

29 August 2001

INTERIM RESULTS FOR THE SIX MONTHS TO 30 JUNE 2001

communisis plc, the information management and communications group, announces its interim results for the six months to 30 June 2001.

HIGHLIGHTS

- Performance ahead of expectations
- Turnover (£126m) up 69%, operating profit (£13m) up 92% on first half 2000
- Return on Sales 10.4% versus 9.1% first half 2000
- Continuing reductions in operating costs
- Growth focussed on cross selling and outsourcing opportunities with key customers

Commenting on the results David Jones, Chief Executive of communisis plc, said:

“So far this year communisis has continued to demonstrate the inherent strength of its businesses. Some customers in the UK financial sector are trading with four of our five divisions and it is with this focus that we see the most significant opportunities for future growth.”

For further information, please contact:

David Jones, Chief Executive
communisis plc

Tel: 0113 277 0202

Andrew Lipinski, Finance Director
communisis plc

Tel: 0113 277 0202

William Clutterbuck/Nick Freer
The Maitland Consultancy

Tel: 020 7379 5151

Chairman's Statement

Delivery ahead of expectations

Your group demonstrated the inherent strengths of its core businesses by delivering a performance ahead of expectations at the half year.

Operating profits in the six months to 30 June 2001 were £13.0m (2000 £6.8m) on sales of £125.5m (£74.3m) with return on sales of 10.4% against 9.1% at this stage last year and 9.3% for 2000 as a whole.

Rising margins represent a notable achievement in very competitive markets which reinforces the strategy of focusing on market leading positions with the UK financial sector to deliver growth combined with continuing reductions in operating costs.

Outlook

We continue to see significant opportunities for growth from the cross selling of products, and indeed some customers in the financial services sector are now trading with four of our five divisions.

Outsourcing has also emerged as a real opportunity as financial institutions look to focus on their core business and reduce their own investment in peripheral activities. This is an attractive fit with the communisis strategy as current printed products logically migrate towards electronic form in the medium term.

We have invested £5m to date in the e-comms division to build those products and extend the range of offering to our customers.

Strong cash flows through 2001

Borrowings at the half year were in line with budget at £14.5m. This is higher than the year end 2000 because our planned capital expenditure was very much first half-year loaded and working capital peaked at mid year.

Ongoing, the group is forecast to have nil borrowings by 31 December 2001.

Planned reorganisations on schedule

At the commencement of our acquisition strategy it was planned that several significant reorganisations would be undertaken at an anticipated cost of £12m. Accounting standards dictated that the last of these projects with total costs of around £5m, could not be provided in the 2000 accounts. With all these projects now underway the charge arising in the second half of this year will complete the rationalisation programme.

Dividend Policy

It was indicated in the 2000 annual report that a dividend would be declared for 2001 and confirmation of the dividend policy will be announced with the declaration of the full year results.

Stuart Wallis
29 August 2001

Chief Executive's Review of Operations Half Year 2001

Fundamental to communisis's development is the degree of cross divisional trading with key customers which we believe offers significant opportunities for growth.

e comms

The result for the e comms division was encouraging. Sales for the half year were 50.6% up on last year, although the comparison was with only five months. Compared with the second half 2000 the improvement was 26.5%. Last year figures were boosted by the Bradford & Bingley conversion project.

Return on Sales (ROS) after development costs of £0.3m in the half year in IT hardware, software and people was 14.8%.

communisis one's extension is all but complete and communisis two in Brussels will be operational during September. CRM/personalisation products are being offered, especially through the use of intelligent variable colour digital print. IT investment is being focussed on developing products such as c-store (digital document management), e statementing and e billing to fit and extend existing key customer relationships.

Direct Marketing & Direct Mail

Weakness in the traditional commercial print market has brought lower prices and increased competition at the lower personalisation, less demanding end of the direct mail market. Nevertheless communisis continues to supply higher added value, database products. Sales were 9.3% up on the second half of last year with ROS an equivalent 10.2%.

Document Services

Both businesses in the UK and continental Europe progressed ahead of expectations for the first half year. Sales were at a similar level to the second half of 2000 but costs were lower and product mix and pricing better. ROS improved steadily to 9.1% compared with 7.6% last year as a whole.

In the UK the Shepton Mallet facility was relocated to the main operations at Midsomer Norton. During the second half year further productivity improvements in both the UK and continental Europe will underpin ROS improvement for 2002.

Security Products

Sales increased by 2.6% compared with the second half last year and combined with significant productivity improvement, ROS improved sharply to 13.8%.

The North London facility at Acton was closed during the period with the workload transferred to the remaining three locations in the UK and Northern Ireland.

This division has the strongest strategic links with communisis's key UK financial institution customers.

Color Solutions

Sales increased by 3.6% against the second half last year, although part of this is seasonal. However the improvement in ROS to 11.3% compares favourably with full year 2000 at 10.2%.

Improvements in North America are expected to continue in the second half and in Europe the French and German plants are working increasingly closely together.

The UK labels business is strategically working to develop litho and flexo alternative colour cards initially for the European market and eventually for the USA. This will extend our overall product offering for the key global customers of the color solutions division.

David Jones
Chief Executive
29 August 2001