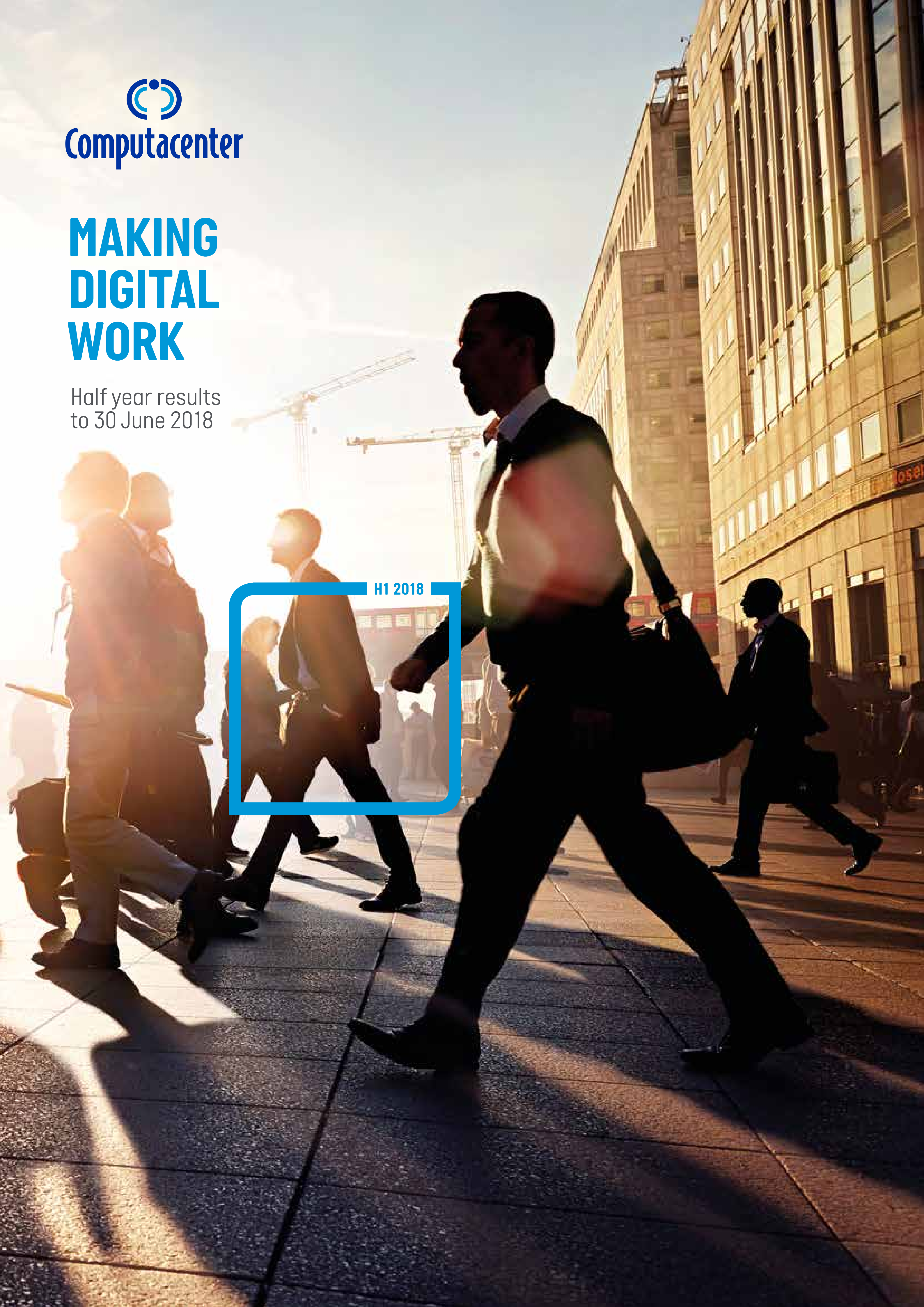
Computacenter

MAKING DIGITAL WORK

Half year results
to 30 June 2018

H1 2018



2018 interim highlights

Revenue (£m)

2,008.9

+18.1%

18	**2,008.9**
17	1,700.3

Dividend per share (pence)

8.7

+17.6%

18	**8.7**
17	7.4

Statutory profit before tax (£m)

52.0

+9.5%

18	**52.0**
17	47.5

Adjusted[1] profit before tax (£m)

52.1

+24.3%

18	**52.1**
17	41.9

Statutory diluted earnings per share (pence)

31.6

+11.7%

18	**31.6**
17	28.3

Adjusted[1] diluted earnings per share (pence)

32.7

+27.7%

18	**32.7**
17	25.6

Operational highlights

- Group revenues exceed £2 billion for the half, the first time this milestone has been reached in the first six months of a year. The Group's total revenues grew £309 million during the period, £288 million in constant currency[2];
- Germany delivers another strong performance with revenue growth of 11.4 per cent during the period driven by excellent Technology Sourcing sales leading to a 53.1 per cent increase in adjusted[1] operating profit, both on a constant currency[2] basis;
- The UK continued positive sales momentum with growth of 29.5 per cent in revenue during the period, albeit flattered by two very large margin-dilutive Technology Sourcing deals. These Technology Sourcing margin challenges, and several challenging Professional Services engagements, have resulted in an adjusted[1] operating profit of 20.6 per cent during the period; and
- France has successfully negotiated a difficult period of contract renewals, and the expiry of a significant Managed Services contract, with a revenue decline of 1.2 per cent contrasted by a 41.2 per cent increase in adjusted[1] operating profit, both on a constant currency[2] basis.

Who we are
Computacenter is a leading independent provider of IT infrastructure services.

Our ambition
To be the preferred IT provider, to enable users and their business in a digital world.

Our mission
Computacenter's mission is to maximise user productivity and the business value of IT, for enterprise and corporate organisations. In doing so, we deliver strong returns for our shareholders and enrich our employees' careers.

Strategic Report

Financial Statements

Making digital work
For Computacenter, making digital work has two meanings. First, it means we leverage innovation such as the cloud and analytics, for our customers' benefit. Second, we make sure new technology works with our customers' existing IT and that users actually adopt the change.

We make digital work across our customer base and our global footprint:
- For the CIO: We change, supply and manage our customers' IT infrastructure, to help save cost and free-up budgets for their digital transformation agenda
- For the users: We improve the experience of IT users and make them more productive by taking a user-centric approach
- For the business: We empower and protect our customers' IT, so they can secure and accelerate their business

1 Adjusted operating profit or loss, adjusted profit or loss before tax, adjusted tax, adjusted profit or loss for the period, adjusted earnings per share and adjusted diluted earnings per share are, as appropriate, each stated before: exceptional and other adjusting items including gain or loss on business disposals, gain or loss on disposal of investment properties, amortisation of acquired intangibles, utilisation of deferred tax assets (where initial recognition was as an exceptional item or a fair value adjustment on acquisition), and the related tax effect of these exceptional and other adjusting items, as Management do not consider these items when reviewing the underlying performance of the Segment or the Group as a whole. Additionally, adjusted gross profit or loss and adjusted operating profit or loss includes the interest paid on customer-specific financing (CSF) which Management considers to be a cost of sale. A reconciliation between key adjusted and statutory measures is provided on page 17 of the Group Finance Director's review. Further detail is provided within note 4 to the Condensed Consolidated Financial Statements.

2 We evaluate the long-term performance and trends within our strategic objectives on a constant currency basis. Further, the performance of the Group and its overseas Segments are shown, where indicated, in constant currency. The constant currency presentation, which is a non-GAAP measure, excludes the impact of fluctuations in foreign currency exchange rates. We believe providing constant currency information gives valuable supplemental detail regarding our results of operations, consistent with how we evaluate our performance. We calculate constant currency percentages by converting our prior-period local currency financial results using the current period average exchange rates and comparing these recalculated amounts to our current period results or by presenting the results in the equivalent local currency amounts. Wherever the performance of the Group, or its overseas Segments, are presented in constant currency, or equivalent local currency amounts, the equivalent prior-period measure is also presented in the reported pound sterling equivalent using the exchange rates prevailing at the time. 2018 interim highlights, as shown on the previous page, and statutory measures, are provided in the reported pound sterling equivalent.

3 Net funds includes cash and cash equivalents, CSF, other short or other long-term borrowings and current asset investments.

Chairman's statement

Managed for the long term

2017 was a record year for our Company in both revenue and profit, and we anticipate that 2018 will be even better. The first half has seen an increase in revenue of 18.1 per cent, to more than £2 billion, and an increase in adjusted[1] profit before tax of 24.3 per cent, to £52.1 million.

Our customers have shown confidence in our Company, with UK Technology Sourcing revenue soaring by more than 48 per cent, German Services revenue showing good growth of 6.8 per cent in constant currency[2] and French adjusted[1] gross profit growing by 14.2 per cent in constant currency[2]. We are pleased that one of our largest, and oldest, French customers has awarded us a new contract, after a very competitive tender.

As a result, we were able to announce increased expectations for the full year in our unscheduled Q2 Trading Update on 12 July 2018.

Our employees have delivered in no uncertain terms over many years and their contribution is reflected in Computacenter receiving, from a leading industry publication, the TechMarket View 'Boring Company' award, for ten years of continuous EPS growth. I thank them for their performance in the first half of this year, which has resulted in an increase in revenue of some £300 million, on top of last year's increase of £548 million for the full year. They are to be congratulated!

The Company returned a combined circa £121.1 million from the 2017 final dividend and the Return of Value Tender Offer, both completed during the period.

We are very pleased with our progress but not satisfied, so we continue to invest for our future and are redoubling our efforts to improve everything we do.

Thank you for being shareholders in our Company. I hope you stay with us for the long term.

Greg Lock
Chairman
24 August 2018

Our interim performance in 2018

Continuing to invest in our capabilities

Financial performance

The Group's revenues increased by 18.1 per cent to £2,008.9 million (H1 2017: £1,700.3 million) and were 16.8 per cent higher in constant currency[2].

The Group made a statutory profit before tax of £52.0 million, an increase of 9.5 per cent (H1 2017: £47.5 million). The Group's adjusted[1] profit before tax increased by 24.3 per cent to £52.1 million (H1 2017: £41.9 million) and by 23.8 per cent in constant currency[2].

The difference between statutory profit before tax and adjusted[1] profit before tax primarily relates to the Group's reported net loss of £0.1 million (H1 2017: gain of £5.6 million) from exceptional and other adjusting items. Further information on these can be found on page 18. With the increase in the Group's overall profitability, statutory diluted earnings per share increased by 11.7 per cent to 31.6 pence for the period (H1 2017: 28.3 pence). Adjusted[1] diluted earnings per share, the Group's primary measure, increased by 27.7 per cent to 32.7 pence (H1 2017: 25.6 pence) in the first half of 2018.

The six months of trading to 30 June 2018 showed considerable progress in Computacenter's adjusted[1] profitability and even further progress in adjusted[1] earnings per share, following the Return of Value Tender Offer completed in February 2018. The improvement on the prior period was principally driven by the German business, with the strong UK revenue performance in Technology Sourcing somewhat constrained by declining Services revenues and reduced margins in both Technology Sourcing and Professional Services, particularly through the known incremental low margin one-off opportunities.

As noted in our unscheduled Q2 Trading Update on 12 July 2018, the Group's first half performance was ahead of the revised expectations we set out at the time of our Q1 Trading Update on 27 April 2018.

We reiterate that, whilst the pleasing performance in the first half has set a good platform for the full year, there remains a significant amount to do in the second half to meet our recently upgraded expectations, and to beat the second half of 2017, which is a more difficult comparison than the first half of the year.

Segmental reporting structure changes

During the first half of the year, Management reviewed the way it reported segmental performance to the Board and the Chief Executive Officer, who is the Group's Chief Operating Decision Maker ('CODM'), to determine whether it could improve the transparency and understandability of the trading performance of its core Group Operating Model geographies. As a result of this analysis, and as endorsed by the Audit Committee, the Board has decided to adopt a new segmental reporting structure from the period ended 30 June 2018.

In accordance with IFRS 8 Operating Segments, the Group has identified four revised operating segments:

- UK;
- Germany;
- France; and
- International.

As the location of the Group's headquarters, the UK entity has also borne an increasing share of corporate costs since the rollout of the Group Operating Model from 2013. Certain expenses such as those for the Board itself and related public company costs, Group Executive members not aligned to a specific geographic trading entity and the cost of centrally funded strategic corporate initiatives that benefit the whole Group, are not allocated to individual segments because they are not directly attributable to any single segment. Accordingly, these expenses are disclosed as a separate column, 'Central Corporate Costs', within the segmental note.

Under the previous segmental reporting structure, the UK segment included a number of other operating entities, primarily international Global Service Desk locations. Whilst these entities have limited external revenues, and a cost recovery model that suggests better than breakeven margins to ensure compliance with transfer pricing regulations, this generated unnecessary complexity when presenting the UK results to the Board and the CODM, with the growth in the number and scale of these other operating entities blurring the underlying performance of the core geography over time. The revised UK segment now only comprises the trading performance of Computacenter UK.

The German segment has been revised to remove the independently run Computacenter Switzerland operation, including cITius, which has been transferred to the International segment, leaving the German country trading operations standing alone.

The new International segment replaces the Belgian segment and includes the Belgium, Switzerland, USA and TeamUltra trading operations, along with the international Global Service Desk locations in South Africa, Spain, Hungary, Mexico, Poland, Malaysia, India and China. The International segment has been created to reflect the Group's ambitions to continue to expand its worldwide footprint. This includes expanding trading operations into new geographic locations, both within our Western European heartland and beyond, and the need to continue to identify talent-rich offshore locations, to ensure that we can remain both cost and resource competitive in the Services marketplace.

The French segment remains unchanged from that reported at 31 December 2017.

This new segmental reporting structure is the basis on which internal reports are provided to the Chief Executive Officer, as the CODM, for assessing performance and determining the allocation of resources within the Group.

Segmental performance is measured based on external revenues, adjusted[1] gross profit, adjusted[1] operating profit and adjusted[1] profit before tax.

The change in segmental reporting has no impact on reported Group numbers.

Further information on this segmental restatement can be found in note 5 to the Condensed Consolidated Financial Statements where, to enable comparisons with prior period performance, historical segment information for the periods ended 30 June 2017 and 31 December 2017 are restated in accordance with the revised segmental reporting structure. All discussion within this Interim Report and Accounts on segmental results reflects this revised structure, the reclassification of Central Corporate Costs and the resultant prior period restatements.

Services performance

The Group's Services revenue increased by 2.3 per cent to £574.8 million (H1 2017: £562.1 million) and was up 1.4 per cent on a constant currency[2] basis. Within this, Group Professional Services revenue increased by 3.0 per cent to £156.6 million (H1 2017: £152.0 million), and by 1.8 per cent on a constant currency[2] basis, whilst Group Managed Services revenue increased by 2.0 per cent to £418.2 million (H1 2017: £410.1 million), and by 1.2 per cent on a constant currency[2] basis.

UK Services revenue reduced during the first half of 2018, with both Professional Services and Managed Services activity reducing by a similar proportion. Professional Services faced a difficult comparative against 2017, with the prior period including one engagement that provided significant revenue. This year has seen lower H1 volumes, however the forward order book for H2 is rebuilding promisingly. Several Transformation projects during the period experienced unplanned cost overspends, which constrained Services margins. The Managed Services business continued to defend its Contract Base by renewing and extending key contracts. Whilst renewals are always pleasing, as they validate the efficacy of incumbency and the 'stickiness' of our strategic approach, the business did not win a number of tenders for new business and this remains the focus during the rest of the year. Managed Services margin performance largely met expectations, apart from significant overspend on one Public Sector contract that again impacted overall Services margins.

The German Services business continued to support the Group's top line growth in this area. Demand for our Professional Services business was weak during the first quarter of the year but recovered strongly in the second quarter and benefited from a weak prior-period comparative. A significant number of Professional Services resources have been deployed to assist with technical challenges on difficult Managed Services contracts. This, along with the shortage of appropriately skilled resource in the marketplace, has constrained Professional Services growth. The Managed Services business saw good growth from prior-period contract wins and continued to attract new customers during the first half of the year. We have previously reported a number of significant and complex Entry into Service projects that are now complete, with these contracts successfully entering the 'run' phase. However a number of contracts, including more recent wins, continue to disappoint, restricting an otherwise successful six months for the business. Margins have improved, in spite of the challenges, but this is against a weak comparative period.

Our French Services business successfully negotiated a first half made difficult by the loss of a significant Services customer and the renewal, at reduced margins, of a significant Managed Services contract. The business has redeployed resources that were engaged on this contract that it lost. The Global Services Desk operation in Montpellier, which only opened in 2015, continues to be one of the Group's leading facilities and is a core part of the French business's value proposition.

Overall Group Services margins declined by 80 basis points during the first half of the year, when compared to the prior period.

Technology Sourcing performance

Technology Sourcing is the new name for the Business Line previously referred to as Supply Chain.

Our Technology Sourcing and lifecycle management services are fundamental parts of our offering for our customers. Reselling leading manufacturers' hardware and software products enables us to 'Source & Deploy' technology solutions for customers, and underpins our Professional Services and Transformation solutions. Most customers require a comprehensive solution, combining our services with the systems they need to meet their IT and business objectives. Our ability to seamlessly integrate vendor technology into our solutions for customers is therefore critical.

The Group's Technology Sourcing revenue increased by 26.0 per cent to £1,434.1 million (H1 2017: £1,138.2 million) and by 24.3 per cent on a constant currency[2] basis.

As noted in our Q1 Trading update on 27 April 2018, this revenue performance was flattered by a one-off software licence sale in the UK of £34.1 million, at very low margins. This deal, along with a further very similar deal in the UK of £36.7 million in Q2 2018 and generally lower margins as the UK business has increased its Software volumes, has reduced the Technology Sourcing margin performance of the UK business, resulting in contribution growth significantly lagging the spectacular increase in revenue.

The Technology Sourcing business in Germany saw significant growth during the period, following an already pleasing performance in the prior period. This business underpinned the Group's performance throughout the first half of the year. The growth continued to be dominated by the performance of both our Public Sector business and a hyper-scale data center customer. With growth across other sectors and portfolios more in line with expectations, overall growth could reduce if the Public Sector business returns to more normal patterns of growth or if volumes reduce for this data center customer. Technology Sourcing margins improved even further from the already Group-leading position in the prior period, driven by the change in product mix to items with significant Technology Sourcing value-add.

French Technology Sourcing revenues showed encouraging growth, at better margins, as the widening portfolio of target customers offset reduced activity by one of the business's largest Technology Sourcing customers. This key Public Sector account saw reduced volumes, as it went through an extensive rebid process that saw us retain the account once again. We expect volumes on this key account to return to a normal pattern towards the end of the year.

Overall Group Technology Sourcing margins were flat during the first half of the year, when compared to the prior period.

Outlook

The Board's outlook remains in line with its expectation which was upgraded on 12 July 2018. While the second half of the year is a more difficult comparison to the first half, due to the outstanding performance in H2 2017, 2018 is proving to be a year of significant progress particularly for our Technology Sourcing business.

The buoyant market conditions are being driven by a number of factors specifically, but not limited to, the need to increase network capacity, the constant need for enhanced cyber security, workplace upgrades and a move to the cloud. While it is impossible to predict how long these buoyant market conditions will continue, most of these drivers have significant momentum.

As always Computacenter will continue to focus on the long term, investing in our business, innovating our offerings and enhancing our customer service. It is through delivering increased value and competitive offerings to new and existing customers which enables us to deliver shareholder value over the long term.

Mike Norris
Chief Executive Officer
24 August 2018

United Kingdom

Revenue (£m) **29.5%**

858.1m

Adjusted[1] operating profit (£m) **20.6%**

25.8m

Financial performance

Revenues in the UK business increased by 29.5 per cent to £858.1 million (H1 2017: £662.8 million).

The UK performance was driven by Technology Sourcing, with strong revenue growth ahead of a buoyant market, particularly in Software. The change in product mix reduced Technology Sourcing margins compared to the first half of 2017.

Services revenues declined during H1, with isolated delivery challenges which impacted our Professional Services return, but pleasingly our committed forward order book has increased significantly, as we secured a number of large Transformation programmes. These will be delivered in the second half of the year and beyond.

Adjusted[1] gross profit grew by 7.5 per cent to £99.4 million (H1 2017: £92.5 million). This performance exceeded our expectations, despite some challenging Professional Services engagements.

Administrative expenses increased by 3.5 per cent to £73.6 million (H1 2017: £71.1 million), due to increasing variable remuneration and a continuing focus on tactical investment plans as we look to enhance our capabilities.

This resulted in adjusted[1] operating profit growing by 20.6 per cent to £25.8 million (H1 2017: £21.4 million).

Overall, the performance in the first half has given us a solid foundation for the year. We have a significant amount of work to do but the continued momentum in our Technology Sourcing business and a more favourable comparative in our Services business in H2 should put us on course to deliver in line with our expectations for 2018 as a whole.

Services performance

Services revenue declined by 4.5 per cent to £225.1 million (H1 2017: £235.6 million). This resulted from a decline in Professional Services of 5.3 per cent to £60.7 million (H1 2017: £64.1 million) and a decline in Managed Services of 4.1 per cent to £164.4 million (H1 2017: £171.5 million). Services margins declined by 170 basis points.

The overall Services performance was disappointing. Our Professional Services business has encountered two particularly challenging projects that have required additional resources to ensure that they

Neil Hall
Managing Director, UK

Members of the UK Country Unit Management Team

remain on track and that we deliver on our promises. One of the projects has been concluded commercially and the other remains under contractual negotiation. This has resulted in lower margin performance against a strong H1 2017 performance, with two particularly large non-repeatable projects which were completed. The outlook for H2 is more encouraging, as we see an increasing demand for our Transformation services, particularly driven by the need for our customers to migrate their workplace environments to the latest Windows platform and their desire to enhance their employee engagement.

We entered 2018 with several known headwinds in our Managed Services business but have continued to renew and extend key contracts, as well as transition new customers into our Services Contract Base. We previously highlighted a material contract with an international client that had decided to insource its operations but pleasingly we have secured a large element of its business in the customer's new operating model. The retention and expansion of core Managed Services contracts typically helps drive our overall business, as customers ask us to deliver associated Transformation activity and also leverage our Technology Sourcing capability. Whilst renewal activity has been positive, we remain very focused on a small number of strategic opportunities, that will conclude in H2, to stabilise the Contract Base.

We also continue to invest in and develop our operating models and practices for efficiency, with our customers increasingly leveraging centrally delivered shared services where possible, as they strive to minimise operational expenditure.

Technology Sourcing performance

Technology Sourcing revenue increased by 48.2 per cent to £633.0 million (H1 2017: £427.2 million).

The Technology Sourcing business saw an extremely strong performance in the first half of 2018 across all industry sectors. We benefited from significant investment by our customers, as they continue to digitise their operations and modernise their infrastructure. We saw particular growth in our Software business, with customers seeking to simplify their operations by consolidating to fewer technology partners, resulting in long-term commitments and larger transactions. This resulted in Software revenue growth of 160 per cent in H1 2018, compared to the prior period. It is also pleasing that our growth was achieved across all of our business lines, with expenditure in Workplace, Networking, Data Center and Security continuing to be a key focus for customers.

We also experienced increasing utilisation of our financing solutions, enabling our customers to continue their investment in line with their budget plans. We expect this trend to continue into the second half and it gives us confidence for the full year and beyond.

Technology Sourcing margins declined by 80 basis points compared to the prior period, with the move towards lower margin software as highlighted above. This was accentuated by two very large transactions, one in the first quarter, and another in the second, that were processed at low margins and thus have a disproportionate dilutive impact. Throughout the first half of the year, Management has initiated a number of activities to improve the underlying efficiency and effectiveness of the Technology Sourcing business. The benefit of these should be seen in the remainder of 2018, as we look to improve the underlying margin return whilst further improving the experience we deliver to our customers.

Germany

Revenue (€m) **11.4%**

984.1m

Adjusted[1] operating profit (€m) **53.1%**

36.6m

Financial performance

Total revenue increased by 11.4 per cent to €984.1 million (H1 2017: €883.2 million) and by 13.9 per cent in reported pound sterling equivalents[2].

Ongoing demand for infrastructure replacement and refreshes and the implementation of new technologies drove Computacenter's Technology Sourcing growth in Germany. The local economy remained robust, encouraging customers to invest in innovation and the associated underlying infrastructure. Services growth, whilst satisfactory, did not keep pace and could have been stronger. The lack of available resources across the German employment market remains a growth inhibitor. This will drive us to move activities to more near and offshore locations in the future.

Adjusted[1] gross profit grew by 14.0 per cent to €124.7 million (H1 2017: €109.4 million) and by 16.5 per cent in reported pound sterling equivalents[2].

Administrative expenses increased by 3.0 per cent to €88.1 million (H1 2017: €85.5 million), and by 5.4 per cent in reported pound sterling equivalents[2]. This increase was below expectations and remains an area of Management focus. We kept our salesforce headcount flat, despite the revenue growth, but we are now investing in areas where we need new talent and special skills. Indirect cost growth remains tightly controlled.

Adjusted[1] operating profit for the German business increased by 53.1 per cent to €36.6 million (H1 2017: €23.9 million) and by 55.6 per cent in reported pound sterling equivalents[2].

Overall, the first half performance was pleasing. Growth was good compared to the comparative period and well above our already demanding expectations. Whilst market conditions look set to remain buoyant for Technology Sourcing, the second half comparative will be difficult to grow from. The Services pipeline remains strong but will require the onboarding of new personnel to satisfy customer demand, which remains challenging. Whilst the economy continues to drive forward, the political environment in Germany and the European Union could lead to a premature curtailment of local economic growth.

Services performance

Services revenue grew by 6.8 per cent to €304.6 million (H1 2017: €285.3 million) and by 9.3 per cent in reported pound sterling equivalents[2]. This included Professional Services growth of 4.8 per cent to €90.8 million (H1 2017: €86.6 million), an increase of 7.2 per cent in reported pound sterling equivalents[2], and Managed Services growth of 7.6 per cent to €213.8 million (H1 2017: €198.7 million), an increase of 10.1 per cent in reported pound sterling equivalents[2].

Reiner Louis
Managing Director, Germany

Members of the German Country Unit Management Team

Services revenue growth was pleasing in the context of significantly higher market demand but performance was held back by resource shortages, especially in the Professional Services areas of engineering and consultancy. In addition, we had to put more staff into new Managed Services contracts, to stabilise and fix technical challenges during the Entry into Service phase. Overall Professional Services growth for the first half of the year was therefore in line with expectations, with modest growth compared to the same period last year. Managed Services growth was good, benefiting from last year's wins and additional growth within existing contracts.

Our teams successfully finalised a Transformation on the renewal of our biggest networking operating contract. This included successfully shifting to an Indian offshore solution, which gives us confidence to use this offshore capability for future new business. We also made a good start to a workplace Transformation for an international industrial customer, with 15,000 seats. This included fully implementing a Windows 10 and Office 365 cloud infrastructure and managing it afterwards. We are on the way to finalising the Transformations of three other major contracts. Two of these are new wins and the third is a renewal with a large and innovative refresh. All three contracts place heavy demand on skills and resources in certain technical areas. As they come to an end, this should give us more resources, capabilities and flexibility for upcoming new deals.

Our Professional Services business had a weak Q1, but a much better Q2, when it saw significant growth. Overall performance in the first half was in line with expectations. We are seeing increasing demand from customers for Windows 10 proof of concepts, migrations and rollouts. We should benefit from this in the second half and in 2019. Cloud enablement, networking infrastructure services and substantial demand in various security areas are also driving the business. New wins and existing framework contracts, especially in the Public Sector, give us the opportunity for further growth, which is only limited by resource capacity. Our infrastructure consultancy practice remained in high demand due to its skillset and this looks set to continue. However, the ongoing high demand for skills and personnel across Germany makes the environment challenging for us and rest of the market.

Services margins were affected by Entry into Service and Transformation cost overruns for new deals and by a small group of underperforming contracts. We were aware that these underperforming contracts would affect Services margin in the first half and, overall, we ended up with a Services margin 60 basis points higher than in the same period last year. Whilst slightly above expectations, the Services margin is still below the level we should achieve, due to the financial underperformance of these contracts.

Technology Sourcing performance

Technology Sourcing revenue grew by 13.6 per cent to €679.5 million (H1 2017: €597.9 million) and by 16.1 per cent in reported pound sterling equivalents[2].

We saw strong demand in Workplace infrastructure refreshes, initiated by Windows 10 projects and implementations. Cloud, Security and Networking demand provided further growth. In addition, we saw exceptional growth in the Data Center market, with broad customer investments in private and hybrid cloud infrastructures and the benefit of one hyper-scale customer, as we built and expanded the cloud infrastructure for its software platforms. The Public Sector grew during the first half but this was constrained by the delay in approval for the Federal budget, presenting opportunities to catch up in the second half of the year. Networking and Security were slightly behind our growth expectations. The focus in Networking is on refreshing the infrastructure and preparing for the future, with more demand being created by increasing public and hybrid cloud usage. Security remains a growth-generating decision point for customers, across all hardware and software investments. Technology Sourcing margins remained strong and were up by 30 basis points over the same period last year.

We made good progress with the new Integration Center in Kerpen, which we will use for warehousing, configuration and logistics. Our plan to prepare and move into the new facility towards the end of the year is on track. The facility is approximately 30,000m^2, giving us more space and flexibility for the future, especially for the huge Workplace rollouts and complex Data Center integration projects that we are increasingly seeing. The associated office being built on the same site for 650 people is also on schedule and will be ready for occupation in early 2019.

France

Revenue (€m) **-1.2%**

262.2m

Adjusted[1] operating profit (€m) **41.2%**

2.4m

Financial performance

Total revenue decreased by 1.2 per cent to €262.2 million (H1 2017: €265.5 million). In reported pound sterling equivalents[2], total revenue was up 0.9 per cent.

With the French business having exceeded our expectations in 2017, we were pleased that the first half of 2018 matched the comparative period from the prior year. The business had a challenging set of expectations for the first half, with slowdowns in several key contracts during their renewals, including the largest Technology Sourcing framework contract in France. Technology Sourcing margins were higher than in the first half of last year and in line with those seen in the second half of 2017, compensating for a large Services contract expiry and allowing the business to both stabilise and add further new Services and Technology Sourcing customers.

Overall adjusted[1] gross profit grew by 14.2 per cent to €27.4 million (H1 2017: €24.0 million) and by 16.4 per cent in reported pound sterling equivalents[2].

Whilst French headcount has remained flat, we have transformed the structural makeup of the workforce. Over the last four years, engineering roles have decreased by one third and Managed Services operations roles have nearly quadrupled. We have invested in resources to support our development of Solutions and Services for our target customers. Our Private Sector organisation was also realigned to our core target customers, giving us better focus on their needs. This will help us to retain and maximise our relationship with them over the long term, with the objective of increasing the number of customer accounts with contributions of over £1 million, in line with the Group's full year strategic objectives. Whilst Management continued to focus on cost control within the French business, these investments resulted in administrative expenses increasing by 12.1 per cent to €25.0 million (H1 2017: €22.3 million), and by 14.6 per cent in reported pound sterling equivalents[2]. The business has launched a recruitment drive for sales specialists in the second half of the year, to further support our long-term development plan and enable us to exploit addressable opportunities within the marketplace.

Adjusted[1] operating profit for the French business increased by 41.2 per cent to €2.4 million (H1 2017: €1.7 million), and by 40.0 per cent in reported pound sterling equivalents[2].

Members of the French Country Unit Management Team

The strong comparative period means the second half of the year remains challenging but we are pleased with the business's resilience, as it continues to develop its breadth of customers, to increase stability and the potential for growth.

Services performance

Services revenue declined by 11.8 per cent to €54.8 million (H1 2017: €62.1 million) and by 9.6 per cent in reported pound sterling equivalents[2]. Professional Services declined by 13.7 per cent to €10.1 million (H1 2017: €11.7 million), which was a decrease of 11.9 per cent in reported pound sterling equivalents[2]. Managed Services declined by 11.3 per cent to €44.7 million (H1 2017: €50.4 million), a decrease of 9.0 per cent in reported pound sterling equivalents[2].

As previously reported, the expiry of a large Managed Services contract at the end of 2017 materially impacted the top line of the Services business. The contract itself was relatively low margin compared to the rest of the Contract Base, so the impact on overall Services gross profit was not as pronounced. Another key Managed Services contract was also renewed during the period, which suppressed revenue and margins whilst the contract was reconfigured as part of the renewal process.

We were pleased with our recent wins, with contracts in both Professional Services and Managed Services with customers who are new to the Group and within our target market of large Private and Public Sector organisations. This has given the business real resilience and reduced the over-reliance on several key customers. These wins, and the current pipeline, make us confident of further Managed Services growth in the near term.

We signed several large Windows 10 implementation and Transformation projects, which will have a positive impact on our Project and Consultancy practices in the second half of 2018 and into 2019. We see rising demand for these Windows 10 and Workplace Transformation projects from new pipeline prospects within our target operating segment, as well as additional Professional Services opportunities generated by pull-through from our expanding Managed Services customer base.

Services margins increased by 30 basis points over the same period last year, due primarily to the expiry of the previously mentioned low margin large Managed Services contract.

Technology Sourcing performance

Technology Sourcing revenue grew by 2.0 per cent to €207.4 million (H1 2017: €203.4 million) and by 4.1 per cent in reported pound sterling equivalents[2].

We saw lower than expected activity from our largest Technology Sourcing customer, impacting mainly in software. We are, however, pleased that one of our oldest and largest framework contracts has now renewed after a lengthy process. Over performance from new customer wins within our target market of large Private and Public Sector organisations helped to stabilise overall Technology Sourcing revenues and, more importantly, produced a more favourable product mix, with an increase in Data Center and Networking solutions revenues.

As usual at this time of year, there is still much work to do to secure Technology Sourcing business in the second half and traditionally there is considerable focus on the last quarter of the year. With a positive economic climate in France, a strong short-term pipeline and the recent wins of some high-volume framework tenders in the Public Sector, we are optimistic about our chances of exceeding the overall Technology Sourcing revenue achieved in 2017.

Technology Sourcing margins increased by 190 basis points, due to the marked change in product mix towards higher-value product with more value-added Technology Sourcing activities, and less Software. We expect margins to reduce slightly from this level during the remainder of the year, as the new framework contract with our largest Technology Sourcing customer starts to come into operation.

International

Revenue (£m) **11.3%**

54.1m

Adjusted[1] operating profit (£m) **-32.0%**

3.4m

International segment

The new International segment comprises a number of trading entities and offshore Global Service Desk delivery locations.

The trading entities include TeamUltra, based in Surrey, UK, which is a ServiceNow consultancy; Computacenter USA, which provides local services to the American subsidiaries of a number of large Western European Group customers; Computacenter Switzerland, which is an independent business providing predominately Services and some limited Technology Sourcing activity to large local Swiss financial services customers; and Computacenter Belgium.

These trading entities are complemented by the offshore Global Service Desk entities in Spain, Malaysia, India, South Africa, Hungary, China and Mexico which have limited external revenues.

On top of their operational delivery capabilities, the Belgian and Swiss entities have in-country sales organisations, which enable us to engage with local customers. Our ambition is to grow other entities in the International segment with similar in-country sales structures and to develop new geographies over time, either organically or through selective acquisitions.

Financial performance

Revenues in the International business increased by 11.3 per cent to £54.1 million (H1 2017: £48.6 million) and by 14.4 per cent in constant currency[2].

Adjusted[1] gross profit increased by 0.6 per cent to £15.5 million (H1 2017: £15.4 million), and by 2.6 per cent in constant currency[2].

Administrative expenses increased by 16.3 per cent to £12.1 million (H1 2017: £10.4 million) and by 18.6 per cent in constant currency[2].

Overall adjusted[1] operating profit reduced by 32.0 per cent to £3.4 million (H1 2017: £5.0 million) and by 30.6 per cent in constant currency[2].

Lieven Bergmans
Managing Director, European Development

Services performance

Services revenue increased by 20.1 per cent to £33.4 million (H1 2017: £27.8 million) and by 28.0 per cent in constant currency[2]. This included a Professional Services increase of 115.2 per cent to £7.1 million (H1 2017: £3.3 million), which was an increase of 121.9 per cent in constant currency[2], and a Managed Services increase of 7.3 per cent to £26.3 million (H1 2017: £24.5 million), an increase of 14.8 per cent in constant currency[2].

The Swiss operations saw a strong increase in Professional Services revenues and profitability. Local customers in the Managed Services business increased the scope of existing engagements and provided additional assignments, leading to further growth. In a highly competitive market, the acquisition of cITius in January 2017 has been a success in expanding our Professional Services product portfolio and achieving growth in this area. Opportunities are apparent, particularly in the Windows 10 implementation pipeline. Finally, there has been a noticeable increase in activity with global Group customers, who are looking to Computacenter Switzerland to meet their local requirements in Switzerland.

The Belgian organisation is now entirely integrated into the Computacenter Group Operating Model. The business remains focused on leveraging this to strengthen its Managed Services pipeline, utilising the compelling competitive advantage of the Group's scale, especially around End User Computing. To achieve its growth ambitions, Management continues to develop skills both internally and through the acquisition of new talent, in a competitive market.

The American business continued on its development path with several important milestones during the first half of 2018. We expanded the Managed Services contracts of two significant Group customers into a global scope, with the US being the single largest delivery location for these customers outside their European headquarters. In addition, we continued to invest in our near-shore Global Service Desk location in Mexico City which, since going live in 2016, has exceeded service level and financial performance targets.

Technology Sourcing performance

Technology Sourcing revenue, driven primarily out of Belgium, decreased by 0.5 per cent to £20.7 million (H1 2017: £20.8 million) and by 2.4 per cent in constant currency[2]. There were pleasing results within Workplace Technology Sourcing.

Group Finance Director's review
Maximising shareholder value

The Group result was underpinned by the continuing strength of the German business, particularly in Technology Sourcing, and an increased customer breadth in France. This offset a somewhat disappointing UK bottom-line result, when compared to the overall revenue growth.

The Technology Sourcing performance in Germany was the story of 2017 and this business continued to dominate the Group's results in the first half of 2018. It was well supported by similarly strong Technology Sourcing growth in both the UK and France, as customers invested in new technology, in particular in Workplace and Data Center.

UK Technology Sourcing margins were disappointing. They were impacted by two significant and very low margin software deals in the Software Security line of business. These deals are becoming more common, driven by the strength of our leasing and financing business and, whilst profitable, are margin dilutive. Notwithstanding this, they remained depressed against prior periods and much remains to be done to restore them to the levels seen in France and Germany where these types of deals are more rare or where Software sales are a decreasing part of the product mix.

The Group's Services margins were constrained by a number of Professional Services engagements and Managed Services contracts in the UK and, to a lesser extent, Germany. The one-off growth in Professional Services in the UK last year reversed, as the significant engagement completed. Demand for our Professional Services resources in Germany continued to outstrip our capacity to service new customers and to assist with difficult Entry into Service engagements in Managed Services.

Overall, we remain pleased with the performance of the business. Concerns remain about the concentration of Technology Sourcing growth across several key accounts in Germany and the erosion of margins in the UK. We are pleased with the ability of the French business to weather, so far, what we always expected to be a difficult transitional year, with the expiry of a key contract and several key renewals.

At a Group level, we remain concerned about the overall lack of growth in the Managed Services business, which is attributable to a lack of competitiveness in both pricing and technological innovation within the offerings. Whilst the Technology Sourcing business continues to provide significant growth opportunities, we are conscious that the market buoyancy is unlikely to last for a very long period. We are using this opportunity to make significant investment to improve the competitive positioning of our Managed Services business.

A reconciliation between key adjusted[1] and statutory measures is provided on page 17 of this Group Finance Director's review. Further details are provided in note 4 to the Condensed Consolidated Financial Statements, Adjusted measures. For the avoidance of duplication, further information on the Group's financial performance can be found on pages 5 to 15 of this Strategic Report.

Tony Conophy
Group Finance Director

Reconciliation from statutory to adjusted[1] measures for the period ended 30 June 2018

		Adjustments			
	Statutory results £'000	CSF interest £'000	Utilisation of deferred tax £'000	Exceptionals and others £'000	Adjusted[1] results £'000
Revenue	**2,008,904**	–	–	–	**2,008,904**
Cost of sales	**(1,760,094)**	(123)	–	–	**(1,760,217)**
Gross profit	**248,810**	(123)	–	–	**248,687**
	–	–	–	–	**–**
Administrative expenses	**(196,586)**	–	–	–	**(196,586)**
Amortisation of acquired intangibles	**(119)**	–	–	119	**–**
Exceptional items	**–**	–	–	–	**–**
Operating profit	**52,105**	(123)	–	119	**52,101**
Finance revenue	**626**	–	–	–	**626**
Finance costs	**(738)**	123	–	–	**(615)**
Profit before tax	**51,993**	–	–	119	**52,112**
Income tax expense:					
Before exceptional items	**(15,190)**	–	1,109	(16)	**(14,097)**
Exceptional items	**–**	–	–	–	**–**
Profit for the period	**36,803**	–	1,109	103	**38,015**

Reconciliation from statutory to adjusted[1] measures for the period ended 30 June 2017

		Adjustments			
	Statutory results £'000	CSF interest £'000	Utilisation of deferred tax £'000	Exceptionals and others £'000	Adjusted[1] results £'000
Revenue	**1,700,329**	–	–	–	**1,700,329**
Cost of sales	**(1,477,393)**	(137)	–	–	**(1,477,530)**
Gross profit	**222,936**	(137)	–	–	**222,799**
Administrative expenses	**(181,395)**	–	–	–	**(181,395)**
Amortisation of acquired intangibles	**(111)**	–	–	111	**–**
Exceptional items	**1,460**	–	–	(1,460)	**–**
Operating profit	**42,890**	(137)	–	(1,349)	**41,404**
Exceptional gain on disposal of an investment property	**4,320**	–	–	(4,320)	**–**
Finance revenue	**676**	–	–	–	**676**
Finance costs	**(359)**	137	–	–	**(222)**
Profit before tax	**47,527**	–	–	(5,669)	**41,858**
Income tax expense:					
Before exceptional items	**(12,701)**	–	2,048	(16)	**(10,669)**
Exceptional items	**(351)**	–	–	351	**–**
Profit for the period	**34,475**	–	2,048	(5,334)	**31,189**

Profit before tax

The Group's statutory profit before tax increased by 9.5 per cent to £52.0 million (H1 2017: £47.5 million). Adjusted[1] profit before tax increased by 24.3 per cent to £52.1 million (H1 2017: £41.9 million) and by 23.8 per cent in constant currency[2]. The difference between statutory profit before tax and adjusted[1] profit before tax relates to the Group's reported net loss of £0.1 million (H1 2017: gain of £5.6 million) from exceptional and other adjusting items. Further information on these can be found below.

Profit for the period

The statutory profit for the period increased by 6.7 per cent to £36.8 million (H1 2017: £34.5 million). The adjusted[1] profit for the period increased by 21.8 per cent to £38.0 million (H1 2017: £31.2 million) and by 20.6 per cent in constant currency[2].

Net finance income

Net finance income in the period amounted to a charge of £0.1 million on a statutory basis (H1 2017: income of £0.3 million).

The decrease in net finance income during the first half was due to lower net funds and the closure of the current asset investments held in the first half of 2017, associated with the Return of Value of £100 million that occurred in February 2018. Additionally, the Group saw modest charges relating to the renewed committed facility of £60 million that remains available, and undrawn, as at 30 June 2018. Finally, finance charges were impacted by the interest charges relating to the unwind of the discount on the deferred consideration for the purchase of TeamUltra and cITius AG, for a total of £0.4 million during the period.

On an adjusted[1] basis, prior to interest on customer-specific financing, net finance income was nil during the period (H1 2017: income of £0.5 million).

Taxation

The adjusted[1] tax charge on ordinary activities was £14.1 million (H1 2017: £10.7 million), on an adjusted[1] profit before tax of £52.1 million (H1 2017: £41.9 million). The adjusted[1] effective tax rate ('ETR') was 27.1 per cent (H1 2017: 25.5 per cent). The ETR was higher than in the prior period, due to a change in the geographic split of profit before tax. Profits were higher in Germany, where there is an increasing German cash tax rate, and the Group earned a comparatively smaller share of profits in the UK, where the tax rate is substantially lower than in other European countries. This impact was slightly offset during the first half by a lower than expected ETR in our non-EU locations.

The statutory tax charge was £15.2 million (H1 2017: £13.1 million), on profit before tax of £52.0 million (H1 2017: £47.5 million). This represented a statutory ETR of 29.2 per cent (H1 2017: 27.5 per cent). The £4.3 million gain on the disposal of the investment property in 2017 was not taxable and is the most significant reason for the movement in the ETR.

We continued to utilise the German tax losses, which reduced the statutory ETR. However, the deferred tax asset, which we previously recognised as an exceptional tax item, is no longer replenishing and readily available losses will be exhausted by the end of 2018, leading to the increase in the expected adjusted[1] ETR for 2018.

Over the longer term, increasing profits in Germany and a comparatively smaller share of Group profits earned in the UK will lead to an increasing ETR for the Group.

The table below reconciles the statutory tax charge to the adjusted[1] tax charge for the period ended 30 June 2018.

	H1 2018 £'000	H1 2017 £'000	Year 2017 £'000
Statutory tax charge	**15,190**	13,052	30,381
Adjustments to exclude:			
Utilisation of German deferred tax assets	**(1,109)**	(2,048)	(3,457)
Tax on amortisation of acquired intangibles	**16**	16	31
Tax on exceptional items	**–**	(351)	(351)
Adjusted[1] tax charge	**14,097**	10,669	26,604
Statutory ETR	**29.2%**	27.5%	27.2%
Adjusted[1] ETR	**27.1%**	25.5%	25.0%

Exceptional and other adjusting items

A net loss of £0.1 million was recorded, resulting from exceptional and other adjusting items (H1 2017: net gain of £5.6 million).

There were no items classified as exceptional during the first half of 2018, with the amortisation of intangible assets of £0.1 million (H1 2017: £0.1 million) the only other adjusting item between adjusted[1] profit before tax and statutory profit before tax.

The remaining provisions for the last two onerous contracts in Germany were released during 2017, for an exceptional gain of £1.4 million. These provisions were originally booked in 2013 and the contracts had returned to profitability, so the provisions were no longer required. As these provisions were booked as exceptional items, the release during 2017 was also classified as such. The disposal of an investment property in Braintree, Essex, was completed on 26 May 2017 for £14.5 million. This property was associated with a former subsidiary of the Group, R.D. Trading Limited, which was itself sold in February 2015. Due to the size and non-operational nature of the transaction, the £4.3 million gain on disposal, net of disposal costs, was classified as exceptional.

Central corporate costs

As noted above within Segmental Reporting Structure Changes, certain expenses such as those for the Board itself, and related public company costs, Group Executive members not aligned to a specific geographic trading entity, and the cost of centrally funded strategic corporate initiatives that benefit the whole Group, are not specifically allocated to individual segments because they are not directly attributable to any single segment. Accordingly, these expenses are disclosed as a separate column, 'Central Corporate Costs', within the segmental note. These costs are borne within the Computacenter (UK) Limited legal entity and have been removed for segmental reporting and performance analysis but form part of the overall Group administrative expenses.

During the period, total Central Corporate Costs were £11.4 million, an increase of 58.3 per cent (H1 2017: £7.2 million). Within this:

- Board expenses and related public company costs were flat at £1.5 million (H1 2017: £1.5 million);
- costs associated with Group Executive members not aligned to a specific geographic trading entity were £2.1 million (H1 2017: £1.9 million);
- share-based payment charges associated with the Group Executive members identified above, including the Group Executive Directors, increased from £0.6 million in H1 2017 to £1.6 million in H1 2018, due primarily to the increasing cost of Computacenter plc ordinary shares and the increased internal forecasts for 2018 and beyond, as a result of the trading updates made on 27 April 2018 and 12 July 2018; and
- strategic corporate initiatives increased from £3.2 million in H1 2017 to £6.2 million in H1 2018, primarily due to increased spend on projects designed to increase capability, enhance productivity or strengthen systems which underpin the Group.

Earnings per share

Statutory diluted earnings per share increased by 11.7 per cent to 31.6 pence per share (H1 2017: 28.3 pence per share). Adjusted[1] diluted earnings per share increased by 27.7 per cent to 32.7 pence per share (H1 2017: 25.6 pence per share).

	H1 2018	H1 2017	Year 2017
Basic weighted average number of shares (excluding own shares held) (no. '000)	**114,620**	120,842	120,766
Effect of dilution:			
Share options	**1,662**	888	1,471
Diluted weighted average number of shares	**116,282**	121,730	122,237
Statutory profit for the period/year attributable to equity holders of the parent (£'000)	**36,803**	34,475	81,314
Basic earnings per share (pence)	**32.1**	28.5	67.3
Diluted earnings per share (pence)	**31.6**	28.3	66.5
Adjusted[1] profit for the period/year attributable to equity holders of the parent (£'000)	**38,015**	31,189	79,625
Adjusted[1] basic earnings per share (pence)	**33.2**	25.8	65.9
Adjusted[1] diluted earnings per share (pence)	**32.7**	25.6	65.1

Dividend

We are pleased to announce an interim dividend of 8.7 pence per share. This is in line with our policy that the interim dividend will be approximately one third of the previous year's full dividend. The interim dividend will be paid on Friday 12 October 2018. The dividend record date is Friday 14 September 2018, and the shares will be marked ex-dividend on Thursday 13 September 2018.

Net funds

Net funds[3] at 30 June 2018 were £49.7 million, compared to £137.3 million at 30 June 2017. The cash position continues to rebuild, after what is historically the weaker half of the year in terms of our working capital cycle, and after the return of £100 million to shareholders in the first quarter of the year. Net funds[3] decreased by £141.5 million from £191.2 million as at 31 December 2017.

The Group's operating cash flow performance was an inflow of £8.4 million for the period to 30 June 2018 (H1 2017: £11.4 million inflow).

The Group continues to have no material structural borrowings, except for customer-specific finance leases and loans to finance specific capital projects, namely the £19.3 million borrowed as at 30 June 2018 to finance the offices and logistics facilities in Kerpen.

We remain conscious of our responsibility to shareholders to maximise the return on the Group's cash assets and improve the efficiency of our balance sheet. We were pleased to return £100 million of excess cash to shareholders in the first quarter of the year and we look forward to rebuilding the net funds of the Group over the short term.

As reported in the Company's 2017 Annual Report and Accounts, the Group's net funds[3] continued to benefit from extended credit terms with a major supplier and had done so for approximately nine years. The amount of benefit at any one time fluctuates as a direct result of the volume of business with that vendor. In line with the disclosure in the Company's 2017 Annual Report and Accounts, these extended terms have now changed to closer to standard terms during the first half of 2018, in line with all material partners of that significant vendor resulting in a reduction in the Group's net funds[3]. The estimated benefit of these extended terms to the Group's net funds[3] was £24.1 million at 30 June 2018 (H1 2017: £65.2 million), down from £54.9 million as at 31 December 2017. The Group continues to appropriately manage its cash and working capital positions using standard mechanisms to ensure that cash levels remain within expectations throughout 2018 and beyond, which resulted in a true sale of receivables, on a non-recourse basis, as at the end of the period of £38.8 million.

Currency
The Group reports its results in pounds sterling. The weakness of sterling, particularly against the euro, is expected to continue to result in a foreign exchange translation benefit to the Group.

The impact of restating the first half of 2017 at 2018 exchange rates would be an increase of approximately £20.3 million in H1 2017 revenue and an increase of approximately £0.3 million in H1 2017 adjusted[1] profit before tax.

If the 30 June 2018 spot rates were to continue through the remainder of 2018, the impact of restating 2017 at 2018 exchange rates would be an increase of approximately £3.7 million in 2017 revenue and a decrease of approximately £0.5 million in 2017 adjusted[1] profit before tax.

Planning for the United Kingdom exiting the European Union
Computacenter's target clients are large corporate customers and large government departments. We operate in three principal geographies, the UK, Germany and France.

This allows us to manage EU requirements from our EU locations and we have a long history of trading with the subsidiaries of large global Western European headquartered organisations, in many diverse locations across the world. The concept of exporting to and importing from multiple countries is therefore already established across the business, along with the related systems requirements.

There remains considerable uncertainty around the exact nature and timing of the UK's exit from the EU, which makes it difficult to develop specific plans for the various potential outcomes.

The senior Management committee established during 2017 continues to oversee the key risks and changes that may be required to the way that the Group operates. It is clear that there will be additional investment required in IT systems to manage the transition, and changes to business processes. Whilst these changes will be a cost to Computacenter, we continue to see opportunities as our customers, in some cases, may need to increase investment in a similar manner.

Principal risks and uncertainties
The Group's activities expose it to a variety of economic, financial, operational and regulatory risks.

Our principal risks continue to be concentrated in the availability and resilience of systems, our people, our cost base, technology change, and in the design, Entry into Service and running of large Services contracts.

The principal risks and uncertainties facing the Group are set out on pages 30 to 35 of the 2017 Annual Report and Accounts, a copy of which is available on the Group's website.

The Group's risk management approach and the principal risks, potential impacts and primary mitigating activities are unchanged from those set out in the 2017 Annual Report and Accounts.

Mike Norris
Chief Executive Officer

Tony Conophy
Group Finance Director

24 August 2018

Directors' Responsibilities

Directors' responsibility statement

Responsibility statement of the Directors in respect of the half-yearly financial report.

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the EU;
- the interim management report includes a fair review of the information required by:

a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Mike Norris
Chief Executive Officer

Tony Conophy
Group Finance Director

24 August 2018

Independent review report
to Computacenter plc

Conclusion
We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 which comprises Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities
The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility
Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities
This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Tudor Aw (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

24 August 2018

Consolidated Income Statement

For the six months ended 30 June 2018

	Note	Unaudited H1 2018 £'000	Unaudited H1 2017 £'000	Audited Year 2017 £'000
Revenue	5	**2,008,904**	1,700,329	3,793,371
Cost of sales		**(1,760,094)**	(1,477,393)	(3,297,142)
Gross profit		**248,810**	222,936	496,229
Administrative expenses		**(196,586)**	(181,395)	(390,583)
Amortisation of acquired intangibles		**(119)**	(111)	(225)
Exceptional items	8	**–**	1,460	1,371
Operating profit		**52,105**	42,890	106,792
Exceptional gain on disposal of an investment property	8	**–**	4,320	4,320
Finance revenue		**626**	676	1,521
Finance costs		**(738)**	(359)	(938)
Profit before tax		**51,993**	47,527	111,695
Income tax expense:				
Before exceptional items		**(15,190)**	(12,701)	(30,030)
Exceptional items	8	**–**	(351)	(351)
Income tax expense		**(15,190)**	(13,052)	(30,381)
Profit for the period/year		**36,803**	34,475	81,314
Attributable to:				
Equity holders of the parent		**36,803**	34,475	81,314
Earnings per share (pence)				
– basic for profit for the period/year	10	**32.1**	28.5	67.3p
– diluted for profit for the period/year	10	**31.6**	28.3	66.5p

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2018

	Unaudited H1 2018 £'000	Unaudited H1 2017 £'000	Audited Year 2017 £'000
Profit for the period/year	**36,803**	34,475	81,314
Items that may be reclassified to consolidated income statement:			
(Loss)/gain arising on cash flow hedge, net of amount transferred to consolidated income statement	**(2,824)**	(287)	217
Income tax effect	**510**	(71)	(37)
	(2,314)	(358)	180
Exchange differences on translation of foreign operations	**(1,267)**	3,532	4,994
	(3,581)	3,174	5,174
Items not to be reclassified to consolidated income statement:			
Remeasurement of defined benefit plan	**–**	–	(668)
Other comprehensive income for the period/year, net of tax	**(3,581)**	3,174	4,506
Total comprehensive income for the period/year	**33,222**	37,649	85,820
Attributable to:			
Equity holders of the parent	**33,222**	37,649	85,820
Non-controlling interests	**–**	–	–
	33,222	37,649	85,820

Consolidated Balance Sheet

For the six months ended 30 June 2018

	Unaudited H1 2018 £'000	Unaudited H1 2017 £'000	Audited Year 2017 £'000
Non-current assets			
Property, plant and equipment	**88,598**	62,066	77,904
Intangible assets	**76,737**	80,005	80,335
Investment in associate	**57**	56	56
Deferred income tax asset	**8,796**	8,447	9,063
Prepayments	**3,806**	–	–
	177,994	150,574	167,358
Current assets			
Inventories	**61,996**	50,116	69,289
Trade and other receivables	**695,900**	666,512	835,446
Prepayments	**72,849**	68,670	59,679
Accrued income	**118,167**	119,336	102,922
Derivative financial instruments	**4,790**	6,237	8,209
Cash and short-term deposits	**72,931**	140,136	206,605
	1,026,633	1,051,007	1,282,150
Total assets	**1,204,627**	1,201,581	1,449,508
Current liabilities			
Trade and other payables	**613,635**	606,590	791,980
Deferred income	**114,154**	114,077	113,875
Financial liabilities	**4,364**	1,393	3,755
Derivative financial instruments	**481**	1,488	1,196
Income tax payable	**33,397**	19,816	28,422
Provisions	**1,706**	1,664	1,681
	767,737	745,028	940,909
Non-current liabilities			
Financial liabilities	**18,820**	1,442	11,663
Provisions	**8,089**	6,266	7,599
Deferred income tax liabilities	**416**	436	477
	27,325	8,144	19,739
Total liabilities	**795,062**	753,172	960,648
Net assets	**409,565**	448,409	488,860
Capital and reserves			
Issued capital	**9,299**	9,299	9,299
Share premium	**3,913**	3,913	3,913
Capital redemption reserve	**74,957**	74,957	74,957
Own shares held	**(109,800)**	(9,700)	(11,360)
Translation and hedging reserves	**24,278**	25,859	27,859
Retained earnings	**406,904**	344,067	384,178
Shareholders' equity	**409,551**	448,395	488,846
Non-controlling interests	**14**	14	14
Total equity	**409,565**	448,409	488,860

Approved by the Board on 24 August 2018

MJ Norris
Chief Executive Officer

FA Conophy
Group Finance Director

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	Attributable to equity holders of the parent								
	Issued capital £'000	Share premium £'000	Capital redemption reserve £'000	Own shares held £'000	Translation and hedging reserves £'000	Retained earnings £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
At 1 January 2017	**9,299**	**3,913**	**74,957**	**(12,115)**	**22,685**	**329,214**	**427,953**	**14**	**427,967**
Profit for the period	–	–	–	–	–	34,475	34,475	–	34,475
Other comprehensive income	–	–	–	–	3,174	–	3,174	–	3,174
Total comprehensive income	–	–	–	–	3,174	34,475	37,649	–	37,649
Cost of share-based payments	–	–	–	–	–	1,865	1,865	–	1,865
Tax on share-based payments	–	–	–	–	–	112	112	–	112
Exercise of options	–	–	–	4,302	–	(3,448)	854	–	854
Purchase of own shares	–	–	–	(1,887)	–	–	(1,887)	–	(1,887)
Equity dividends	–	–	–	–	–	(18,151)	(18,151)	–	(18,151)
At 30 June 2017	**9,299**	**3,913**	**74,957**	**(9,700)**	**25,859**	**344,067**	**448,395**	**14**	**448,409**
Profit for the period	–	–	–	–	–	46,839	46,839	–	46,839
Other comprehensive income	–	–	–	–	2,000	(668)	1,332	–	1,332
Total comprehensive income	–	–	–	–	2,000	46,171	48,171	–	48,171
Cost of share-based payments	–	–	–	–	–	4,335	4,335	–	4,335
Tax on share-based payments	–	–	–	–	–	1,507	1,507	–	1,507
Exercise of options	–	–	–	5,311	–	(2,941)	2,370	–	2,370
Purchase of own shares	–	–	–	(6,971)	–	–	(6,971)	–	(6,971)
Equity dividends	–	–	–	–	–	(8,961)	(8,961)	–	(8,961)
At 31 December 2017	**9,299**	**3,913**	**74,957**	**(11,360)**	**27,859**	**384,178**	**488,846**	**14**	**488,860**
Restatement - Implementation of IFRS 15	–	–	–	–	–	6,547	6,547	–	6,547
At 31 December 2017 - restated	**9,299**	**3,913**	**74,957**	**(11,360)**	**27,859**	**390,725**	**495,393**	**14**	**495,407**
Profit for the period	–	–	–	–	–	36,803	36,803	–	36,803
Other comprehensive income	–	–	–	–	(3,581)	–	(3,581)	–	(3,581)
Total comprehensive income	–	–	–	–	(3,581)	36,803	33,222	–	33,222
Cost of share-based payments	–	–	–	–	–	3,148	3,148	–	3,148
Tax on share-based payments	–	–	–	–	–	2,739	2,739	–	2,739
Exercise of options	–	–	–	5,145	–	(4,247)	898	–	898
Purchase of own shares	–	–	–	(3,587)	–	–	(3,587)	–	(3,587)
Return of Value (RoV)	–	–	–	(99,998)	–	–	(99,998)	–	(99,998)
Expenses relating to RoV	–	–	–	–	–	(1,189)	(1,189)	–	(1,189)
Equity dividends	–	–	–	–	–	(21,075)	(21,075)	–	(21,075)
At 30 June 2018	**9,299**	**3,913**	**74,957**	**(109,800)**	**24,278**	**406,904**	**409,551**	**14**	**409,565**

Consolidated Cash Flow Statement

For the six months ended 30 June 2018

	Unaudited H1 2018 £'000	Unaudited H1 2017 £'000	Audited Year 2017 £'000
Operating activities			
Profit before tax	**51,993**	47,527	111,695
Net finance cost/(income)	**112**	(317)	(583)
Depreciation of property, plant and equipment	**8,184**	8,505	16,384
Depreciation of investment property	**–**	91	91
Amortisation of intangible assets	**5,345**	6,316	12,237
Share-based payments	**3,148**	1,865	6,200
Exceptional gain on disposal of an investment property	**–**	(4,320)	(4,320)
Loss on disposal of property, plant and equipment	**30**	(528)	(535)
Loss on disposal of intangibles	**–**	(688)	(688)
Net cash flow from provisions	**(513)**	(1,011)	281
Net cash flow from inventories	**6,981**	(5,142)	(23,583)
Net cash flow from trade and other receivables	**57,735**	44,437	(94,718)
Net cash flow from trade and other payables	**(118,004)**	(77,020)	99,004
Other adjustments	**(894)**	(506)	(477)
Cash generated from operations	**14,117**	19,209	120,988
Income taxes paid	**(5,746)**	(7,785)	(14,881)
Net cash flow from operating activities	**8,371**	11,424	106,107
Investing activities			
Interest received	**626**	676	1,521
Decrease in current asset investments	**–**	30,000	30,000
Acquisition of subsidiaries, net of cash acquired	**–**	(7,662)	(7,376)
Proceeds from disposal of property, plant and equipment	**68**	797	915
Proceeds from disposal of an investment property	**–**	14,450	14,450
Proceeds from disposal of intangible assets	**–**	1,381	1,381
Purchases of property, plant and equipment	**(19,174)**	(6,916)	(30,439)
Purchases of intangible assets	**(1,868)**	(2,931)	(9,618)
Net cash flow from investing activities	**(20,348)**	29,795	834
Financing activities			
Interest paid	**(738)**	(359)	(938)
Dividends paid to equity shareholders of the parent	**(21,075)**	(18,151)	(27,112)
Return of Value	**(99,998)**	–	–
Expenses on Return of Value	**(1,189)**	–	–
Proceeds from share issues	**898**	854	3,224
Purchase of own shares	**(3,587)**	(1,887)	(8,858)
Repayment of capital element of finance leases	**(787)**	(1,024)	(1,676)
Repayment of loans	**(1,095)**	(337)	(632)
New borrowings - finance leases	**–**	–	3,162
New borrowings - bank loan	**6,948**	–	10,591
Net cash flow from financing activities	**(120,623)**	(20,904)	(22,239)
(Decrease)/increase in cash and cash equivalents	**(132,600)**	20,315	84,702
Effect of exchange rates on cash and cash equivalents	**(1,068)**	1,145	3,221
Cash and cash equivalents at the beginning of the period/year	**206,599**	118,676	118,676
Cash and cash equivalents at the end of the period/year	**72,931**	140,136	206,599

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

1 Corporate information

The interim condensed consolidated financial statements (Financial Statements) of the Group for the six months ended 30 June 2018 were authorised for issue in accordance with a resolution of the Directors on 24 August 2018.

Computacenter plc is a limited company incorporated and domiciled in England whose shares are publicly traded.

2 Basis of preparation

The Financial Statements for the six months ended 30 June 2018 have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union. They do not include all of the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's 2017 Annual Report and Accounts which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The Group has maintained its positive cash position in the period. In order to ensure that the Group can maintain its strong liquidity position it has a £60 million committed facility, which remained unutilised at the reporting date. The Group's forecast and projections, which allow for reasonably possible variations, show that the Group will continue to maintain its strong liquidity position, and therefore supports the Directors' view that the Group has sufficient funds available to meet its foreseeable requirements. The Directors have concluded therefore that the going concern basis remains appropriate.

3 Significant Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year as disclosed in the 2017 Annual Report and Accounts except that the Group has had to change its accounting policies and make material retrospective adjustments as a result of adopting IFRS 15 'Revenue from Contracts with Customers' ('IFRS 15').

The impact of the adoption of IFRS 15 are disclosed below.

The Group has adopted IFRS 15 from 1 January 2018 which has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in IFRS 15, the Group has adopted the new rules using the modified retrospective approach, meaning that the cumulative effect of applying the new accounting policies has been recognised as an adjustment in equity as at 1 January 2018. The overall net impact of all adjustments was a credit to retained earnings of £6.6 million as at 1 January 2018.

Adjustments were required in relation to:

- Certain costs, such as win fees (a form of commission) and fulfilment cost are capitalised and spread over the life of the contract, as opposed to being expensed as incurred as was the case under the previous policy. This resulted in an increase to retained earnings of £7.6 million as at 1 January 2018, with the corresponding entry to Prepayment. The tax impact of this adjustment is a debit to equity of £1.4 million and a corresponding increase in deferred tax liabilities as at 1 January 2018. The net impact on retained earnings as at 1 January 2018 is £6.2 million.
- Certain elements of Managed Services contracts, for example those relating to Entry into Service, are not treated as separate performance obligations under the new policy. Under the new policy, these services are treated as part of the ongoing performance obligations in the contract. This means the revenues and costs associated with Entry into Service are recognised over the life of the contracts with customers rather than being recognised as incurred as was the case historically. This resulted in an increase to retained earnings of £0.5 million as at 1 January 2018, with the corresponding entry to Prepayment. The tax impact of this adjustment is a debit to equity of £0.1 million and a corresponding increase in deferred tax liabilities as at 1 January 2018. The net impact on retained earnings as at 1 January 2018 is £0.4 million.

IFRS 15 has been adopted using the modified retrospective approach, therefore comparative amounts have not been restated. For comparability purposes, the following table gives the impact of the adoption of the new standard on the Consolidated Balance Sheet and Consolidated Income Statement for the period ended 30 June 2018 by showing what the results would have been had they been prepared under the previous accounting policies.

Line item	Under existing GAAP (IFRS 15) £'000	Under previous GAAP (IAS 18/IAS 11) £'000
Revenue	2,008,904	2,012,400
Cost of sales	1,760,094	1,756,755
Administrative expenses	196,586	196,277
Income tax expense	15,190	15,273
Prepayments: non-current	3,806	–
Prepayments: current	72,849	65,548
Deferred tax liabilities	3,267	1,766

IFRS 9 –Financial Instruments

IFRS 9 – Financial Instruments: IFRS 9 is effective for accounting periods beginning on or after 1 January 2018. IFRS 9 replaces the classification and measurement models for financial instruments in IAS 39. The Group has assessed its balance sheet assets in accordance with the new classification requirements. There has been no change in the classification and measurement for any of the Group's financial assets or liabilities.

In addition, IFRS 9 introduces an 'expected loss' model for the assessment of impairment of financial assets. The 'incurred loss' model under IAS 39 required the Group to recognise impairment losses when there was objective evidence that an asset was impaired. Under the expected loss model, impairment losses are recorded if there is an expectation of credit losses, even in the absence of a default event. However, as permitted by IFRS 9, the Group applies the 'simplified approach' to trade receivable balances. Due to general quality and short-term nature of the trade receivables, there is no significant impact on introduction of 'simplified approach'.

The Group applies the hedge accounting requirements under IFRS 9 and its hedging activities are discussed in note 23 of the 2017 Annual Report and Accounts with movements on hedging reserves disclosed on Consolidated Statement of Changes in Equity. The Group's existing hedging arrangements have been assessed as compliant with IFRS 9.

The adoption of IFRS 9 from 1 January 2018 does not have a material impact on the Group's reported results.

IFRS 16 – Leases

IFRS 16 is effective for accounting periods beginning on or after 1 January 2019 and replaces IAS 17 Leases and related interpretations. As mentioned in our 2017 Annual Report and Accounts, the Group has completed an initial assessment of the potential impact on its consolidated financial statements but has not yet completed its detailed assessment. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on the future economic conditions, including the Group's borrowing rate at 1 January 2019 and the composition of the Group's lease portfolio at that date. Thus far, the most significant impact identified is that the Group will recognise new assets and liabilities for its operating leases of properties and cars. As at 30 June 2018, the Group's future minimum lease payments under non-cancellable operating leases amounted to £72.3 million, on an undiscounted basis.

In addition, the nature of expenses related to those leases will now change because IFRS 16 replaced the straight-line operating lease expense with a depreciation charge for right-to-use assets and an interest expense on lease liabilities.

4 Adjusted measures

The Group uses a number of non-Generally Accepted Accounting Practice (non-GAAP) financial measures in addition to those reported in accordance with IFRS. The Directors believe that these non-GAAP measures, detailed below, are important when assessing the underlying financial and operating performance of the Group.

Adjusted operating profit or loss, adjusted profit or loss before tax, adjusted tax, adjusted profit or loss for the period, adjusted earnings per share and adjusted diluted earnings per share are, as appropriate, each stated before: exceptional and other adjusting items including gain or loss on business disposals, gain or loss on disposal of investment properties, amortisation of acquired intangibles, utilisation of deferred tax assets (where initial recognition was as an exceptional item or a fair value adjustment on acquisition), and the related tax effect of these exceptional and other adjusting items, as Management do not consider these items when reviewing the underlying performance of the segment or the Group as a whole.

Additionally, adjusted gross profit or loss and adjusted operating profit or loss includes the interest paid on customer-specific financing (CSF) which Management considers to be a cost of sale.

A reconciliation between key adjusted and statutory measures is provided on page 17 of the Group Finance Director's review. Further detail is also provided within note 5, Segment Information.

5 Segment information

During the first half of the year, Management reviewed the way it reported segmental performance to the Board and the Chief Executive Officer, who is the Group's Chief Operating Decision Maker ('CODM'), to determine whether it could improve the transparency and understandability of the trading performance of its core Group Operating Model geographies. As a result of this analysis, and as endorsed by the Audit Committee, the Board has decided to adopt a new segmental reporting structure from the period ended 30 June 2018.

In accordance with IFRS 8 Operating Segments, the Group has identified four revised operating segments:

- UK;
- Germany;
- France; and
- International.

As the location of the Group's headquarters, the UK entity has also borne an increasing share of corporate costs since the rollout of the Group Operating Model from 2013. Certain expenses such as those for the Board itself, and related public company costs, Group Executive members not aligned to a specific geographic trading entity and the cost of centrally funded strategic corporate initiatives that benefit the whole Group, are not allocated to individual segments because they are not directly attributable to any single segment. Accordingly, these expenses are disclosed as a separate column, 'Central Corporate Costs', within the segmental note.

Under the previous segmental reporting structure, the UK segment included a number of other operating entities, primarily international Global Service Desk locations. Whilst these entities have limited external revenues, and a cost recovery model that suggests better than breakeven margins to ensure compliance with transfer pricing regulations, this generated unnecessary complexity when presenting the UK results to the Board and the CODM, with the growth in the number and scale of these other operating entities blurring the underlying performance of the core geography over time. The revised UK segment now only comprises the trading performance of Computacenter UK.

The German segment has been revised to remove the independently run Computacenter Switzerland operation, including cITius, which has been transferred to the International segment, leaving the German country trading operations standing alone.

The new International segment replaces the Belgian segment and includes the Belgium, Switzerland, USA and TeamUltra trading operations, along with the international Global Service Desk locations in South Africa, Spain, Hungary, Mexico, Poland, Malaysia, India and China. The International segment has been created to reflect the Group's ambitions to continue to expand its worldwide footprint. This includes expanding trading operations into new geographic locations, both within our Western European heartland and beyond, and the need to continue to identify talent-rich offshore locations, to ensure that we can remain both cost and resource competitive in the Services marketplace.

The French segment remains unchanged from that reported at 31 December 2017.

This new segmental reporting structure is the basis on which internal reports are provided to the Chief Executive Officer, as the CODM, for assessing performance and determining the allocation of resources within the Group.

Segmental performance is measured based on external revenues, adjusted[1] gross profit, adjusted[1] operating profit and adjusted[1] profit before tax. The change in segment reporting has no impact on reported Group numbers.

To enable comparisons with prior period performance, historical segment information for the periods ended 30 June 2017 and 31 December 2017 are restated in accordance with the revised segmental reporting structure. All discussion within this Interim Report and Accounts on segmental results reflects this revised structure, the reclassification of Central Corporate Costs and the resultant prior period restatements.

Segmental performance for the periods to H1 2018, H1 2017 and Full Year 2017 were as follows:

Six months ended 30 June 2018 (unaudited)

	UK £'000	Germany £'000	France £'000	International £'000	Central Corporate Costs £'000	Total £'000
Revenue						
Technology Sourcing revenue	632,981	598,033	182,395	20,714	–	**1,434,123**
Services revenue						
Professional Services	60,703	79,887	8,894	7,156	–	**156,640**
Managed Services	164,377	188,128	39,364	26,272	–	**418,141**
Total Services revenue	225,080	268,015	48,258	33,428	–	**574,781**
Total revenue	858,061	866,048	230,653	54,142	–	**2,008,904**
Results						
Adjusted[1] gross profit	99,434	109,721	24,095	15,437	–	**248,687**
Administrative expenses	(73,601)	(77,523)	(22,022)	(12,039)	(11,401)	**(196,586)**
Adjusted[1] operating profit	25,833	32,198	2,073	3,398	(11,401)	**52,101**
Adjusted[1] net interest	78	43	(35)	(75)	–	**11**
Adjusted[1] profit before tax	25,911	32,241	2,038	3,323	(11,401)	**52,112**
Exceptional items:						
– exceptional gains						–
Total exceptional items						–
Amortisation of acquired intangibles						**(119)**
Statutory profit before tax						**51,993**

The reconciliation for adjusted[1] operating profit to statutory operating profit, as disclosed in the Condensed Consolidated Income Statement, is as follows:

Six months ended 30 June 2018 (unaudited)

	Total £'000
Adjusted[1] segment operating profit	**52,101**
Add back interest on CSF	**123**
Amortisation of acquired intangibles	**(119)**
Exceptional items	–
Statutory operating profit	**52,105**

Six months ended 30 June 2017 (unaudited)

	UK £'000	Germany £'000	France £'000	International £'000	Central Corporate Costs £'000	Total £'000
Revenue						
Technology Sourcing revenue	427,259	515,000	175,163	20,814	–	**1,138,236**
Services revenue						
Professional Services	64,087	74,460	10,108	3,296	–	**151,951**
Managed Services	171,368	170,881	43,363	24,530	–	**410,142**
Total Services revenue	235,455	245,341	53,471	27,826	–	**562,093**
Total revenue	662,714	760,341	228,634	48,640	–	**1,700,329**
Results						
Adjusted[1] gross profit	92,472	94,201	20,672	15,454	–	**222,799**
Administrative expenses	(71,052)	(73,519)	(19,180)	(10,413)	(7,231)	**(181,395)**
Adjusted[1] operating profit	21,420	20,682	1,492	5,041	(7,231)	**41,404**
Adjusted[1] net interest	400	135	(77)	(4)	–	**454**
Adjusted[1] profit before tax	21,820	20,817	1,415	5,037	(7,231)	**41,858**
Exceptional items:						
– exceptional losses						**1,460**
Total exceptional items						**1,460**
Exceptional gains on disposal of an investment property						**4,320**
Amortisation of acquired intangibles						**(111)**
Statutory profit before tax						**47,527**

The reconciliation for adjusted[1] operating profit to operating profit, as disclosed in the Consolidated Income Statement, is as follows:

Six months ended 30 June 2017 (unaudited)

	Total £'000
Adjusted[1] segment operating profit	**41,404**
Add back interest on CSF	**137**
Amortisation of acquired intangibles	**(111)**
Exceptional items	**1,460**
Statutory operating profit	**42,890**

Year ended 31 December 2017

	UK £'000	Germany £'000	France £'000	International £'000	Central Corporate Costs £'000	Total £'000
Revenue						
Technology Sourcing revenue	986,677	1,200,871	405,139	43,507	–	**2,636,194**
Services revenue						
Professional Services revenue	141,507	151,306	18,120	8,223	–	**319,156**
Managed Services revenue	335,145	362,481	86,684	53,711	–	**838,021**
Total Services revenue	476,652	513,787	104,804	61,934	–	**1,157,177**
Total revenue	1,463,329	1,714,658	509,943	105,441	–	**3,793,371**
Results						
Adjusted[1] gross profit	196,170	214,743	53,539	31,618	–	**496,070**
Adjusted[1] administrative expenses	(144,632)	(156,489)	(47,931)	(22,530)	(19,001)	**(390,583)**
Adjusted[1] operating profit	51,538	58,254	5,608	9,088	(19,001)	**105,487**
Adjusted[1] net interest	607	472	(193)	(144)	–	**742**
Adjusted[1] profit before tax	52,145	58,726	5,415	8,944	(19,001)	**106,229**
Exceptional items:						
– onerous contracts provision for future losses						**1,371**
Total exceptional items						**1,371**
Exceptional gain on disposal of an investment property						**4,320**
Amortisation of acquired intangibles						**(225)**
Statutory profit before tax						**111,695**

The reconciliation for adjusted[1] operating profit to statutory operating profit, as disclosed in the Consolidated Income Statement, is as follows:

Year ended 31 December 2017

	Total £'000
Adjusted[1] operating profit	**105,487**
Add back interest on CSF	**159**
Amortisation of acquired intangibles	**(225)**
Exceptional items	**1,371**
Statutory operating profit	**106,792**

6 Seasonality of operations

Historically, revenues have been higher in the second half of the year than in the first six months. This is principally driven by customer buying behaviour in the markets in which we operate. Typically this leads to a more pronounced effect on operating profit. In addition, the effect is compounded further by the tendency for the holiday entitlements of our employees to accrue during the first half of the year and to be utilised in the second half.

7 Dividends paid and proposed

A final dividend for 2017 of 18.7 pence per ordinary share was paid on 29 June 2018. An interim dividend in respect of 2018 of 8.7 pence per ordinary share, amounting to a total dividend of £10.7 million, was declared by the Directors at their meeting on 21 August 2018. The expected payment date of the dividend declared is 12 October 2018. This interim report does not reflect this dividend payable.

8 Exceptional items

	Unaudited H1 2018 £'000	Unaudited H1 2017 £'000	Audited Year 2017 £'000
Operating profit			
Onerous contracts	–	1,460	1,371
	–	1,460	1,371
Gain on disposal of an investment property	–	4,320	4,320
Exceptional items before taxation	–	5,780	5,691
Income tax			
Tax on onerous contracts included in operating profit	–	(351)	(351)
Exceptional items after taxation	–	5,429	5,340

2018:
There are no exceptional items reported within the current period.

2017:
Included within the prior period are the following exceptional items:

- The remaining provisions for the last two onerous contracts in Germany were released, for an exceptional gain of £1,461,000. These provisions were originally booked in 2013 and the contracts have now returned to profitability, so the provisions are no longer required. As these provisions were booked as exceptional items, this release has also been classified as such.
- The disposal of an investment property in Braintree, Essex, was completed on 26 May 2017 for £14.5 million. This property was associated with a former subsidiary of the Group, R.D. Trading Limited, which was itself sold in February 2015. Due to the size and non-operational nature of the transaction, the £4.3 million gain on disposal, net of £0.2 million disposal costs, has been classified as exceptional.

9 Income tax

Tax for the six-month period is charged at 29.2 per cent (six months ended 30 June 2017: 27.5 per cent; year ended 31 December 2017: 27.2 per cent), representing the best estimate of the average annual effective tax rate expected for the full year, applied to the pre-tax income of the six month period.

10 Earnings per share

Earnings per share ('EPS') amounts are calculated by dividing profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period (excluding own shares held).

To calculate diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential shares. Share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the period are considered to be dilutive potential shares.

	Unaudited H1 2018 £'000	Unaudited H1 2017 £'000	Audited Year 2017 £'000
Profit attributable to equity holders of the Parent	**36,803**	34,475	81,314

	Unaudited H1 2018 '000	Unaudited H1 2017 '000	Audited Year 2017 '000
Basic weighted average number of shares (excluding own shares held)	**114,620**	120,842	120,766
Effect of dilution:			
Share options	**1,662**	888	1,471
Diluted weighted average number of shares	**116,282**	121,730	122,237

	Unaudited H1 2018 pence	Unaudited H1 2017 pence	Audited Year 2017 pence
Basic earnings per share	**32.1**	28.5	67.3
Diluted earnings per share	**31.6**	28.3	66.5

11 Fair value measurements recognised in the consolidated balance sheet

Financial instruments which are recognised at fair value subsequent to initial recognition are grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The three levels are defined as follows:

1. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
2. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
3. Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 30 June 2018 the Group had forward currency contracts, which were measured at Level 2 fair value subsequent to initial recognition, to the value of a net asset of £4,309,000 (30 June 2017: £4,749,000, 31 December 2017: £7,013,000).

The net realised gains from forward currency contracts in the period to 30 June 2018 of £3,506,000 (30 June 2017: £6,006,000, 31 December 2017: £6,293,000, are offset by broadly equivalent realised losses/gains on the related underlying transactions. There were no transfers between Level 1 and Level 2 during the period (2017: nil).

The foreign currency forward contracts are measured based on observable spot exchange rates, the yield curves of the respective currencies as well as the currency basis spreads between the respective currencies. All contracts are fully cash collateralised, thereby eliminating both counterparty and the Group's own credit risk.

The carrying value of the Group's short-term receivables and payables is a reasonable approximation of their fair values. The fair value of all other financial instruments carried within the Group's financial statements is not materially different from their carrying amount.

12 Net funds

	Unaudited H1 2018 £'000	Unaudited H1 2017 £'000	Audited Year 2017 £'000
Cash and short-term deposits	**72,931**	140,136	206,605
Bank overdraft	**–**	–	(6)
Cash and cash equivalents	**72,931**	140,136	206,599
Bank loans	**(19,251)**	(472)	(10,667)
Net funds excluding CSF	**53,680**	139,664	195,932
CSF leases	**(3,933)**	(2,362)	(4,745)
Total CSF	**(3,933)**	(2,362)	(4,745)
Net funds	**49,747**	137,302	191,187

13 Publication of non-statutory accounts

The financial information contained in the interim statement does not constitute statutory accounts as defined in section 435 of the Companies Act 2006.

The comparative figures for the financial year ended 31 December 2017 are not the company's statutory accounts for that financial year. Those accounts have been reported on by the company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

DISCLAIMER: FORWARD-LOOKING STATEMENTS

This Interim Report and Accounts includes statements that are, or may be deemed to be, 'forward-looking statements'. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms 'anticipates', 'believes', 'estimates', 'expects', 'intends', 'may', 'plans', 'projects', 'should' or 'will', or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Interim Report and Accounts and include, but are not limited to, statements regarding the Groups' intentions, beliefs or current expectations concerning, amongst other things, results of operations, prospects, growth, strategies and expectations of its respective businesses.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the actual results of the Group's operations and the development of the markets and the industry in which they operate or are likely to operate and their respective operations may differ materially from those described in, or suggested by, the forward-looking statements contained in this Interim Report and Accounts. In addition, even if the results of operations and the development of the markets and the industry in which the Group operates are consistent with the forward-looking statements contained in this Interim Report and Accounts, those results or developments may not be indicative of results or developments in subsequent periods. A number of factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, those risks in the risk factor section of the 2017 Computacenter Annual Report and Accounts, as well as general economic and business conditions, industry trends, competition, changes in regulation, currency fluctuations or advancements in research and development.

Forward-looking statements speak only as of the date of this Interim Report and Accounts and may, and often do, differ materially from actual results. Any forward-looking statements in this Interim Report and Accounts reflect the Group's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group's operations, results of operations and growth strategy.

Neither Computacenter plc nor any of its subsidiaries undertakes any obligation to update the forward-looking statements to reflect actual results or any change in events, conditions or assumptions or other factors unless otherwise required by applicable law or regulation.

Corporate information

Board of Directors
Greg Lock (Non-Executive Chairman)
Mike Norris (Chief Executive Officer)
Tony Conophy (Group Finance Director)
Peter Ryan (Non-Executive Director)
Philip Hulme (Non-Executive Director)
Peter Ogden (Non-Executive Director)
Minnow Powell (Non-Executive Director)
Regine Stachelhaus (Non-Executive Director)
Ros Rivaz (Non-Executive Director)

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Enabling users and their business

Computacenter is a leading independent provider of IT infrastructure services, enabling users and their business. We advise organisations on IT strategy, implement the most appropriate technology, optimise its performance, and manage our customers' infrastructures. In doing this we help CIOs and IT departments in enterprise and corporate organisations maximise productivity and the business value of IT for internal and external users.

Computacenter

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