Management Consulting Group PLC

Results for the six months ended 30 June 2009

Alan Barber, Executive Chairman
Craig Smith, Group Finance Director

Management Consulting Group PLC

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Commercial highlights

- Challenging external economic environment
- Encouraging performance by some larger businesses
  - *Alexander Proudfoot – particularly US & Africa*
  - *Ineum Consulting – particularly France*
  - *Resilience throughout Group*
- Trading difficult in Kurt Salmon Associates, principally in US
  - *Retail & consumer goods*
  - *Capital spend in health care*
- Management continues to restructure business to protect profitability
  - *Parson US and Proudfoot Australia businesses closed*
  - *Workforce reduced by 500 or 21% in past twelve months*
  - *Redundancies predominantly in US*

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Financial highlights

- Revenue down 7% to £155.1m (2008: £166.7m)
- Underlying* profit from operations down 20% to £12.1m (2008: £15.1m)
- Underlying earnings per share down 25% to 2.1p (2008: 2.8p)
- Interim dividend constant at 0.4p per share (2008: 0.4p)

- **Net debt £79.7m (2008: £78.9m) – well within capacity & covenants**
- **Net debt down £10.4m at constant exchange rates**

- **Non-recurring items £6.8m (2008: £37.7m) relating to closure of Parson US and Proudfoot Australia and redundancy programmes across Group.**

*The term 'underlying' is defined as 'before non-recurring items, the amortisation of acquired intangible assets and the impairment of acquired goodwill from continuing operations'

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Profit and loss account

£m	H1 2009	H1 2008
Revenue	**155.1**	**166.7**
Cost of sales	(96.7)	(105.9)
Gross profit	**58.4**	**60.8**
Administrative expenses	(46.3)	(45.7)
Underlying profit from operations	**12.1**	**15.1**
Non-recurring items - impairment		(26.7)
Non-recurring items - other	(6.8)	(11.0)
Profit before amortisation of intangibles	**5.3**	**(22.6)**
Amortisation of acquired intangibles	(1.4)	(1.1)
Profit from operations	**3.9**	**(23.7)**
Net interest cost	(1.7)	(2.1)
Profit before tax	**2.2**	**(25.8)**
Tax expense	(2.2)	2.2
Profit for the period	**(0.0)**	**(23.6)**

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Segmental analysis – by consultancy

Total Group

£m	Revenue H1 2009	Revenue H1 2008	Operating profit H1 2009	Operating profit H1 2008	Operating margin % H1 2009	Operating margin % H1 2008
Proudfoot	46.3	45.9	8.4	6.4	18%	14%
Ineum	76.8	79.1	3.9	4.7	5%	6%
KSA	32.0	41.7	(0.2)	4.0	(1%)	10%
Total	155.1	166.7	12.1	15.1	8%	9%

Excluding Parson US & Proudfoot Australia

£m	Revenue H1 2009	Revenue H1 2008	Operating profit H1 2009	Operating profit H1 2008	Operating margin % H1 2009	Operating margin % H1 2008
Proudfoot	45.6	42.7	8.2	6.0	18%	14%
Ineum	74.2	72.7	5.6	6.0	8%	8%
KSA	32.0	41.7	(0.2)	4.0	(1%)	10%
Total	151.8	157.1	13.6	16.0	9%	10%

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Segmental analysis – exchange adjusted

£m	Revenue			Operating profit		
	H1 2009	2008xr	H1 2008	H1 2009	2008xr	H1 2008
Proudfoot	46.3	38.3	45.9	8.4	6.5	6.4
Ineum	76.8	66.7	79.1	3.9	3.3	4.7
KSA	32.0	25.1	41.7	(0.2)	(0.3)	4.0
Total	155.1	130.1	166.7	12.1	9.5	15.1

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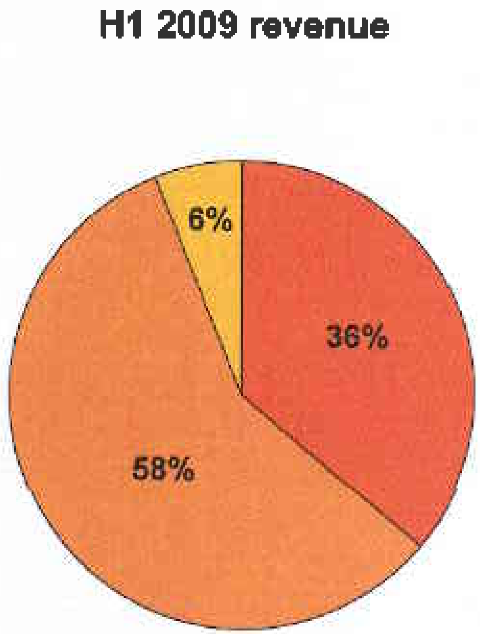
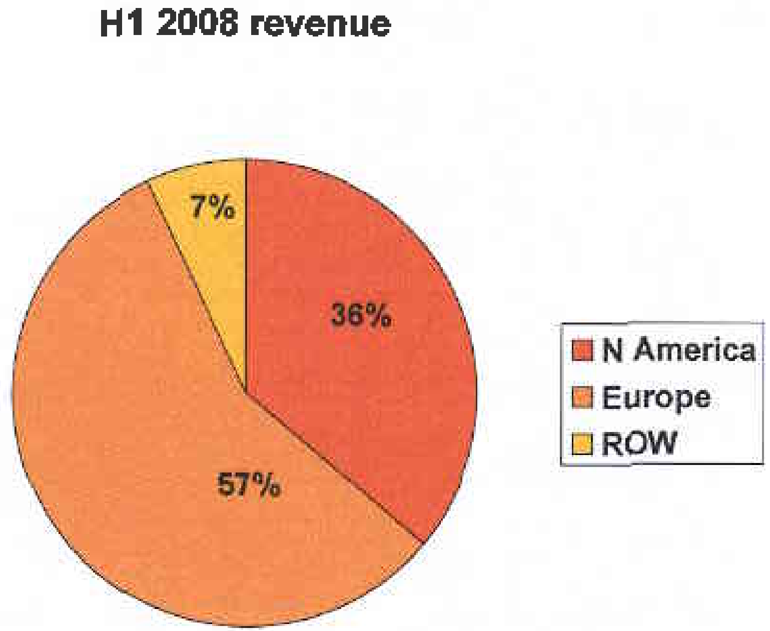
Segmental analysis – by geography





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Non-recurring items

£m	H1 2009	H1 2008
Parson US closure	1.7	
Australia closure	1.5	
Other restructuring	3.6	8.5
General meeting / CEO		2.5
Parson goodwill impairment		26.7
Total	**6.8**	**37.7**

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Underlying tax rate

£m	H1 2009 Profit	H1 2009 Tax	FY 2008 Profit	FY 2008 Tax
Profit/(loss) before tax	**2.2**	**(2.2)**	**(20.0)**	**(0.9)**
Impairment of goodwill			26.7	(4.7)
Other non-recurring items	6.8	(1.4)	21.5	(4.6)
Amortisation of intangibles	1.4		2.4	
Underlying profit before tax	**10.4**	**(3.6)**	**30.6**	**(10.2)**
Underlying tax rate		**35%**		**33%**

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Earnings per share

	H1 2009		H1 2008	
	£m	pence	£m	pence
Profit/(loss) for the period	0.0	0.0	(23.5)	(7.2)
Non-recurring items	6.8	2.1	37.7	11.6
Tax credit on non-recurring items	(1.4)	(0.4)	(6.4)	(2.0)
Amortisation of intangibles	1.4	0.4	1.1	0.4
Underlying earnings	6.8	2.1	8.9	2.8

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Net assets

£m	30 Jun 09	31 Dec 08	30 Jun 08
Non-current assets			
Intangible assets	275.5	315.0	247.5
Tangible assets	4.0	5.1	4.0
Deferred tax asset	17.9	21.9	15.6
	297.4	342.0	267.1
Current assets			
Trade & other receivables	83.7	90.2	88.9
Cash	20.8	35.8	18.8
	104.5	126.0	107.7
Current liabilities			
Borrowings	(42.2)	(31.8)	(42.8)
Other payables	(127.4)	(160.6)	(107.1)
	(169.6)	(192.4)	(149.9)
Non-current liabilities			
Borrowings	(58.3)	(66.1)	(54.7)
Retirement benefit obligation	(18.0)	(20.9)	(8.6)
Other	(15.3)	(14.2)	(19.6)
	(91.6)	(101.2)	(82.9)
Net assets	**140.7**	**174.4**	**142.0**

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Cash flow & debt

£m	H1 2009	H1 2008	FY 2008
Profit/(loss) from operations	**3.9**	**(23.7)**	**(15.8)**
Depreciation & amortisation	2.6	2.6	4.9
Impairment		26.7	26.7
Adjustment for pension funding		(0.5)	(0.9)
Other non-cash items	0.5	(3.0)	(1.1)
Cash flow before NWC movement	7.0	2.1	13.8
(+)/- net working capital	(24.0)	(14.0)	27.4
Cash generated by operations	**(17.0)**	**(11.9)**	**41.2**
Capital expenditure	(0.6)	(1.8)	(3.3)
Income taxes paid	(2.2)	(0.7)	(0.5)
Dividends paid		(2.5)	(4.0)
Net interest paid	(1.5)	(1.4)	(3.9)
Exchange & other	3.7	0.4	(30.7)
(+)/- in debt	**(17.6)**	**(17.9)**	**(1.2)**
Cash/(debt) at beginning of period	**(62.1)**	**(60.9)**	**(60.9)**
Cash/(debt) at end of period	**(79.7)**	**(78.8)**	**(62.1)**

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Net debt and covenants

£m	H1 2009	2008xr	H1 2008
Net debt	79.7	68.5	78.9

Covenants	H1 2009	Limit
Interest cover (x)	10.4	4.0
Leverage (x)	2.1	2.75
Headroom (£m)	35.4	

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MCG operating structure

- **Management Consulting Group PLC**
  Alan Barber
  Executive Chairman
  - **Management Consulting Group PLC**
    Charles Ansley
    Company Secretary
  - **Management Consulting Group PLC**
    Craig Smith
    Finance Director
  - **ALEXANDER PROUDFOOT**
    people • productivity • profitability
    Luiz Carvalho
    Chief Executive
  - **ineum consulting**
    Miguel de Fontenay
    Chief Executive
  - **KURT SALMON ASSOCIATES**
    Mark Wietecha
    Chairman

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Alexander Proudfoot

people • productivity • profitability

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Alexander Proudfoot is based in the US with global operations run from offices in Europe, Africa and South America. It implements sustainable operational improvements across all industries to increase revenue or output or reduce costs in the client's organisation. Representative clients include BP, Exide, AMP, Newmont Mining and Sara Lee. A typical project size is around £2m. Major competitors include A T Kearney and Celerant.

- H1 2009 revenue £46.3m (2008: £45.9m)
- H1 2009 operating profit £8.4m (2008: £6.4m)
- Around 350 employees

- Strong performance in H1
- US & Africa particularly good
- Geographical mix helped margins
- European & Brazilian clients more cash constrained
- Australian office closed

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ineum consulting

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Ineum Consulting is based in France but with offices across Continental Europe, North America and Australia. It provides industry specific services to both the private and the public sectors, specialising in organisational design, information systems and project management. In 2007 Ineum worked with 31 of the CAC40 including Total, Schneider and EDF as well as the French Ministry of Finance. A typical project size is around £300k. Major competitors include Accenture, Oliver Wyman and AT Kearney.

- H1 2009 revenue £76.8m (2008: £79.1m)
- H1 2009 operating profit £3.9m (2008: £4.7m)
- Around 1,000 employees

- Resilient trading, particularly in France
- Good public sector demand
- Weaker trading outside France, particularly in financial services
- Legacy Parson US business closed

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KURT SALMON ASSOCIATES

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Kurt Salmon Associates is based in Atlanta in the US with offices throughout the world. It provides consultancy services to blue-chip clients in the retail & consumer goods and healthcare industries, specialising in business growth, inventory efficiency, productivity improvement and technology effectiveness. Representative clients include Nike, Macy's, Sainsbury's, VF and the Cleveland Clinic. A typical project size is around £300k. Major competitors include McKinsey, Bain and Booz Allen.

- H1 2009 revenue £32.0m (2008: £41.7m)
- H1 2009 operating loss £0.2m (2008: £4.0m profit)
- Around 400 employees

- Good performances in Japan & Europe
- Weak demand in US in both retail and health care markets
- Far reaching internal restructuring to reduce cost base
- Prospects better for H2 profitability

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Risk & mitigation

- General economic climate
  - *Group now less dependent on individual industry or geography*
  - *Blue-chip client base*
  - *Significant restructuring during 2008 and H1 2009*
  - *Cost base managed downwards in advance of downswing*
- Exchange rates
  - *Strengthening Sterling is positive for Group debt and gearing*
- Liquidity
  - *Solid debt facility negotiated in 2007*
  - *Limited exposure to transactional exchange*
  - *Internal forecasts show significant headroom in both facility and covenants for 2009*

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Outlook

- H2 trading conditions likely to be similar to H1
- Group will benefit from results of restructuring programmes
- Recent strengthening of Sterling will adversely affect revenue & profit
- H2 performance will be measured against a very strong 2008

- Order book 10% lower than June 2008 but trending upwards in July
- Visibility of order book remains three to four months

- Group retains a balanced & well-spread portfolio of practices
- Group has a strong financial position and continues to generate cash

- Well placed to take advantage of the upturn when it happens

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