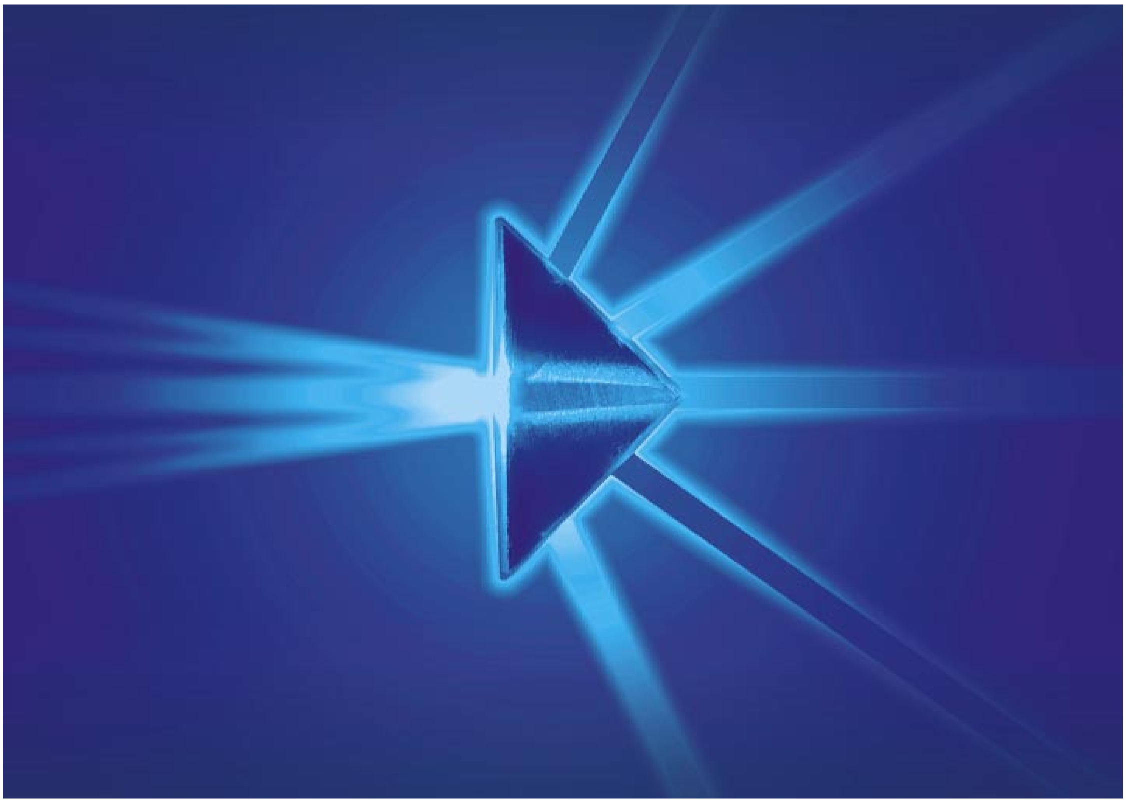


Computacenter plc
Half year results to 30 June 1998

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.

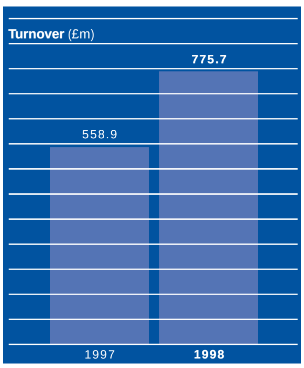
Turnover, at £776 million, was up 39% over the same period last year and profit before tax, at £31.3 million, was up 42%. The Group's net margin before tax as a percentage of sales remained steady at 4% and fully-diluted earnings per share grew by 42% to 11.4 pence.

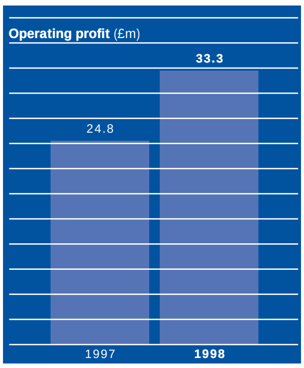
The Group maintained a strong positive cash flow with a net inflow of £1.8 million compared with a net outflow of £11.2 million for the same period last year. This was before taking account of £49.6 million received as a result of the Group's successful flotation. The net cash position, after debt, was £18.7 million at the half year.

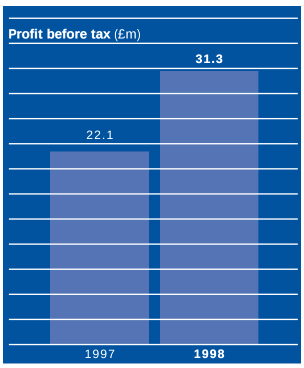
Our businesses in France and Germany both exceeded plan. Turnover for Computacenter France grew by 56% to £69 million and operating profit grew 75% to £1.15 million. Our business in Germany is at an earlier stage of development but achieved sales of £12.9 million with an operating loss of £0.6 million.

The growth rates exhibited in the first half were ahead of expectations. This was partly the result of a number of exceptional factors which are unlikely to be repeated in the second half. These include substantial gains in public sector turnover which is typically weighted to the first half of the year, changes in the corporate licensing arrangements for Microsoft software which resulted in some particularly large deals in the first half and the outstanding growth of Computacenter France. However, even allowing for these factors, the underlying growth rate of the Group remained at a very encouraging level.

The Group's financial strength has enabled management to further accelerate our investment in people, systems and infrastructure. Many of these investments are expensed through the profit and loss account. Recruitment continues apace and the Group has expanded its office space in several regions. The development of the new logistics, engineering and administration centre in Hatfield is proceeding according to plan. We are also continuing to develop and extend our range of services. All of these investments will help to secure the future growth of the Group.







Turning to the future, there is much talk about the possible effects of Year 2000 and EMU, as well as general economic conditions. I am pleased to report that current trading remains strong and, allowing for the exceptional factors noted above, there is no evidence of any slowdown in the underlying growth rate of the Group's business. Consequently, management remains confident of the likely outcome for the full year.

With respect to the Year 2000 issue, on previous occasions we have noted that it is difficult to predict the net effect on the Group. Some customers have accelerated hardware replacement as part of their Year 2000 compliance programmes, but in other instances significant projects are being deferred until the next millennium. In the last few months we have begun to see some evidence that there may be an accelerating net pull-forward of business but we estimate that the impact on our results so far has been minimal.

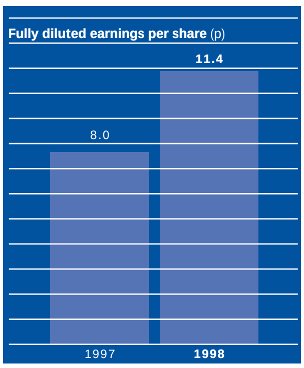
EMU is a factor which will drive future growth as companies adapt their IT systems to cope with the new currency. This will be true regardless of whether the UK chooses to enter the system. However, again, there has been little, if any, effect on our business to date.

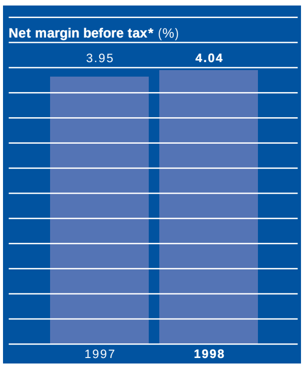
Our flotation, which took place on 21 May, was an important landmark for the Group and an undoubted success. The offer was more than 12 times oversubscribed. As part of the flotation process, free shares were offered to all qualifying staff who were on the payroll as at 31 March this year. Consequently over 90% of Computacenter staff are now shareholders in the Group. It is worth noting that the cost of these free shares, £2.8 million, was expensed through the profit and loss account in the first half. Since the flotation the Group has also initiated a Sharesave scheme in which 56% of staff have elected to participate.

Our people remain, as always, our greatest asset. It is a tribute to their efforts that we have once more achieved record results. This is particularly satisfying in a period when many of our staff have spent significant amounts of time preparing the Group for our flotation. I thank them all and look forward to reporting on our results, and declaring a full year dividend, at the end of the financial year.

Philip Hulme

Philip Hulme, Chairman





Financial highlights for the six months ended 30 June 1998 versus the six months ended 30 June 1997.

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

Review of operations

Computacenter is the largest UK-owned company specialising in the provision of distributed information technology and related services to large corporate and public sector organisations.

Our overall strategic objective is to establish Computacenter as the preferred partner of such organisations for the purpose of implementing the supporting distributed IT.

The Group offers a full range of services including Planning, Requisition, Implementation, Support and Management and markets these services as ‘PRISM’.

During the first half the Group continued to make progress by further developing the range of services sold into existing accounts and by winning a number of significant contracts with new customers. Notably, we expanded the range of services provided to many of our managed services customers. New account wins in the first six months included the Post Office, SEEBOARD Plc and the Automobile Association.

During the first half of 1998 the GCat contract with the CCTA, won jointly with EDS in September 1997, resulted in significant sales gains in the government sector. Due to the traditional purchasing patterns of the public sector we expect that this contract will have less impact in the second half of the financial year. The first six months were also given a boost by Microsoft’s introduction of new corporate software licensing arrangements which resulted in a number of major incremental sales.

The demand for the Group’s support and managed services offerings continued to increase. In the first half of the year the UK company merged its on-site maintenance and managed services operations into a single unit. This new division comprises some 900 people, the majority of whom work full time on customer sites managing and supporting distributed technology. In addition, we enhanced our central support capability, thus creating a significant opportunity to share best practices and to create operational leverage.

The Group continued to invest in skills and infrastructure in the rapidly growing enterprise networking market and attained the much-coveted Cisco Gold accreditation in the UK in March. The UK company also expanded its investment in higher end UNIX services and became authorised for the sale and support of HP/9000 and DEC Alpha platforms.

The growth of the Internet and corporate Intranets is creating numerous opportunities for the Group. However, many of these originate outside our traditional IT contacts within customer organisations and the range of services required differs from our core offering.

For these reasons, a new division has been formed in the UK dedicated to 'e-business' which will, in due course, be marketed under its own identity.

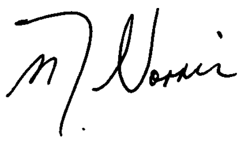
The UK company continued to develop its expertise in the area of channel assembly whereby manufacturers supply part-built machines and Computacenter adds the final components, such as disk and memory, against final customer orders. An initial pilot scheme was successfully completed with IBM and that programme is now fully implemented and live. A similar pilot is currently underway with Hewlett-Packard.

Construction has commenced at the new logistics, engineering and administration facility in Hatfield and work is on schedule. New offices were opened in London and Hatfield to accommodate the continued expansion of our sales and support operations.

In France, new offices were opened in Nice, Pau and Rouen and an agreement was signed for a significantly larger headquarters and operations centre to accommodate continued growth. Occupation of these premises is expected in the first half of 1999. Our German subsidiary is in the process of implementing Computacenter's systems and business practices and we remain very satisfied with the company's progress to date.

The millennium date issue has a mixed impact on Computacenter. As the year progresses it will become clearer whether we can expect to see a net pull-forward of business. Our own project to ensure compliance of internal systems is proceeding on schedule.

The Group has increased investment in recruitment to cope with current and future demand and a total of 626 new positions were created in the first half of the year. As the Chairman indicated in his statement, the vast majority of Computacenter's staff are now shareholders and the majority of them have also elected to participate in our new Sharesave scheme. This high level of financial participation, and the corresponding level of enthusiasm which is apparent within the Group, is extremely encouraging and bodes well for our continued success.



Mike Norris, Chief Executive

Auditors’ review report

To Computacenter plc

We have reviewed the interim financial information on pages 6 to 10 in respect of the six months ended 30 June 1998, which is the responsibility of, and has been approved by, the Directors. Our responsibility is to report on the results of our review.

Our review was carried out having regard to the Bulletin, *Review of interim financial information*, issued by the Auditing Practices Board. This review consisted principally of obtaining an understanding of the process for the preparation of the interim financial information, applying analytical procedures to the underlying financial data, assessing whether accounting policies have been consistently applied, and making enquiries of the Group’s management responsible for financial and accounting matters. The review excluded audit procedures such as tests of controls and verification of assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with Auditing Standards. Accordingly we do not express an audit opinion on the interim financial information.

On the basis of our review:

- we are not aware of any material modification that should be made to the interim financial information as presented; and
- in our opinion the interim financial information has been prepared using accounting policies consistent with those adopted by Computacenter plc (formerly Computacenter Services Group plc) in its accounts for the year ended 31 December 1997.

Ernst & Young
Reading

19 August 1998

Secretary

Mr A J Pottinger FCIS

Registered Number

3110569

Registered Office

Computacenter House
93-101 Blackfriars Road
London SE1 8HW

Summarised profit and loss account

For the six months ended 30 June 1998

	Unaudited Six months ended 30 June 1998 £'000	Unaudited Six months ended 30 June 1997 £'000	Audited Year ended 31 December 1997 £'000
Turnover	775,746	558,917	1,133,523
Operating costs	(742,451)	(534,033)	(1,081,041)
Loss from interests in associated undertakings	–	(88)	(176)
Operating profit	33,295	24,796	52,306
Other income	1,495	582	1,429
Interest payable and similar charges	(3,458)	(3,283)	(6,636)
Profit on ordinary activities before taxation	31,332	22,095	47,099
Taxation	(10,402)	(7,745)	(15,990)
Profit on ordinary activities after taxation	20,930	14,350	31,109
Minority interests – equity	(15)	(5)	(22)
Profit attributable to members of the parent company	20,915	14,345	31,087
Dividends – ordinary dividends on equity shares	–	–	(4,983)
Retained profit for the period	20,915	14,345	26,104
Earnings per share – basic	12.7p	9.2p	19.8p
– fully diluted	11.4p	8.0p	17.4p
Dividends per ordinary share	–	–	3.2p

Summarised balance sheet

At 30 June 1998

	Unaudited 30 June 1998 £'000	Unaudited 30 June 1997 £'000	Audited 31 December 1997 £'000
Fixed assets			
Tangible assets	37,522	21,588	30,589
Investments	2,805	3,215	3,009
	40,327	24,803	33,598
Current assets			
Stocks	122,868	100,459	108,245
Debtors: gross	257,126	166,931	186,270
Less non-returnable proceeds	(36,032)	(16,546)	(20,549)
	221,094	150,385	165,721
Cash at bank and in hand	64,136	5,525	13,829
	408,098	256,369	287,795
Creditors: amounts falling due within one year	(293,783)	(206,934)	(246,602)
Net current assets	114,315	49,435	41,193
Total assets less current liabilities	154,642	74,238	74,791
Creditors: amounts falling due after more than one year	(52,816)	(54,586)	(43,448)
Total assets less liabilities	101,826	19,652	31,343
Capital and reserves			
Called up share capital	8,601	7,851	7,876
Share premium account	49,410	482	537
Profit and loss account	43,736	11,271	22,865
Shareholders' funds – equity	101,747	19,604	31,278
Minority interests – equity	79	48	65
	101,826	19,652	31,343

Approved by the board on 19 August 1998.

Summarised statement of cash flows

For the six months ended 30 June 1998

	Unaudited Six months ended 30 June 1998 £'000	Unaudited Six months ended 30 June 1997 £'000	Audited Year ended 31 December 1997 £'000
Cash inflow/(outflow) from operating activities	16,172	(270)	42,625
Returns on investments and servicing of finance	(1,963)	(2,512)	(4,748)
Taxation			
Corporation tax paid	–	–	(11,294)
Capital expenditure and financial investment	(12,416)	(5,666)	(20,787)
Acquisitions and disposals	–	(2,732)	(2,756)
Equity dividends paid	–	–	(4,983)
Cash inflow/(outflow) before financing	1,793	(11,180)	(1,943)
Financing			
Issue of shares	49,598	137	217
Decrease in debt	(1,104)	(1,298)	(2,312)
Increase/(decrease) in cash in the period	50,287	(12,341)	(4,038)

Reconciliation of net cash flow to movement in net debt

Increase/(decrease) in cash	50,287	(12,341)	(4,038)
Cash decrease from repayment of loans	1,098	975	1,878
Repayment of capital elements of finance lease rentals	114	322	434
Changes in net debt arising from cash flows	51,499	(11,044)	(1,726)
Other non cash movements	(108)	(107)	(214)
Movement in net debt	51,391	(11,151)	(1,940)
Net debt at 1 January	(32,689)	(30,749)	(30,749)
Net funds/(debt) at 30 June/31 December	18,702	(41,900)	(32,689)

Notes to the unaudited interim report

At 30 June 1998

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 1997. 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 provisions 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 1998 £'000	Unaudited Six months ended 30 June 1997 £'000	Audited Year ended 31 December 1997 £'000
Turnover by destination			
UK	688,237	513,428	1,031,143
France	70,080	44,368	96,308
Germany	13,917	36	3,933
Rest of the World	3,512	1,085	2,139
Total	775,746	558,917	1,133,523
Turnover by origin			
UK	693,863	514,691	1,033,820
France	68,998	44,226	96,039
Germany	12,885	–	3,664
Total	775,746	558,917	1,133,523
Operating profit			
UK	32,723	24,229	51,111
France	1,146	655	2,054
Germany	(574)	–	(683)
Total Group excluding associated undertakings	33,295	24,884	52,482
Associated undertakings			
UK	–	–	3
France	–	(88)	(179)
Total	33,295	24,796	52,306

All turnover and operating profit relates to continuing operations.

3 Operating costs

	Unaudited Six months ended 30 June 1998 £'000	Unaudited Six months ended 30 June 1997 £'000	Audited Year ended 31 December 1997 £'000
Increase in stocks of finished goods	(14,623)	(17,055)	(24,841)
Goods for resale and consumables	635,561	462,145	916,453
Staff costs	83,196	58,157	104,403
Other operating charges	38,317	30,786	85,026
	742,451	534,033	1,081,041

4 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 1998 and comprises the following:

	Six months ended 30 June 1998 £'000	Six months ended 30 June 1997 £'000	Year ended 31 December 1997 £'000
UK Corporation tax at 31%			
Current	10,402	7,944	16,189
Deferred tax	–	(199)	(199)
	10,402	7,745	15,990

5 Reconciliation of operating profit to operating cash flows

	Six months ended 30 June 1998 £'000	Six months ended 30 June 1997 £'000	Year ended 31 December 1997 £'000
Operating profit	33,295	24,796	52,306
Depreciation	4,846	2,602	8,390
Loss on disposal of fixed assets	637	–	228
Share of loss of associated undertakings	–	88	176
Increase in debtors	(55,374)	(3,232)	(18,568)
Increase in stocks	(14,623)	(17,055)	(24,841)
Increase/(decrease) in creditors	47,420	(7,214)	25,302
Currency and other adjustments	(29)	(255)	(368)
Net cash inflow from operating activities	16,172	(270)	42,625

6 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 1997. Those accounts, upon which the auditors issued an unqualified opinion, have been delivered to the Registrar of Companies.

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