13 November 2008

MCG PLC
Interim Management Statement and Strategy Update

Management Consulting Group PLC ("MCG" or 'the Group") today announces an update on progress in the business since 11 August and provides an update on the future strategic direction of the Group. The financial results for the full year to 31 December 2008 will be reported on 9 March 2009.

Interim management statement

Group revenue and underlying* profit for the current year to date are in line with expectations and, on a like for like basis, ahead of last year. The net debt of MCG is at expected levels and, at constant exchange rates, is broadly level with the equivalent figure twelve months ago, even after paying around £20 million of pre-acquisition bonuses to the employees of Kurt Salmon Associates ("KSA") during the first half of 2008. This demonstrates the continued cash-generative nature of the business.

The Directors remain confident that the full year results will also be in line with expectations. The Board remains mindful, however, of the unprecedented economic conditions and is taking the appropriate steps to prepare the business for the uncertainty of 2009 and beyond.

* The term 'underlying' is defined as 'before non-recurring items and amortisation and impairment of acquired intangible assets.'

Board appointment

On 9 October 2008 it was announced that Mr Julian Waldron had been appointed to the Board as a non-executive director and as a member of the Audit and Risk Committee and the Remuneration Committee. Mr Waldron is the Chief Financial Officer at Technip, the oil and gas services group, having until recently held the same position at Thomson S.A.

Strategy update

In our Interim results statement on 11 August a new organisational structure for the Group was announced, comprising two divisions: Consultancy Practices and Operational Consulting. Operational Consulting, led by Luiz Carvalho, trades as Proudfoot, our operational improvement business, and Consultancy Practices, led by Miguel de Fontenay, contains our strategic and business management consultancies.

Since August, the unprecedented macro economic instability caused by the credit crunch has resulted in reduced visibility in most global markets. The new management of MCG has already taken difficult decisions in its commitment to increase shareholder value. It will continue to focus on its core operations, dispose of non-core assets, reduce its cost base and net debt and prioritise organic growth in the short term.

The Board has determined that certain underperforming parts of the MCG business are non-core and is taking the opportunity to concentrate management effort and resources on those areas with the greatest potential benefit to the Group. Following the completion of the successful major restructuring of Parson Consulting and the eventual discontinuation of the Parson brand announced in the last trading update, MCG has begun to restructure its Proudfoot and KSA Chinese operations to reduce substantially its losses in the region by the end of 2008.

In addition, the new management of the Group has completed the comprehensive review of central non-client facing costs. The audit of the Group's property requirements, as announced in June, will lead to the Group withdrawing from around a dozen properties and downsizing a further five. This will result in total annualised savings from the start-point at the beginning of 2008 of around £1.5 million. The management has also revisited the Group's central cost base to ensure that it remains appropriate for the new divisional structure. As a result of this review approximately thirty-five people will be leaving the business and annualised cost savings of around a further £2 million will be achieved. The Group will continue to maintain a tight focus on costs and reduce discretionary spend wherever possible. Similar projects reviewing the non-client facing costs in each of the major consultancies are currently underway and details of further cost savings arising from these projects will be released in due course.

As a result of all of these initiatives, plus the departure of the former CEO in February and the remainder of the integration of the 2007 KSA acquisition the total non-recurring cost for the full year, including the impairment of acquired goodwill, is likely to be in the region of £45 million to £46 million.

During the Strategic Review areas of existing business were identified where there are significant opportunities for organic growth and management intends cautiously to invest in the resource necessary to enable us to take advantage of these. The Group will also continue to consider carefully selected small in-fill acquisitions at the right time and price. Further details of these growth initiatives will be announced when market conditions become clearer.

Financial resources

The Group arranged a financing package with three major banks during 2007 to cover the period to 2012. MCG intends to achieve a net debt free position within this timescale. The facility is for almost £140 million at today's exchange rates at interest rates of 1.5% above Libor and Euribor and is subject to two covenants, Net Debt / EBITDA and Interest Cover. At the end of the third quarter the Group was comfortably within the covenant limits.

Alan Barber, Executive Chairman of MCG, said "MCG has continued its strong performance in the first half of 2008 throughout the second half of the year so far and has a strong order book that should enable it to meet expectations for the full year. The Group has benefited from having some counter-cyclical products in its broadening range and these help it partially to hedge variances in economic cycles in different industries and geographies. The strategic planning exercise has been very useful in identifying our strengths and opportunities. We have reacted to the worsening macro-economic conditions by protecting our margins with appropriate divestments and cost-cutting exercises whilst positioning ourselves to take advantage of markets when they eventually improve."

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Notes to Editors

Management Consulting Group PLC is an umbrella organisation for a diverse range of professional service offerings. It is now aligned under two separate groups - Consultancy Practices and Operational Consulting. Consultancy Practices offers strategic and business management consultancy services and comprises Ineum Consulting, Kurt Salmon Associates, Parson Consulting and Salzer Consulting. Operational Consulting comprises the operational improvement business, Proudfoot.