

Management Consulting Group PLC

Results for the year ended 31 December 2007

Alan Barber, Executive Chairman

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Commercial highlights

- Overall results ahead of consensus expectations
- Encouraging progress across the Group
 - *Ineum outstanding performance throughout year*
 - *KSA above expectations post acquisition*
 - *Parson profitable in H2 2007*
 - *Proudfoot revenues subdued but margins strong*
- Kurt Salmon Associates & CBH Consulting acquired during year
- KSA integration on track
- CBH merged with Parson at beginning of 2008

Financial highlights

- Revenue up 47% at £215.8m (2006: £146.9m)
- Underlying[†] profit from operations up 60% at £25.9m (2006: £16.2m)
- Underlying profit before tax up 48% to £23.8m (2006: £16.1m)
- Underlying earnings per share up 15% to 6.2 pence (2006: 5.4 pence)
- Cash generated by operations up 1361% to £33.8m (2006: £2.3m)
- Net debt at year end up 111% to £60.9m (2006: £28.8m)
- Gearing up 12 percentage points to 38% (2006: 26%)
- Final dividend of 0.82 pence making 1.15 pence for the year, up 15% (2006: 1.0 pence)

[†] The term 'underlying' means 'before non-recurring items and amortisation of acquired intangible assets'

Profit and loss account

<u>£m</u>	<u>2007</u>	<u>2006</u>
Revenue	215.8	146.9
Cost of sales	(106.9)	(73.4)
Gross profit	108.9	73.5
Administrative expenses	(83.0)	(57.3)
Profit before non-recurring items and amortisation of intangibles	25.9	16.2
Non-recurring items	(2.5)	(1.8)
Profit before amortisation of intangibles	23.4	14.4
Amortisation of acquired intangibles	(1.6)	(0.9)
Profit from operations	21.8	13.5
Net interest (cost)/income	(2.1)	(0.1)
Profit before tax	19.7	13.4
Tax expense	(6.5)	(4.6)
Profit for the period	13.2	8.8

Segmental analysis – by consultancy

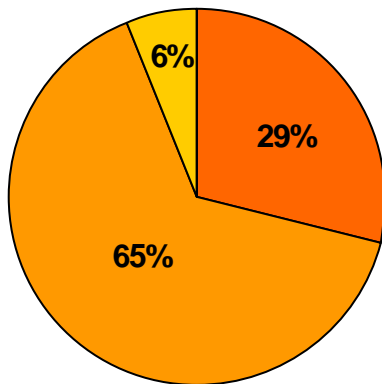
<u>£m</u>	Revenue		Operating profit		Operating margin %	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Ineum	79.9	23.7	11.9	2.8	14.9%	11.8%
KSA	17.1		2.6		15.2%	
Parson	43.9	34.3	(0.5)	(2.1)	(1.1%)	(6.1%)
Proudfoot	73.6	88.7	12.3	15.6	16.7%	17.6%
Others	1.3	0.2	(0.4)	(0.1)	(30.8%)	(50.0%)
Total	215.8	146.9	25.9	16.2	12.0%	11.0%

KSA 2007 full year revenue was £74.5m

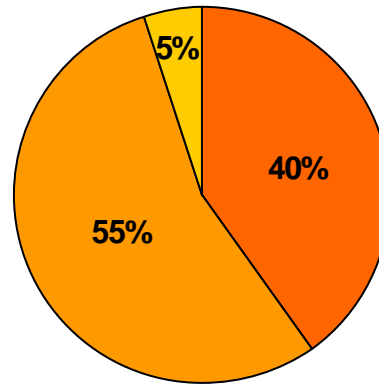
Operating profit and margin is calculated before non-recurring items and amortisation of acquired intangible assets

Segmental analysis – by geography

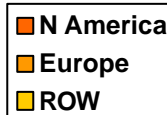
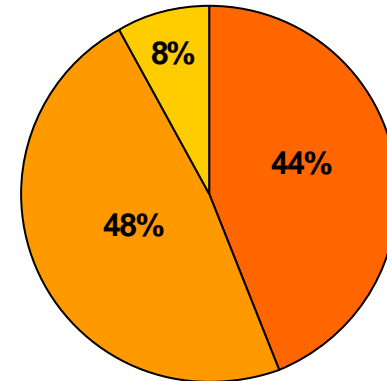
2007 revenue



2007 pro forma



2006 revenue



2007 pro forma assumes KSA and CBH were owned for the whole of the year

Non-recurring items

<u>£m</u>	<u>2007</u>	<u>2006</u>
Professional fees	0.4	0.4
Systems	0.4	0.4
Outlays	0.5	0.3
Induction & introductions	0.2	0.3
Marketing & rebranding	0.1	0.3
Staff	0.8	0.2
Office moves		0.1
Knowledge management	0.1	0.1
Subtotal	2.5	2.1
Japan excess indemnity provision	-	(0.3)
Total	2.5	1.8

The expected 2008 non-recurring cost relating to 2007 acquisitions remains £2.3m

Tax charge and cash effect

	Notes	£m		%	
		2007	2006	2007	2006
Profit before tax		19.6	13.3		
Amortisation	1	1.7	0.9		
Japanese provision release	2		(0.3)		
Adjusted profit before tax		21.3	13.9		
Tax expense for year		6.5	4.6	31%	33%
Tax related to prior year	3	0.3	(0.4)		
Tax expense for current year		6.8	4.2	32%	30%
Deduct pension contributions	4	(0.2)	(0.6)		
Deduct goodwill in US	5	(0.9)	(0.8)		
Add notional credit on amortisation	6	0.2	0.3		
Cash tax in respect of year		5.9	3.1	28%	22%

Notes

1 Amortisation is not taxable

2 The provision was not eligible for tax relief when established and not taxable when released

3 Items relate to other than current year

4 Tax relief on the pension contributions is recognised in the SORIE

5 Goodwill on acquisition of Parson is tax deductible in the US. There is no goodwill amortisation under IFRS and so no tax benefit is recognised

6 Intangibles are amortised under IFRS and a deferred tax liability established. No real tax becomes payable

Earnings per share

	<u>2007</u> <u>£m</u>	<u>2006</u> <u>£m</u>	<u>2007</u> <u>pence</u>	<u>2006</u> <u>pence</u>
Profit for the period	13.2	8.8	4.7	4.1
Non-recurring items	2.5	1.8	0.9	0.8
Amortisation of intangibles	1.7	0.9	0.6	0.5
Earnings before non-recurring items and amortisation	17.4	11.5	6.2	5.4

Net assets

<u>£m</u>	31 Dec 07	31 Dec 06
Non-current assets		
Intangible assets	262.7	162.6
Tangible assets	3.6	1.9
Deferred tax asset	15.0	3.4
	281.3	167.9
Current assets		
Trade & other receivables	74.1	47.3
Cash	20.9	10.3
	95.0	57.6
Current liabilities		
Borrowings	(29.2)	(14.8)
Other payables	(108.5)	(59.8)
	(137.7)	(74.6)
Non-current liabilities		
Borrowings	(52.6)	(24.3)
Retirement benefit obligation	(7.8)	(5.4)
Other	(19.2)	(9.0)
	(79.6)	(38.7)
Net assets	159.0	112.2

Cash flow & debt

<u>£m</u>	<u>2007</u>	<u>2006</u>
Profit from operations	21.8	13.4
Depreciation & amortisation	3.5	2.8
Adjustment for pension funding	(0.7)	(2.0)
Other non-cash items	0.5	0.4
Cash flow before NWC movement	25.1	14.6
(+)/- in receivables	2.5	(6.4)
+/(-) in payables	6.2	(5.9)
Cash generated by operations	33.8	2.3
Acquisition of subsidiaries	(39.9)	(44.9)
Purchases of fixed assets	(2.1)	(1.2)
Purchases of software/investments	(2.4)	(1.4)
Income taxes paid	(2.6)	(4.3)
Dividends paid	(3.6)	(1.5)
Net interest paid	(2.6)	1.0
Repayment of borrowings	(12.7)	
Other		(0.4)
(+)/- in debt	(32.1)	(50.4)
Cash/(debt) at beginning of period	(28.8)	21.6
Cash/(debt) at end of period	(60.9)	(28.8)

Ineum Consulting is based in France but with offices across Continental Europe and in North America. 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 Capgemini and Accenture.

- 2007 revenue £79.9m (2006: £23.7m – 4 months)
- 2007 operating margin 14.9% (2006:11.9%)
- Around 700 employees
- Integration into MCG Group completed successfully in H1 2007
- New CEO helped deliver excellent trading performance throughout 2007
- Offices now open in Belgium, Holland, Luxembourg, Switzerland and the US

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.

- 2007 revenue £17.1m (full year 2007 revenue £74.5m)
- 2007 operating margin 15.2%
- Around 600 employees
- Acquired 12 October 2007
- Performed strongly in post-acquisition period across both Consumer Products Division (CPD) and Healthcare Services Division (HSD) businesses
- Integration process on track

Parson Consulting is a global consultancy with major centres in the US, France and the UK. It assists Finance Directors across all industries to provide information and insight to stakeholders through performance management, corporate transaction support, governance and risk management and associated areas of expertise. Representative clients include Citigroup, Visa, Unilever and Shell. A typical project size is around £250k. Major competitors include consultancies of the 'Big 4' accounting firms, Accenture and IBM.

- 2007 revenue £43.9m (2006: £34.3m)
- 2007 operating margin -1.1% (2006: -6.1%)
- Profitable in H2 2007
- Around 375 employees
- Strong performances in 2007 in France and UK compensated weakness in US
- US merged with CBH Consulting in January 2008

Proudfoot Consulting is based in the US with global operations run from offices in Europe, Africa, South America and the Pacific basin. 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 £1.5m. Major competitors include A T Kearney and Celerant.

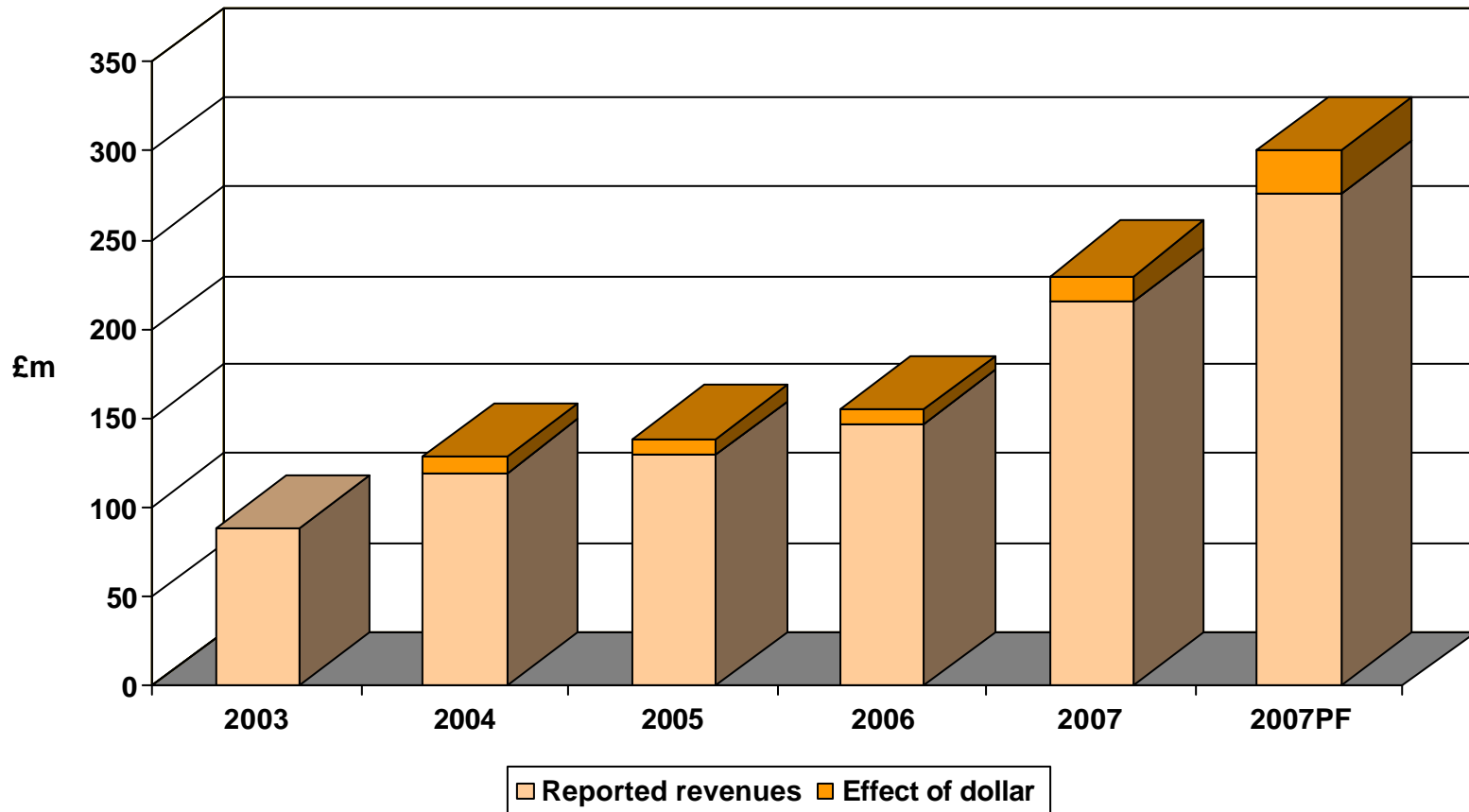
- 2007 revenue £73.6m (2006: £88.7m)
- 2007 operating margin 16.7% (2006: 17.6%)
- Around 425 employees
- Revenue down on 2006 but margins remain robust
- Sluggish traditional markets – US and Europe
- Growth in 'new' markets such as Brazil and Pacific region

Outlook

- The Group entered the year with order book higher than at the beginning of 2006 on a like-for-like basis
- Work won this year is ahead of work delivered
- Current trading is in line with the board's expectations
- US economic conditions are being monitored closely in relation to H2 2008 performance

- The board is confident that the Group will show good progress in H1 2008

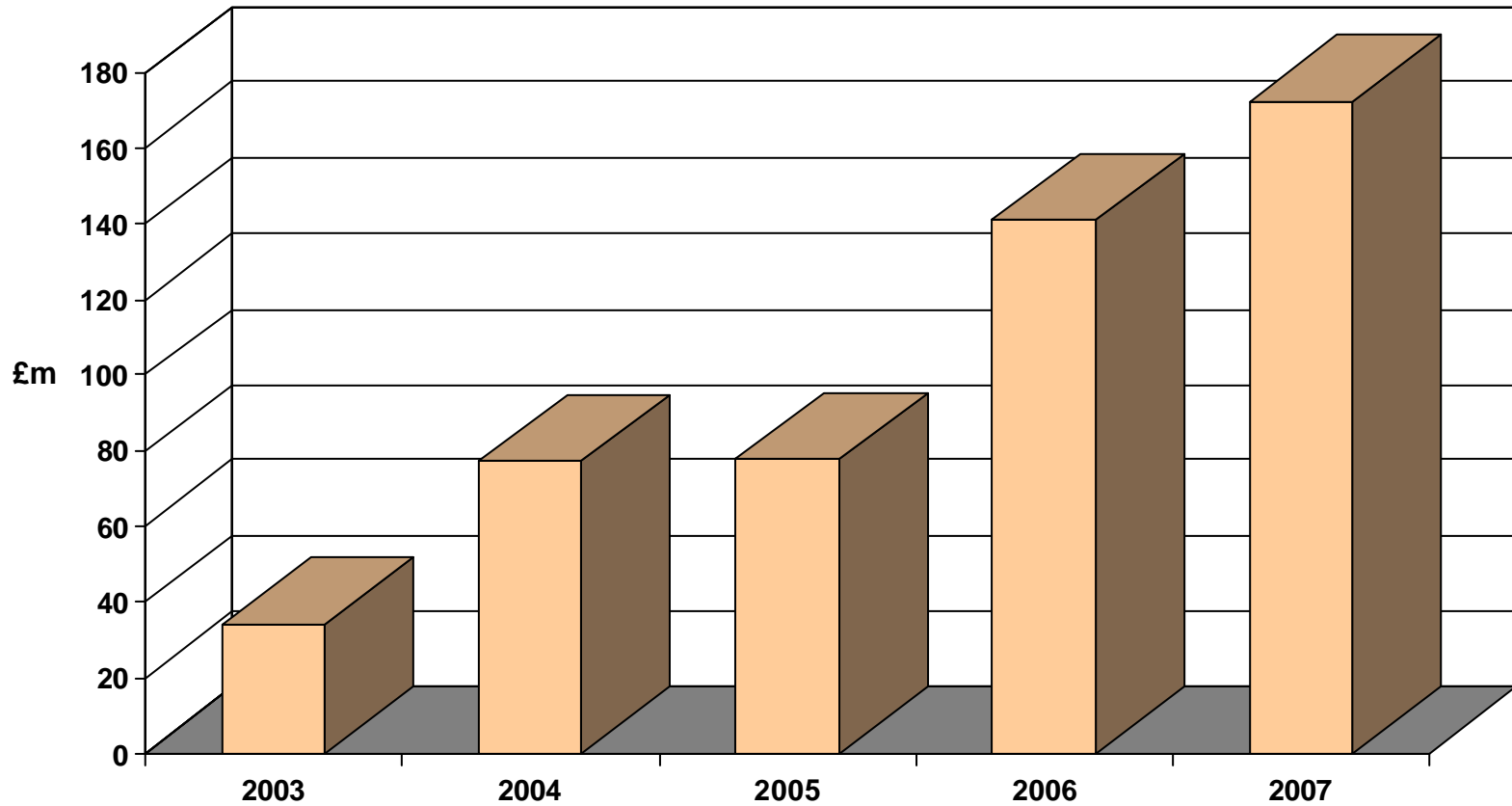
Appendix - revenue development in constant dollars



Excludes effect of disposals. Pro forma column includes estimated 2007 full year revenues for all consultancies.

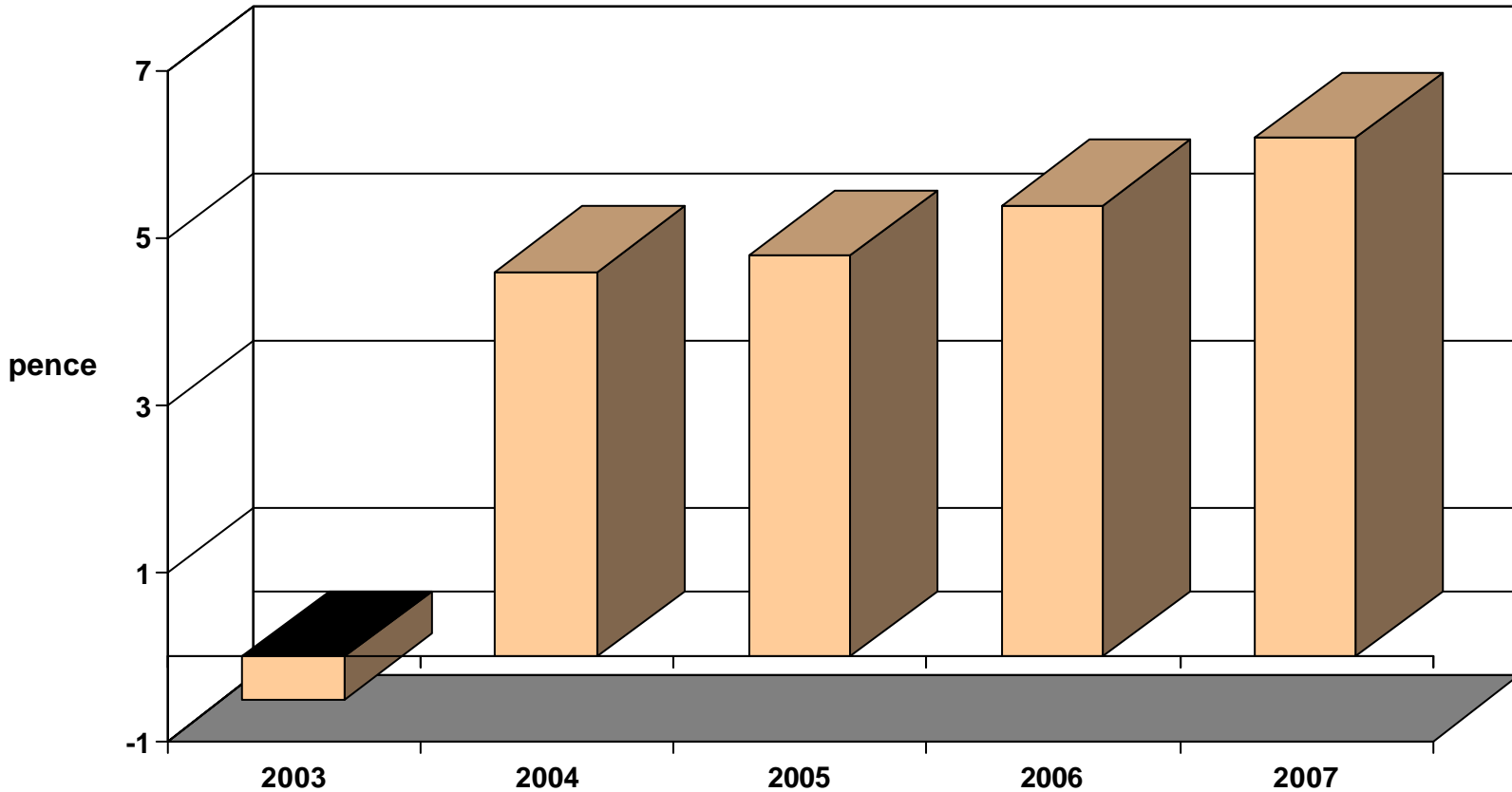
Assumes all American revenues are translated into GBP at the 2003 USD average exchange rate

Appendix - enterprise value evolution



Enterprise value is market capitalisation plus net debt at 31 December

Appendix - earnings per share evolution



EPS is calculated before amortisation and one-off items