

Management Consulting Group plc

Results for the six months to 30 June 2005

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Agenda

- Highlights
- Financials
- Achievements
- Outlook

Highlights for H1 2005

- Revenue of £57.2 million (H1 2004 - £62.9 million)
 - *more than double the market growth rate for the last two years*
 - *in line with the second half of 2004 for both Parson Consulting and Proudfoot Consulting*
- Operating profit of £4.6 million (H1 2004 - £7.7 million) – in line with the second half of 2004
- Basic earnings per share of 1.9 pence (second half of 2004: 1.6 pence)
- Organic growth - New offices now winning client engagements
- Positive outlook
 - *Proudfoot Consulting's order book is over 75% ahead of the start of the year and has a longer tail*
 - *Parson Consulting's order book is at a similar level to the start of the year and is more diversified*
 - *Significant growth in revenue is expected in H2 2005*

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Profit and loss account

	H1 2005	H2 2004	H1 2004
	£'m	£'m	£'m
Revenue			
Proudfoot Consulting	36.0	34.6	46.8
Parson Consulting	21.2	21.7	16.1
	57.2	56.3	62.9
Cost of sales	(29.3)	(28.6)	(31.8)
Gross profit	27.9	27.7	31.1
Selling costs	(16.7)	(15.3)	(15.2)
Administrative expenses	(6.6)	(7.6)	(8.2)
Operating profit	4.6	4.7	7.7
Finance income/(costs)	0.2	(0.1)	0.1
Profit before tax	4.8	4.6	7.8
Income tax expense	(1.3)	(1.6)	(2.3)
Profit for the period	3.5	3.0	5.5
Gross profit margin	49%	49%	49%
Selling costs to turnover	29%	27%	24%

Normalised profit

	H1 2005	H2 2004	H1 2004
	£'m	£'m	£'m
Operating profit as reported	4.6	4.8	7.7
Normalisation adjustments			
Japanese indemnity provision	(0.9)		
Investment in new offices	0.9		
Non cash items			
Management incentive plan		(0.3)	(0.5)
Deferred bonus accounting	0.1	(0.2)	(0.3)
Share option costs	0.3	0.2	0.2
Normalised operating profit	5.0	4.5	7.1

Consultancy margin performance

	H1 2005	H2 2004	H1 2004
	£'m	£'m	£'m
Revenue			
Proudfoot Consulting	36.0	34.6	46.8
Parson Consulting	21.2	21.7	16.1
Normalised operating profit			
Proudfoot Consulting	3.3	2.7	6.4
Parson Consulting	1.7	1.8	0.7
	<hr/> 5.0	<hr/> 4.5	<hr/> 7.1
Core margin			
Proudfoot Consulting	9%	8%	14%
Parson Consulting	8%	8%	5%

Geographical analysis

	H1 2005	H2 2004	H1 2004
	£'m	£'m	£'m
Revenue			
Proudfoot Consulting			
North America	18.4	16.2	28.0
Europe	14.8	15.3	14.0
RoW	2.8	3.1	4.8
	36.0	34.6	46.8
Parson Consulting			
North America	16.3	19.2	14.3
RoW	4.9	2.5	1.8
	21.2	21.7	16.1
Normalised operating profit			
Proudfoot Consulting			
North America	4.2	3.3	7.1
Europe	0.0	0.0	(0.3)
RoW	(0.9)	(0.6)	(0.4)
	3.3	2.7	6.4
Parson Consulting			
North America	0.9	1.7	0.7
RoW	0.8	0.1	0.0
	1.7	1.8	0.7

Cash flows

Normalised operating profit

Investment in new office start ups

Working capital movements

Pension payments

Taxation payments

Dividend

Other items

Cash usage in the period

Cash at 1 January 2005

Forex movements

Cash at 30 June 2005

	£m
Normalised operating profit	5.0
Investment in new office start ups	(0.9)
Working capital movements	(4.0)
Pension payments	(0.9)
Taxation payments	(1.8)
Dividend	(1.2)
Other items	(0.3)
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Cash usage in the period	(4.1)
Cash at 1 January 2005	14.5
Forex movements	0.5
	<hr/>
Cash at 30 June 2005	10.9
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Net Assets

	June 2005	December 2004
	£m	£m
Fixed assets		
Goodwill	66.4	66.1
Other fixed assets	1.9	1.8
	<u>68.3</u>	<u>67.9</u>
Current assets		
Debtors and other receivables	15.0	12.7
Cash and cash equivalents	10.9	14.5
	<u>25.9</u>	<u>27.2</u>
Creditors due within one year	(26.7)	(28.9)
Creditors due after one year	(2.5)	(2.5)
Provisions for liabilities and charges	(3.1)	(4.0)
Retirement benefits liability	(14.6)	(11.4)
	<u>47.3</u>	<u>48.3</u>
Net assets		

Retirement benefits

- The retirements benefits liability increased by £3.2m in the period despite the funding of £0.9 million provided by MCG
 - *Discount rate for liabilities - down to 5.25% from 5.75% - £2.3 million negative impact*
 - *Return on investments – below 8% assumed long term return - £0.8 million negative impact*
 - *Forex rates - \$ strengthened from 1.92 to 1.79 by 30 June - £0.9 million negative impact;*
- The actuaries have not changed their views of medium term financing needs which are expected to be a further contribution of £1 million in 2005 and £2.8 million in 2006.

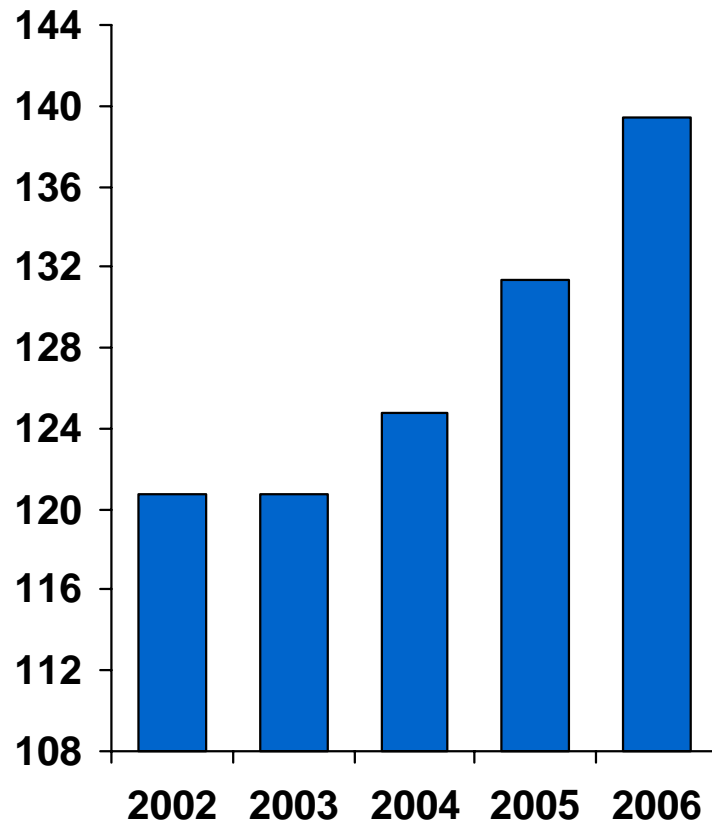
IFRS restatement for 30 June 2004

	Income account		Net assets
	£'m		£'m
UK GAAP profit after tax	3.7	UK GAAP net assets	45.0
Remove goodwill amortisation	1.9	Add back goodwill amortisation	1.9
Reallocate deferred bonuses	0.4	Reallocate deferred bonuses	0.4
Share option charge	(0.2)		-
Deferred tax impact of bonuses & options	0.1	Deferred tax impact of bonuses & options	0.1
Deferred tax liability on goodwill tax deduction	(0.5)	Deferred tax liability on goodwill tax deduction	(0.5)
IFRS profit after tax	5.4	IFRS net assets	46.9

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Consulting market place (US\$ 125bn)



Source: Kennedy Information

Kennedy Information is projecting an improved landscape for consulting businesses with growth rates as follows:

- 5% forecast for 2005
- 6% forecast for 2006

Across the key consulting markets Kennedy is projecting the following growth rates for 2005/06:

	Share of Global market	CAGR
North America	58%	6.3%
EMEA	34%	4.5%
Asia Pacific	7%	5.6%

The Group's achievements

- MCG has achieved revenue growth of 15% per annum over the past two years (H1 2005 v H1 2003). This is more than double the market growth through expansion of services; geographic locations and through cross selling
- Named as second fastest growing consultancy in 2004 in Kennedy's June 2005 Consultants News League table
- Driven cross-selling opportunities
 - *Won seven joint projects in the first half*
- Evaluated potential acquisitions
 - *Central review of a reasonable volume of opportunities*

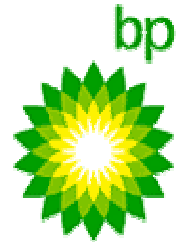
Proudfoot Consulting – improving clients' profits

- Projects completed in H1 delivered £137 million of profit improvements to Proudfoot's clients
- Return on investment for our clients was 3.4 to 1 on average
- The average revenue for projects won was £2.4 million due to larger than normal project wins
- Over 40% of our work was from repeat clients
- Major sector focus in the period was manufacturing 35%; natural resources 23%; finance and insurance 11% and communications 10%
- 480 employees – up 10% from the year end

Proudfoot Consulting's achievements

- Exploited opportunities arising from US market growth
 - *US revenue grew by 14% over H2 2004 and order book grew by 33%*
- Maintained flexible approach in Europe
 - *European revenue fell by 3% over H2 2004 and order book grew by 112%*
- Exploiting new opportunities in China and South Africa
 - *China has won business*
 - *Some traction from our Black Empowered JV in South Africa*
- Invested in service line development
 - *Practices group established*
 - *Increasing interest of European LBO funds in Proudfoot's private equity offering*

Proudfoot Consulting – representative clients



Parson Consulting – better financial management

- Parson was working for approximately 70 clients at any one time during the period
- The average revenue for projects won was £160k
- Over 50% of our work was from repeat clients
- Parson revenue has remained in line with H2 2004 through new service offerings and geographic expansion
- Significant work from the financial sector, healthcare and consumer markets
- Average prices increased by 18% during the period; 6% of the increase was due to staff mix
- 354 employees at 30 June – a similar level to the year end

Parson Consulting's achievements

- Rolled-out new service lines
 - *Shared services; forecasting; accelerating the close; ERP optimisation; corporate transactions work*
- Capitalised on continuing Sarbanes-Oxley related needs
 - *European growth of 95% has been driven by SoX work this year*
- Established new offices in Paris, Sydney
 - *Paris and Sydney have already won new work*
 - *Washington office opening next month*
- Continued recruitment in line with service development
 - *Practice director recruitment to support new service lines*

Parson Consulting – representative clients



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Implementing our strategy

- To continue to gain new clients and retain existing clients
 - *Work won in first half is over 40% higher than revenue earned in the period*
 - *Order book is 51% higher than at the beginning of the year*
- To grow organically in existing geographic locations
 - *New Parson offices in France and Australia*
- To invest in sub-brands ie names of consultancies
 - *New Proudfoot office in China*
- To develop talent
 - *Executive development programme up and running*
- To have infrastructure in place ahead of requirements
 - *Continued investment in talent pool*
- To deliver acquisition led diversification
 - *More opportunities are crossing our desk and we remain keen on HR and forensic/risk consulting*

Priorities for H2



- Deliver revenue growth from strong order book base
- Maintain sales momentum
- Continue introductions to Parson Consulting
- Build on promising start in China



- Continue shift of work away from governance activities in the US
- Maximise opportunities in market arising from new service lines
- Build on promising start in Paris and Sydney
- Deliver underlying margin improvement

Outlook

- Order book at June was 51% higher than at the start of the year and 30% higher than June 2004
- Prospects list is strong
- Revenue run rate for the first five weeks of H2 is up on H1 and order book is in line with 30 June
- Based upon the strength of the order book and the prospects in the new offices, significant revenue growth is expected in H2 2005

Management Consulting Group plc

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