



Interim Results 2005

13th September, 2005

Computacenter

Transforming IT service delivery

Financial Highlights



- Turnover down 6% to £1.15 billion
- Profit before tax down 73% to £8.2 million
- EPS down 89% to 1.2p
- Net cash up by £42 million to £87 million
- Interim dividend increased to 2.5p

Operational Highlights



- UK product margins declined steeply
 - Price competition
 - Vendor rebates
- Modest progress in UK Managed Services
- Disappointing performance in Continental Europe
 - Challenging market conditions in France and Germany
 - Cost reduction programmes frustratingly slow
- Satisfactory resolution of GE dispute



- Outlook for full year in line with expectations
- Major strategic reassessment undertaken in UK
 - Reorganisation now completed
 - Platform for growth and profit recovery
- Profit improvement efforts intensified in France and Germany
 - Focus on cost reduction
- Board considering best use of cash resources



Financial Review

Tony Conophy

Computacenter

Transforming IT service delivery

Group – Profit and Loss Account



	H1 2005	H1 2004	Growth 2005 / 2004
	IFRS £m	IFRS £m	%
<u>Continuing operations</u>			
Revenue	1,151.6	1,228.9	(6.3%)
Cost of sales	(1,009.3)	(1,060.8)	(4.9%)
Gross profit	142.3	168.1	(15.4%)
Gross profit %	12.4%	13.7%	(1.3%)
Other Operating Expenses	(136.9)	(138.3)	(1.0%)
Operating Profit	5.4	29.9	(81.8%)
Operating profit %	0.5%	2.4%	(2.0%)
Net finance income	2.7	0.3	881.8%
Share of JV / associate	0.1	(0.1)	(267.9%)
Profit before tax	8.2	30.1	(72.7%)
Income tax expense	(6.1)	(9.8)	(38.0%)
Tax Rate %	(73.9%)	(32.6%)	(41.3%)
Profit for the year	2.1	20.3	(89.4%)
<u>Discontinued operation</u>			
Loss for the period	0.0	(0.3)	(100.0%)
Earnings per share			
– basic for profit for the year	1.2p	10.7p	(88.8%)
– diluted for profit for the year	1.2p	10.5p	(88.6%)

Group - IFRS vs UK GAAP

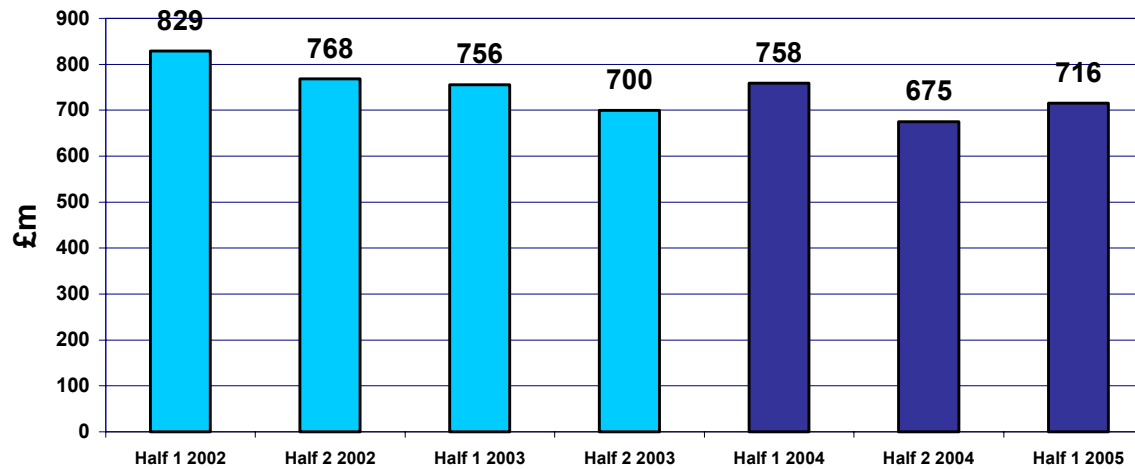


	H1 2005	H1 2004	FY 2004
	TOTAL £m	TOTAL £m	TOTAL £m
UK GAAP : Profit before tax and exceptions	10.3	33.2	67.3
1a Positive goodwill	0.1	0.1	0.3
1b Negative goodwill	0.0	(0.5)	(0.5)
2 Share based payment	0.7	(0.6)	(0.9)
3 Employee benefits	(2.7)	(2.5)	0.0
4 Accounting for joint venture	0.2	0.0	0.2
5 Hedging	(0.4)	0.0	0.0
Total IFRS Adjustments	(2.0)	(3.5)	(0.9)
Reclass discontinued operation	n/a	0.3	1.6
IFRS : Profit before tax : continuing operations	8.2	30.1	67.9

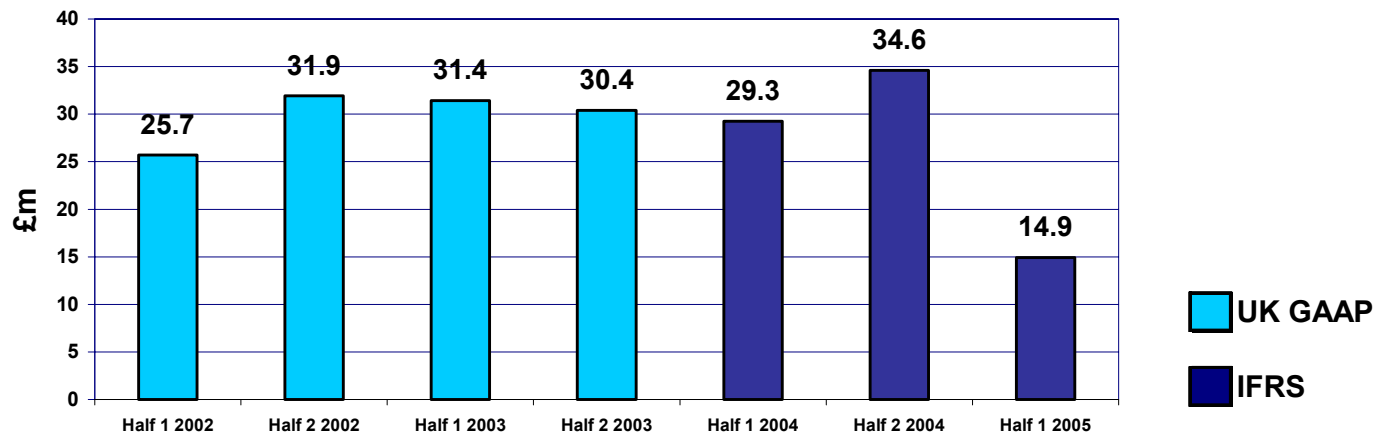
UK – Revenue and Operating Profit



UK Revenue



UK Operating Profit



UK – Profit and Loss Account



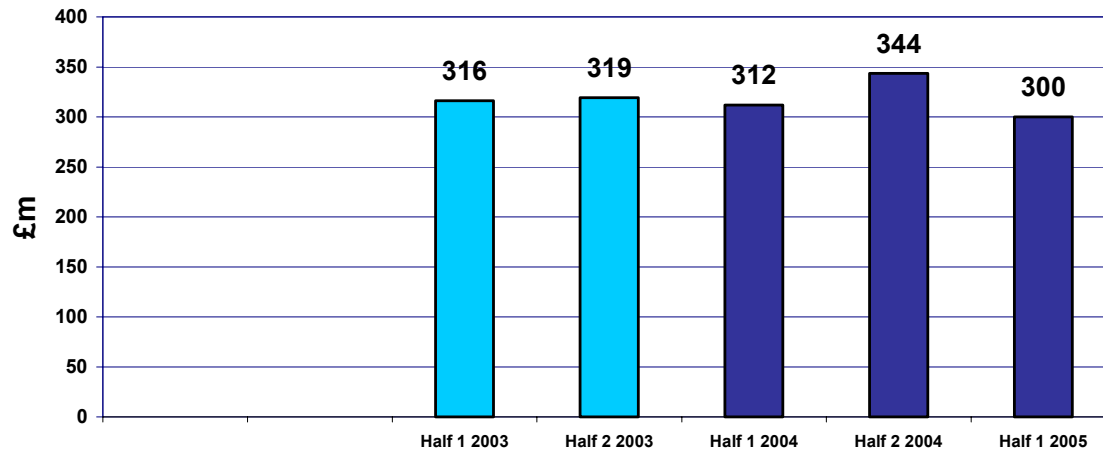
	H1 2005	H1 2004	Growth 2005/2004
	IFRS £m	IFRS £m	%
Revenues	715.5	758.4	(5.7%)
Gross Profit	88.1 12.3%	107.9 14.2%	(18.3%)
Other Operating Expenses	(73.2) (10.2%)	(78.6) (10.4%)	(6.9%)
Operating Profit	14.9 2.1%	29.3 3.9%	(49.1%)
Headcount *:			
Direct	3,192	3,199	(0.2%)
Indirect	1,649	1,680	(1.9%)

(* period end headcount)

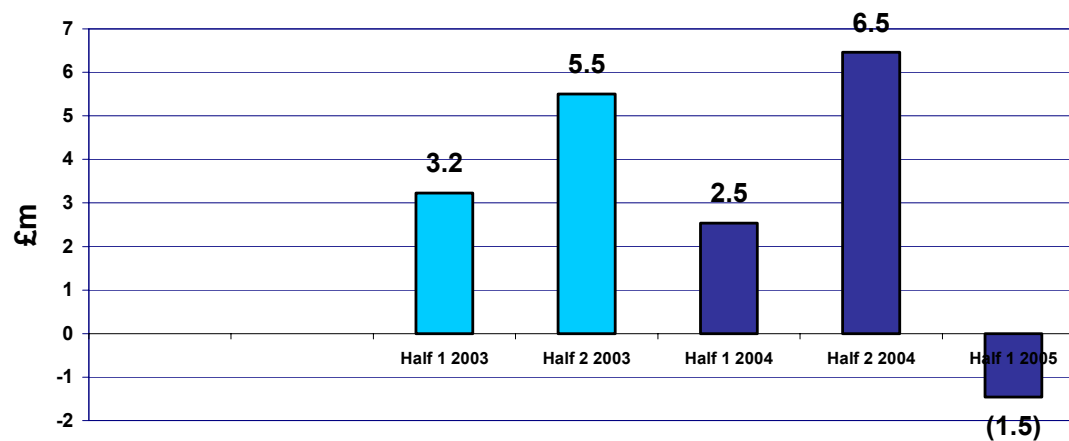
Germany – Revenue and Operating Profit



Germany Revenue



Germany Operating Profit



Germany – Profit and Loss Account



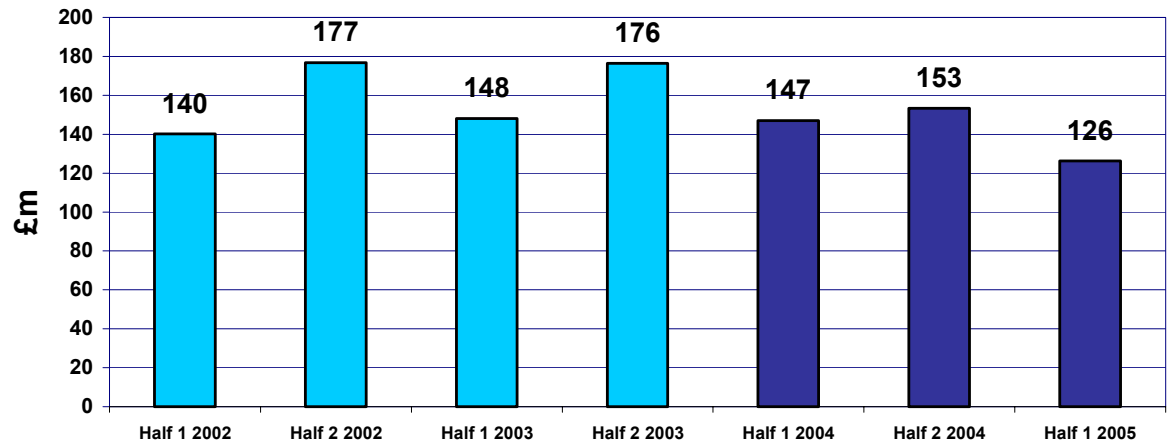
	H1 2005	H1 2004	Growth 2005 / 2004
	IFRS £m	IFRS £m	%
Revenues	300.0	311.9	(3.8%)
Gross Profit	40.7 13.6%	42.4 13.6%	(4.1%)
Other Operating Expenses	(42.2) (14.1%)	(39.9) (12.8%)	5.7%
Operating Profit	(1.5) (0.5%)	2.5 0.8%	(157.4%)
Headcount *:			
Direct	2,488	2,468	0.8%
Indirect	1,025	997	2.8%

(* period end headcount)

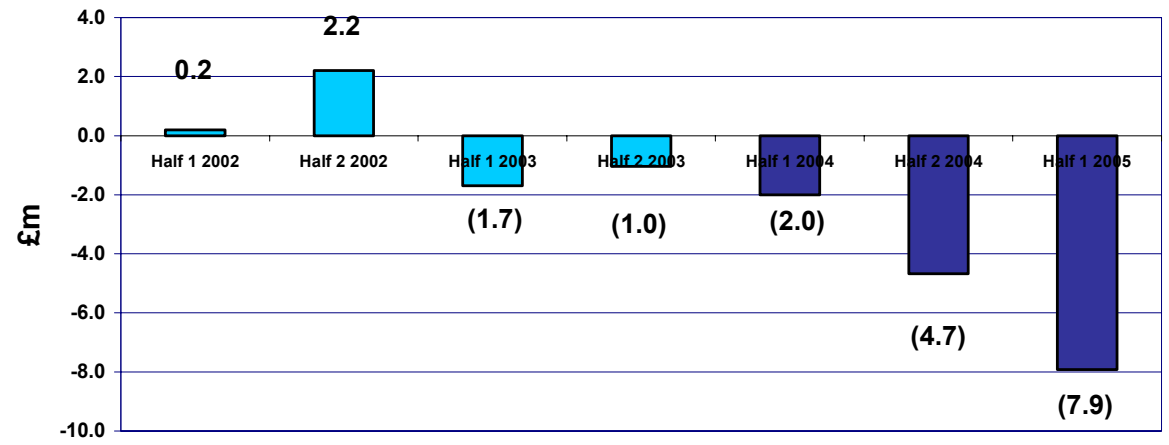


France – Revenue and Operating Profit

France Revenue



France Operating Profit



 UK GAAP
 IFRS

France – Profit and Loss Account



	H1 2005	H1 2004	Growth 2005 / 2004
	IFRS £m	IFRS £m	%
Revenues	126.2	147.1	(14.2%)
Gross Profit	12.4 9.8%	16.6 11.3%	(25.3%)
Other Operating Expenses	(20.3) (16.1%)	(18.6) (12.7%)	9.1%
Operating Profit	(7.9) (6.3%)	(2.0) (1.4%)	291.2%
Headcount *:			
Direct	614	661	(7.1%)
Indirect	459	529	(13.1%)

(* period end headcount)

BeLux – Profit and Loss Account



	H1 2005	H1 2004	Growth 2005 / 2004
	£m	£m	%
Revenues	9.8	11.5	(14.5%)
Gross Profit	1.0 10.6%	1.2 10.4%	(12.5%)
Other Operating Expenses	(1.1) (11.7%)	(1.1) (9.8%)	2.2%
Operating Profit	(0.1) (1.1%)	0.1 0.6%	(254.2%)
Headcount *:			
Direct	87	87	0.6%
Indirect	18	17	9.1%

(* period end headcount)

Group – Revenue by Business Segment



	H1 2005	H1 2004	Growth 2005 / 2004
	IFRS £m	IFRS £m	%
Technology sourcing	893.8	998.8	(10.5%)
Infrastructure integration	52.8	58.7	(10.0%)
Managed services	205.0	197.4	3.8%
Total group	1,151.6	1,254.9	(8.2%)
Discontinued operation	0.0	(26.0)	(100.0%)
Total continuing operations	1,151.6	1,228.9	(6.3%)

Group – Operating Cash Flow



	H1 2005	H1 2004	Growth 2005 / 2004
	IFRS £m	IFRS £m	%
Cash flows from operating activities			
Operating profit	5.4	29.6	(81.7%)
Depreciation / amortisation	8.9	9.5	(6.0%)
Share based payments	(0.6)	0.5	n/a
Profit / loss on disposal of fixed assets & investments	(0.2)	0.5	(130.8%)
Decrease in trade and other receivables	29.8	4.3	591.6%
Decrease in inventories	27.8	10.2	173.0%
Decrease in trade and other payables	(5.4)	(23.3)	(76.8%)
Dividend received from associate	0.3	0.0	n/a
Currency and other adjustments	0.6	0.3	89.2%
Borrowing costs	(1.1)	(1.9)	(44.9%)
Interest received	4.7	1.5	211.2%
Income tax paid	(12.6)	(6.4)	97.8%
Net cash flows from operating activities	57.7	24.7	133.3%
Op Cash Flow as % Operating Profit	1,064.1%	83.6%	

Group – Summary Cash Flow



	H1 2005	H1 2004	Growth 2005 / 2004
	£m	£m	%
Net cash flows from operating activities	57.7	24.7	133.3%
Net cash flows used in investing activities	(6.8)	(5.1)	33.7%
Net cash flows from/(used in) financing activities	(9.3)	(9.0)	2.8%
Net increase in cash and cash equivalents	41.6	10.6	292.1%
Net foreign exchange difference	4.2	1.9	123.4%
Cash and cash equivalents at 1 January	80.5	50.5	59.6%
Adoption of IAS 32 & IAS 39	(39.0)	0.0	
Cash and cash equivalents at 30 June	87.3	63.0	38.7%

Group – Balance Sheet



	H1 2005	H1 2004	Growth 2005 / 2004
	£m	£m	%
Property, plant, equipment	86.2	92.5	(6.7%)
Intangible assets	9.6	6.9	39.5%
Investments	0.2	3.7	(95.4%)
Deferred Tax Asset	1.5	3.1	(50.2%)
Non-current assets	97.5	106.1	(8.1%)
Inventories	88.2	119.9	(26.4%)
Trade and other receivables	388.3	361.0	7.6%
Prepayments	59.8	60.0	(0.5%)
Cash and short-term deposits	144.8	99.3	45.8%
Current assets	681.1	640.2	6.4%
Assets - non-current assets held for sale	0.0	9.2	(100.0%)
Total assets	778.6	755.6	3.0%
Total equity	316.0	301.6	4.8%
Provisions >1yr	14.7	14.6	0.6%
Other non-current liabilities	4.8	5.2	(7.3%)
Non-current liabilities	19.6	19.8	(1.4%)
Trade Payables	178.1	170.0	4.7%
Provisions <1yr	1.7	1.7	
Other Current Liabilities	263.3	255.1	3.2%
Current liabilities	443.0	426.8	3.8%
Liabilities - non-current assets held for sale	0.0	7.3	(100.0%)
Total liabilities	462.6	453.9	1.9%
Total equity and liabilities	778.6	755.6	3.0%

Group – Key Ratios



	Jun 2005	Jun 2004	Dec 2004
Stock (days)	20	25	26
Debtor (days)			
- IFRS	46	48	50
- UK GAAP	44	41	45
Creditor (days)	34	31	32
Working Capital (days)			
- IFRS	32	43	44
- UK GAAP	30	36	39



Operational Review

Mike Norris

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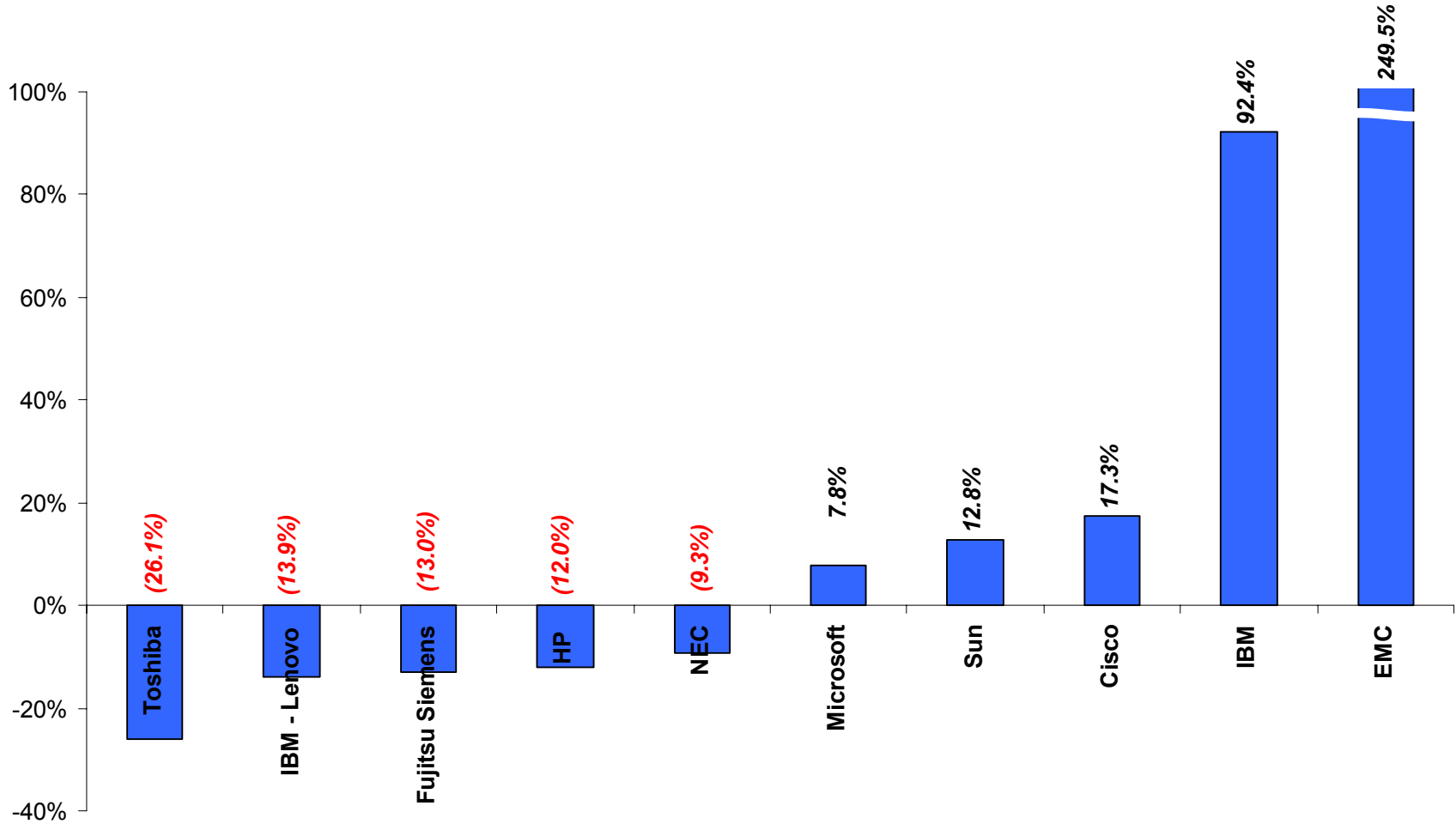
- **UK Product contribution will be down 27.7% or £18.2 million**
 - Product revenue down 9.6% (in real terms)
 - Reduction in vendor terms
 - Revenue down causes targets to be missed
 - Increased margin pressure from vendors direct
- **The UK Services Business grew slowly in H1**
 - MS still growing at >10% p.a. when smoothing peaks and troughs
 - New business wins that will start billing in H2 but nothing very large
 - Slow roll-out progress
 - 20% decrease in value of new 5-year Abbey contract to £12 million p.a.
 - Productivity improvements have caused revenue reductions with BT
 - Utilisation has been good, but not enough to dip into the contractor market place
 - Technical staff salary pressure

Revenue Split – UK

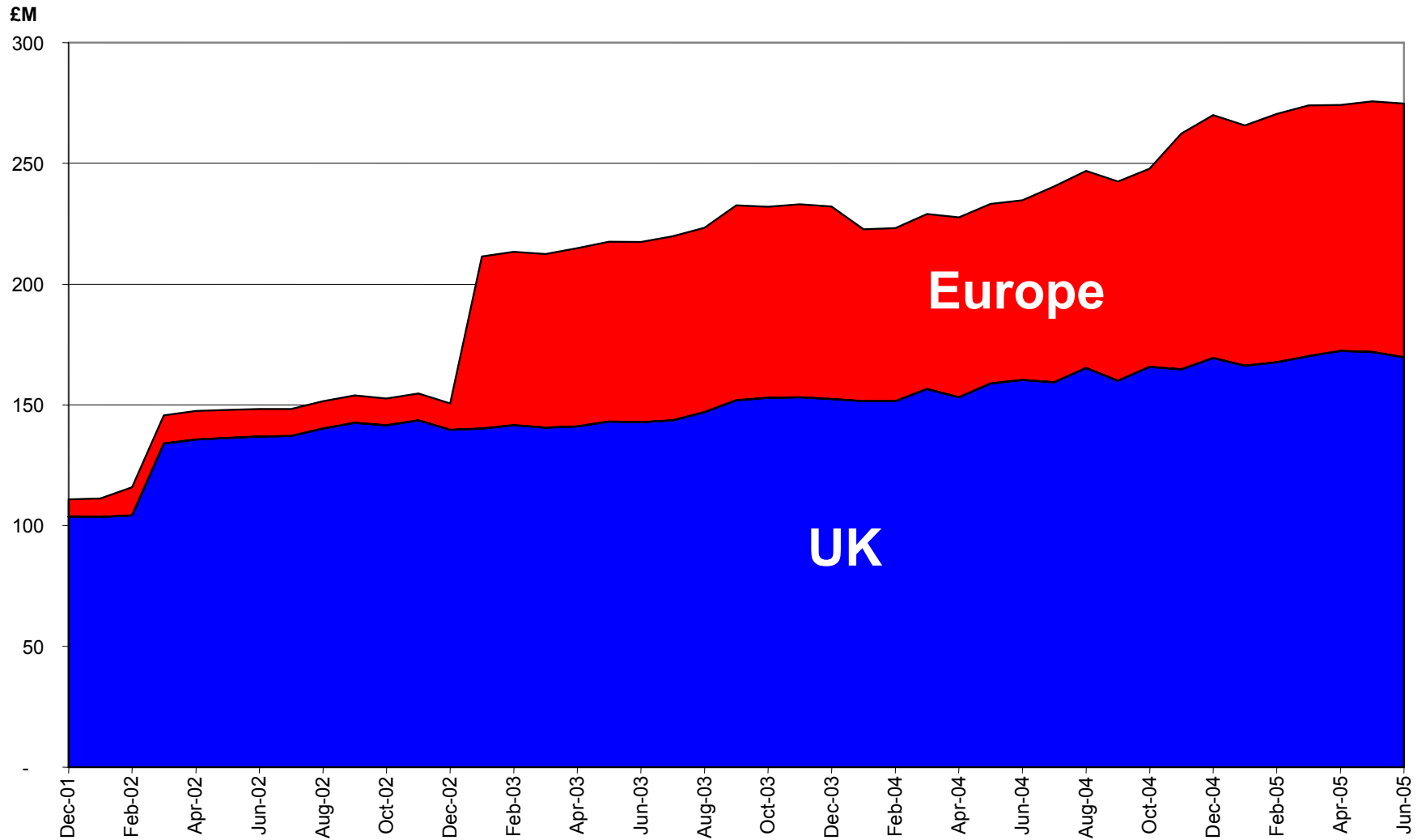


	<u>H1 2004</u>	<u>H1 2005</u>
Government	30.6%	29.5%
Financial Services	14.2%	14.8%
Corporate	15.0%	13.3%
Commercial	9.1%	8.1%
Scotland	12.4%	11.4%
Trade Distribution	18.0%	17.7%
CC Direct	n/a	2.2%
Other	0.7%	2.9%

Vendor Share Analysis – UK



Contract Base – UK





- **Germany has had a weak H1**

- Operating loss £1.5 million
- Re-organisation at the end of 2004 caused disruption early in 2005
- Product volumes were marginally down
- Product margins have shown some deterioration (lower enterprise mix)
- Service revenues have improved by 6.5%
- MS contract base grew by 5.7%
- Continued aggressive price pressure on Professional Services has led to lower services margin
- Major new contract has performed extremely poorly with a loss of €3 million



- **France has had an extremely poor financial result in H1 however underlying progress has been made**
 - Operating loss increased to £7.9 million
 - Revenue declined by 14.2%
 - Our largest customer of the last few years suspended all expenditure
 - Headcount reductions took place through a formal social plan
 - Overall headcount reduction of 100
 - Maintenance division is seeing strong underlying equity
 - Much improved cash management

Objectives of UK Strategic Review



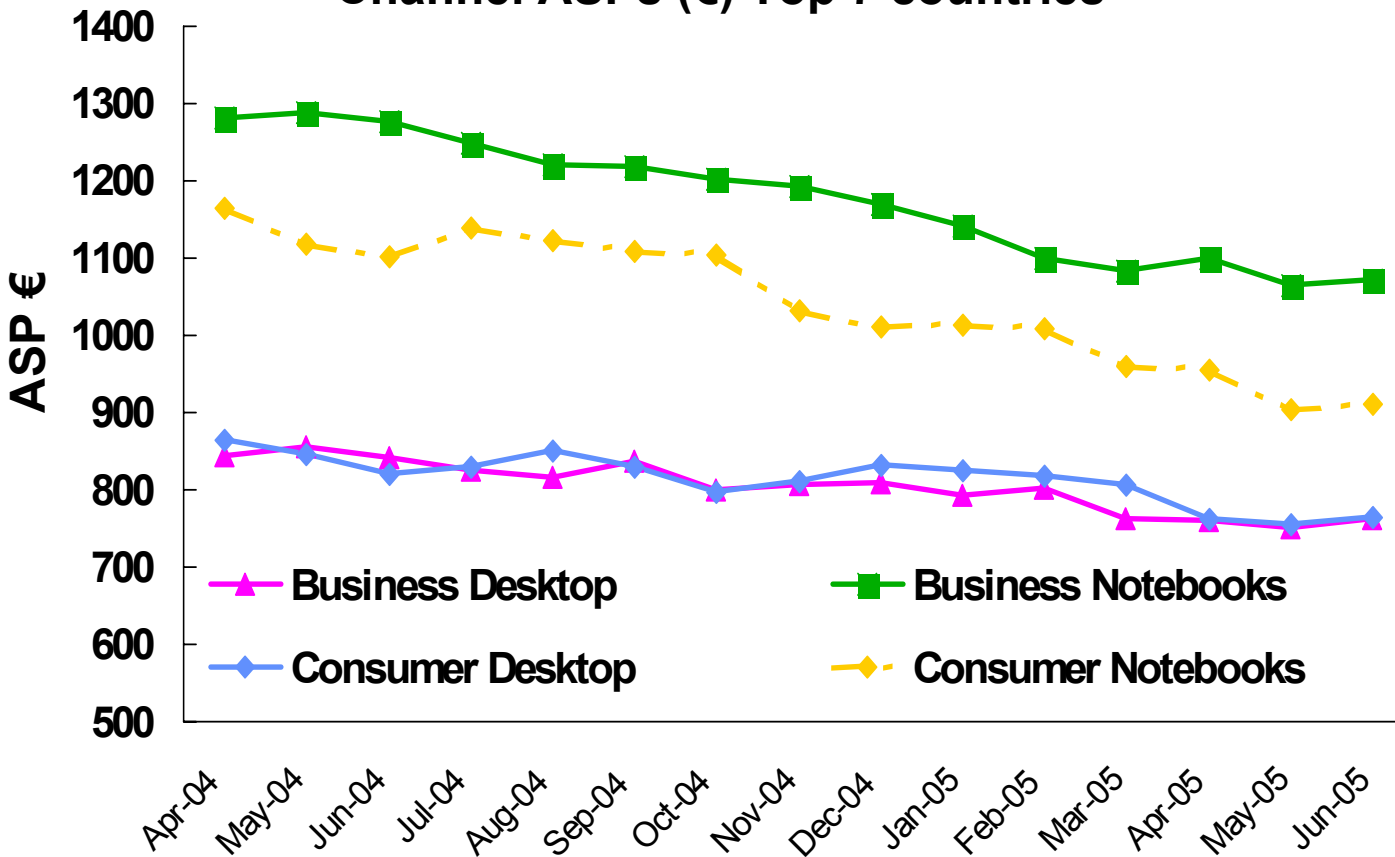
- **Accelerate top line growth**
 - Innovate propositions and introduce accountability
 - Increase penetration of large customer segment
 - Start serving medium* (and small) customers
- **Improve cost base**
 - Reduce cost of sales
 - Increase competitiveness of service delivery
 - Reduce cost of G&A
- **Enable performance improvement**
 - Greater separation into product and services

* We define medium as organisations with between 500 and 2,500 employees

Product Price Decline



Channel ASPs (€) Top 7 countries



•The Euro/US dollar exchange rate changes showed through at the end of the second quarter, with both consumer and business desktops the clearest sign so far that although prices may not yet be on the way up, the average decline has definitely slowed.



- **UK**

- July and August have not performed well
- Product revenue is difficult to predict as it becomes more end of quarter loaded
- Pricing pressure, vendors selling direct and lack of corporate investment look set to continue
- Improvement to the underlying contract base as contracts we have secured in H1 come on board
- Reductions in cost base will help performance but not dramatically



- **Germany**

- Improved performance in July and August
- H1's loss making contract should at least break even in H2
- Overall confidence improving marginally

- **France**

- Seasonal improvement
- MOD spending again
- No material redundancy costs
- Benefits of H1 cost saving
- Improving maintenance business



- Outlook for full year in line with expectations
- Major strategic reassessment undertaken in UK
 - Reorganisation now completed
 - Platform for growth and profit recovery
- Profit improvement efforts intensified in France and Germany
 - Focus on cost reduction
- Board considering best use of cash resources



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