



10 November 2009

Management Consulting Group PLC

Interim Management Statement and Directorate Changes

Interim management statement

Management Consulting Group PLC ('MCG' or 'the Group'), the international professional services group, today announces an update on progress in the business since 3 August 2009. The financial results for the full year to 31 December 2009 will be reported on 8 March 2010. It also announces changes to its Board.

Group trading

MCG expects to report underlying* operating profit for the 2009 financial year in line with consensus between £28m and £30m. The achievement of this profit figure reflects active cost management across the Group in the face of the difficult trading conditions experienced by the professional services industry which have continued since the half-year results announcement. In particular MCG has mitigated the effects of these conditions by reducing employee numbers and discretionary bonus payments accrued in relation to the 2009 financial year.

Trading during the summer period has been slower than expected and each of the three divisions has reduced their revenue forecasts for the full year as a result. The reductions at Kurt Salmon Associates and Ineum Consulting are small and trading for the September to December 2009 period is expected to be in line with expectations. However the influx of new business at Alexander Proudfoot, usually seen following the summer slowdown, has not materialised this year and, as a result, Proudfoot's second half revenue will be lower than expected. Alexander Proudfoot is a business that generally performs well when the world economy is experiencing either an upswing or a downturn, as companies require throughput and revenue maximisation or cost reduction projects, respectively. Recently potential clients have tended towards a 'wait and see' approach and a deferral of prospective business. As a result, 2009 revenue for MCG as a whole is now expected to be in the range of £280m to £290m. Despite this, as noted above, underlying operating profit is expected to be in line with consensus.

Non-recurring costs are expected to reach between £9m and £10m for the full year, reflecting the continued requirement to reduce employee numbers across the Group. Currently MCG employs around 1,700 people, down from a peak of 2,350 in June 2008.

* 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".

Cash flow and balance sheet

Whilst cost savings generally result in immediate cash improvements, the majority of bonus payments are made in the year following the year of accrual and those relating to the 2009 financial year would normally be made during the first half of 2010. Thus the positive cash effect of these cost savings will be seen in 2010, not 2009 and hence the shortfall in revenue will adversely impact the year end net debt figure, which is now expected to be around £90m. The Group is in compliance with the covenants under its existing banking facilities and will manage its affairs to ensure that this continues to be the case. The EBITDA used to calculate leverage covenant compliance is expected to be around £5m higher than underlying operating profit. The Group cash flow will benefit in 2010 from the lower bonus payment.

Ineum Consulting

During 2009 the Group received indicative offers from three French private equity houses interested in purchasing some part or all of Ineum Consulting. The Board has reviewed these offers in detail, given the desire to maximise value for its shareholders. Two of these approaches foundered quite early in the process but significant time and expense was incurred on the third, which valued Ineum Consulting at around £85m. The cost of this project was approximately £1.6m and this is included in the non-recurring cost total above. The Board has concluded that this proposal materially undervalued the Ineum Consulting business and was significantly dilutive to MCG shareholders and accordingly it too was rejected.

Executive Chairman Alan Barber commented, *"2009 has been a challenging year for all of us at MCG following the record results reported in 2008. We are not immune to the global difficulties in consulting and professional services and we believe that we are weathering the storm better than many of our competitors. We have taken strong and concerted action to manage the business and control costs, giving us confidence that consensus profit figures can be achieved despite the current adverse environment. We are dedicated to ensuring the business is well positioned to benefit from the eventual recovery in the global economy and to create long-term value for shareholders. We are delighted that Ineum Consulting is remaining within MCG. Ineum has been a very successful acquisition for the Group and is an important element of our current offering to the market."*

Directorate Changes

The Group also today announces that Mr. Chiheb Mahjoub has been appointed to the Board as an executive director, with immediate effect.

Mr. Mahjoub (45), who has dual French and Tunisian nationality, is a graduate of the École Nationale des Ponts et Chaussées and Ensimag in Paris where he obtained a Master of Engineering degree and an MBA. Following a short period working in the derivatives market he helped to establish and develop Summit Systems, a global leader in derivatives trading software packages. In 1995 Mr. Mahjoub joined Deloitte Consulting to develop its investment banking practice in France before becoming lead partner in charge of its Continental Europe Investment Banking Skills Centre. During this period he was involved in major strategic and transformational assignments for leading financial institutions in Europe, the US and Asia Pacific. In 2003 Mr. Mahjoub was one of the founding partners of Ineum Consulting, responsible for the Global Financial Services Team. In 2008 he became Managing Partner and Global Executive of Ineum Consulting, heading the development of its international business.

Mr. Miguel de Fontenay, an executive director of MCG, has stepped down from the Board with immediate effect.

Mr. Barber commented, *"I am delighted that Chiheb is joining the Board. He has been instrumental in building Ineum to its current position in the French market and will be able to use his strong international background to drive its future development. Ineum has been extremely successful since its acquisition and we look forward to working with Chiheb and the rest of Ineum management in this new phase of its history. I would like to thank Miguel for his contribution as a director of MCG."*

Mr Mahjoub is beneficially interested in 3,740,322 Ordinary Shares representing 1.13 per cent of the issued share capital of the Company. An announcement will be made in due course of any further disclosures required under Rule 9.6.13 of the Listing Rules.

On 23 October 2009 it was announced that Mr. Nicholas Stagg has been appointed to the Board as an executive director and that Mr. JP Bolduc had resigned as a non-executive director.

As previously reported the Executive Chairman, Alan Barber, will relinquish his executive duties towards the middle of 2010. A succession planning process is now underway, with input from an external executive search consultant to identify both internal and external candidates for the role, and the Group would expect to announce Mr. Barber's successor at the same time as the 2009 preliminary results in early March 2010.

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Notes to editors:

Management Consulting Group PLC (MMC.L) is an umbrella organisation for a diverse range of consulting and professional services offerings. MCG operates through three divisions: Alexander Proudfoot, Ineum Consulting and Kurt Salmon Associates. Alexander Proudfoot provides operational improvement services. Ineum Consulting provides consulting services with industry expertise. Kurt Salmon Associates provides retail and health care consulting. The Group operates worldwide. For further information, visit www.mcgplc.com