Chairman's statement

"Our key priorities in 2003 were the further development of our services activities and the integration of CC CompuNet in Germany. We made good progress with both."

I am pleased to report an excellent set of results for Computacenter in 2003. Profit before tax rose 18.3% to £65.2 million (2002: £55.1 million). Earnings per share increased by 22.5% to 25.0p (2002: 20.4p). The Group continued to generate cash from operations, and the balance sheet remained strong, with net funds at the year-end of £49.9 million (2002: £83.4 million).

These results are particularly satisfying when viewed against the background of an unprecedented price decline in the IT industry in Europe, driven largely by the fall in the US dollar against both sterling and the euro. Over the course of the year, the price of desktops, laptops and 'Wintel' servers in our three core markets all declined in the order of 15% to 25% in local currency. Computacenter buys and sells product in local currencies and therefore has no material foreign exchange exposures arising from operations. Nevertheless, the falling prices inevitably affected our revenues and product margins, although this was partly mitigated by growth in our product volumes. In 2003, excluding the revenues of the German and Austrian businesses acquired during the course of the year, Group revenues fell 6.7% to £1.80 billion (2002: £1.93 billion). Group revenues, including acquisitions rose 28.8% to £2.48 billion.

I am pleased to recommend a final dividend of 5.0p per share, bringing the total dividend for the year to 7.0p (2002: 5.8p), an increase of 20.7%. This is consistent with our policy, announced last year, of maintaining a dividend cover of broadly 3.5 times. The final dividend will be paid on 1 June 2004 to shareholders on the register as at 7 May 2004.

Computacenter's strategy in recent years has been to build a strong services business to complement its product logistics offering and to expand its presence in the major European markets. Consistent with these goals, our key priorities in 2003 were the further development of our services activities and the integration of CC CompuNet in Germany. We made good progress with both.

In the UK, Managed Services revenues grew by 10.9%, making a significant financial contribution. Of particular note was the five-year Managed Services contract awarded to Computacenter by Abbey, through which we will provide a company-wide end-to-end desktop service at all Abbey's offices and branches. During the year, we continued to invest heavily in developing the skills and technologies to maintain ourselves at the forefront of desktop outsourcing.

The German acquisition represents a major step forward for the Group. In addition to its strong product logistics business, CC CompuNet has a significant services element in its portfolio, which supports our objective of building

Ron Sandler
Chairman

contracted revenue streams. Following the acquisition, an extensive integration programme has been pursued to align CC CompuNet's operations with those of Computacenter UK and adopt best practice across the Group.

This has gone according to plan and has established firm foundations for future profit growth. In 2003, CC CompuNet produced an operating profit of £8.7 million. An ancillary benefit of this integration programme is that it has led us to create a pan-European management structure for Computacenter, which will enhance the Group's ability to contribute to the management of the French operations.

Computacenter France performed poorly in a difficult market, with an operating loss of £2.7 million (2002: profit of £2.4 million) after the release of negative goodwill. However, determined efforts began in the second half of the year to transfer best practice to France from the UK and to improve the cost efficiency of the French business. Considerable savings have already been achieved. Although much remains to be done to bring the profit margin of Computacenter France to an acceptable level, an intensive turn-around programme is underway and I am confident that this will yield positive results.

It is appropriate that the increasingly international nature of our business is reflected in the composition of the Computacenter Board, and I am delighted with the appointment of Ghislain Lescuyer as a Non-Executive Director. Ghislain, who joined the Board on 19 January 2004, brings a wealth of experience in managing European technology businesses and we will benefit greatly from his skills and background.

The improvement in our product volumes in 2003, although clearly stimulated by the large price declines, provides some evidence that our markets are beginning to recover from the downturn of recent years. The growing demand for XP roll-outs that we experienced as the year progressed is a further encouraging sign. Whilst much depends upon the pace and sustainability of the broader economic recovery in Europe, there are grounds for optimism that market conditions may now improve. Computacenter is well positioned to take advantage of any such improvement.

As always, the credit for the Group's performance belongs to the staff. The pleasing results in 2003 are attributable to the skills, enthusiasm and commitment of our employees, to whom I offer my wholehearted thanks.

Ron Sandler
Chairman

UK Managed Services contract base, year-end 1999 to 2003 £million