and servicing of finance	127	(1,963)	(2,084)
Taxation			
Corporation tax refunded/(paid)	1,536	–	(17,486)
Capital expenditure and financial investment	(26,295)	(12,416)	(40,179)
Acquisitions and disposals	(1,974)	–	(71)
Equity dividends paid	(4,392)	–	–
Cash inflow before financing	11,043	1,793	3,914
Financing			
Issue of shares	1,454	49,598	50,115
Decrease in debt	(114)	(1,104)	(4,257)
Increase in cash in the period	12,383	50,287	49,772
Reconciliation of net cash flow to movement in net debt			
Increase in cash	12,383	50,287	49,772
Cash decrease from repayment of loans	–	1,098	4,033
Repayment of capital elements of finance lease rentals	114	114	224
Changes in net debt arising from cash flows	12,497	51,499	54,029
Loans acquired on acquisition of subsidiary undertaking	(542)	–	–
Other non cash movements	(107)	(108)	(214)
Movement in net funds/(debt)	11,848	51,391	53,815
Net funds/(debt) at 1 January	21,126	(32,689)	(32,689)
Net funds at 30 June/31 December	32,974	18,702	21,126

Notes to the unaudited interim report

At 30 June 1999

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 1998. 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 and origin and operating profit is given below:

	Unaudited Six months ended 30 June 1999 £'000	Unaudited Six months ended 30 June 1998 £'000	Audited Year ended 31 December 1998 £'000
Turnover by destination			
UK	757,451	688,237	1,365,906
France and Belgium	110,117	70,614	168,130
Germany	33,536	13,917	39,020
Rest of the World	3,712	2,978	13,182
Total	904,816	775,746	1,586,238
Turnover by origin			
UK	762,981	693,863	1,383,357
France and Belgium	109,399	68,998	165,773
Germany	32,436	12,885	37,108
Total	904,816	775,746	1,586,238
Operating profit			
UK	40,197	32,723	64,929
France and Belgium	1,262	1,146	2,747
Germany	(747)	(574)	(1,380)
Total Group excluding associated undertakings	40,712	33,295	66,296

All turnover and operating profit relates to continuing operations.

3 Operating costs

	Unaudited Six months ended 30 June 1999 £'000	Unaudited Six months ended 30 June 1998 £'000	Audited Year ended 31 December 1998 £'000
Increase in stocks of finished goods	(6,192)	(14,623)	(1,608)
Goods for resale and consumables	706,312	635,561	1,254,418
Staff costs	97,554	69,906	153,619
Other operating charges	66,430	51,607	113,513
	864,104	742,451	1,519,942

4 Other income

	Unaudited Six months ended 30 June 1999 £'000	Unaudited Six months ended 30 June 1998 £'000	Audited Year ended 31 December 1998 £'000
Bank interest received	3,481	1,495	4,328
Exchange gain	–	–	617
	3,481	1,495	4,945

5 Interest payable and similar charges

	Unaudited Six months ended 30 June 1999 £'000	Unaudited Six months ended 30 June 1998 £'000	Audited Year ended 31 December 1998 £'000
Bank loans and overdraft	18	114	236
Other loans	3,431	3,332	6,368
Finance charges payable under finance leases and hire purchase contracts	12	12	22
	3,461	3,458	6,626

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 1999 and comprises the following:

	Unaudited Six months ended 30 June 1999 £'000	Unaudited Six months ended 30 June 1998 £'000	Audited Year ended 31 December 1998 £'000
UK Corporation tax at 31%			
Current	13,210	10,402	20,197
Deferred tax	–	–	1,035
	13,210	10,402	21,232

7 Reconciliation of operating profit to operating cash flows

	Unaudited Six months ended 30 June 1999 £'000	Unaudited Six months ended 30 June 1998 £'000	Audited Year ended 31 December 1998 £'000
Operating profit	40,712	33,295	66,296
Depreciation	6,001	4,846	10,691
Loss on disposal of fixed assets	–	637	407
Increase in debtors	(21,052)	(55,374)	(70,842)
Increase in stocks	(6,160)	(14,623)	(1,608)
Increase in creditors	23,852	47,420	57,976
Currency and other adjustments	(1,312)	(29)	814
Net cash inflow from operating activities	42,041	16,172	63,734

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 1998. Those accounts, upon which the auditors issued an unqualified opinion, have been delivered to the Registrar of Companies.

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