

2004 Interim Results

9 August 2004



Important notice

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Agenda

- 2004 interims key points
 - Profit and loss account
 - Balance sheet
 - The marketplace
 - Future priorities
 - Outlook
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- Appendix – The Group's businesses

2004 – H1

- Revenue up 45%
- Operating profit of £7.5 million compared with loss of £1.0 million, before goodwill
- Significant improvement in both businesses
- Order books well ahead of last year

2004 H1 – Proudfoot

- Revenue up 43%
- Strong profits - £6.9 million compared to £2.3 million, before goodwill
- Current order book up 35% compared with same time last year
- Current order book up 14% compared with 1 January 2004

2004 H1 – Parson

- Revenue up 69%
- Reached breakeven in November 2003
- Operating profit of £0.6 million compared to loss of £3.2 million, before goodwill
- Step change in project capability
- London office generated revenue of £1.8 million and now profitable
- Current order book up 127% compared with same time last year
- Current order book up 139% compared with 1 January 2004
- Significant recruitment

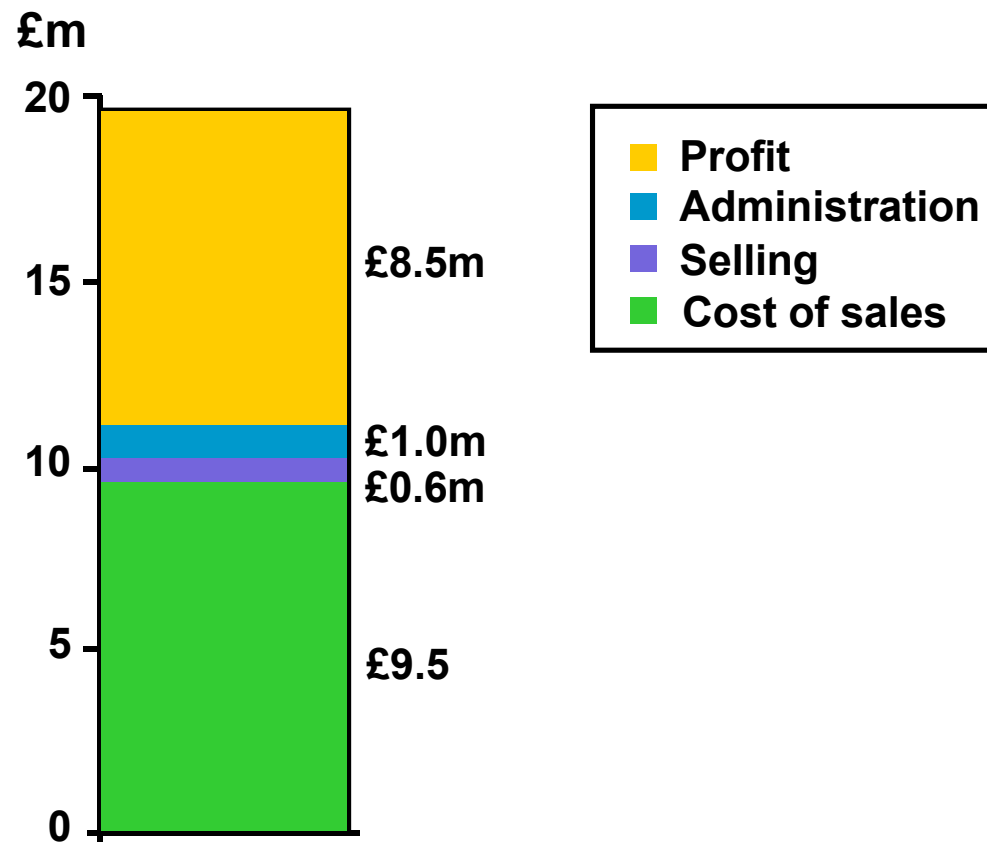
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Profit and loss account

	2004	2003			Change	
	H1 £m	H1 £m	H2 £m	Year £m	H1 v H1 04 03	H1 v H2 04 03
Turnover						
Proudfoot Consulting	46.8	33.8	34.4	68.2	38.5%	36.0%
Parson Consulting	16.1	9.5	10.9	20.4	69.5%	47.7%
	62.9	43.3	45.3	88.6	45.3%	38.9%
Cost of sales	(31.8)	(22.3)	(22.8)	(45.1)		
Gross profit	31.1	21.0	22.5	43.5		
Selling costs	(15.1)	(14.5)	(13.8)	(28.3)		
Administrative expenses	(8.5)	(7.5)	(7.5)	(15.0)		
Goodwill amortisation	(1.9)	(2.0)	(2.0)	(4.0)		
Operating profit/(loss)						
Before goodwill amortisation	7.5	(1.0)	1.2	0.2		
After goodwill amortisation	5.6	(3.0)	(0.8)	(3.8)		
Interest (net)	0.1	0.2	(0.3)	(0.1)		
Profit/(loss) before tax	5.7	(2.8)	(1.1)	(3.9)		
Tax	(2.0)	(0.7)	(0.4)	(1.1)		
Profit/(loss) after tax	3.7	(3.5)	(1.5)	(5.0)		
Gross profit margin	50%	48%	50%	49%		
Selling costs to turnover	24%	33%	30%	32%		
Headline EPS	3.0	(0.8)	0.3	(0.5)		

Translation of revenue into profit

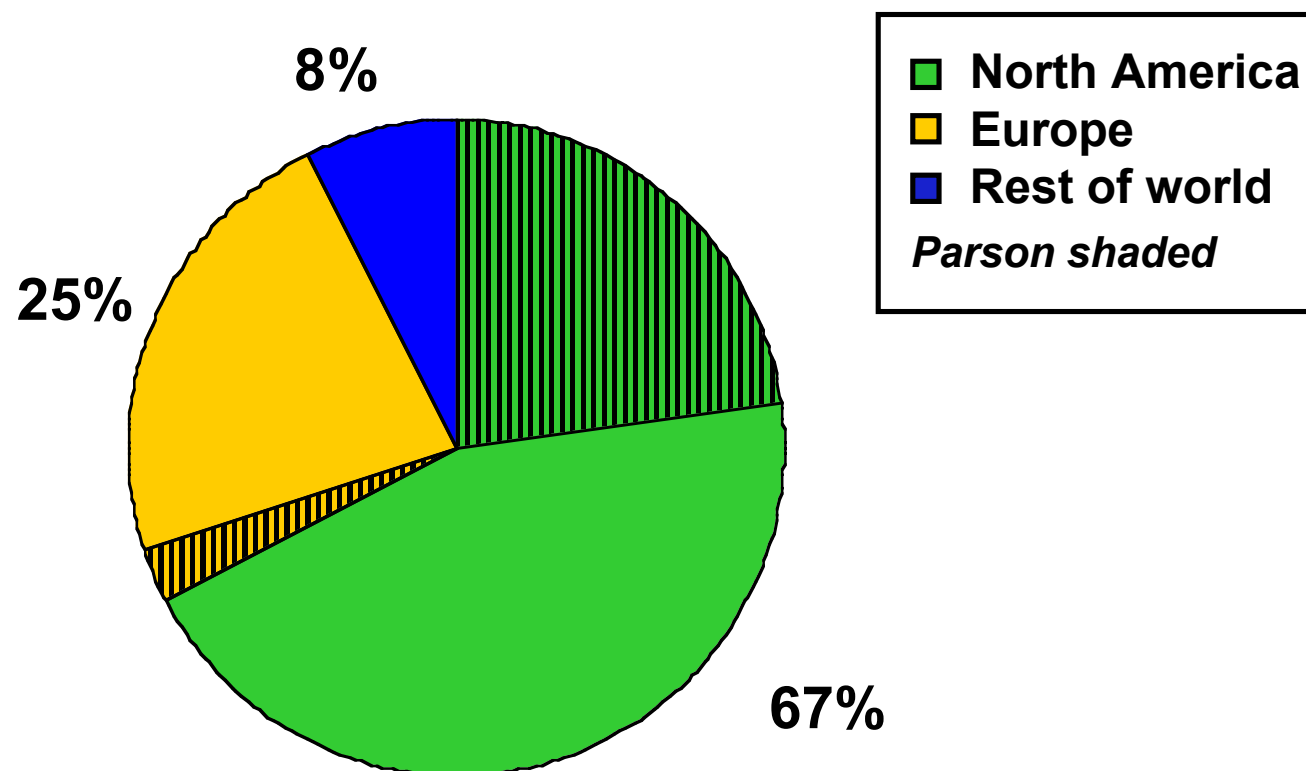


43% of additional revenue of £19.6m was translated into profit

Geographical analysis – revenue

	2004	2003			Change	
	H1 £m	H1 £m	H2 £m	Year £m	H1 v H1 04 03	H1 v H2 04 03
Proudfoot Consulting						
North America	28.0	17.4	17.6	35.0	61%	59%
Europe	14.0	12.1	11.5	23.6	16%	22%
Rest of world	4.8	4.3	5.3	9.6	12%	(9%)
	46.8	33.8	34.4	68.2	38%	36%
Parson Consulting						
North America	14.3	9.1	10.3	19.4	57%	39%
Europe	1.8	0.4	0.6	1.0	350%	200%
	16.1	9.5	10.9	20.4	69%	48%
Total	62.9	43.3	45.3	88.6	45%	39%

Group geographical analysis of revenue



Geographical analysis – operating profit

	H1 - 2004				H1 - 2003	
	Operating result £m	Goodwill amortn £m	Depn £m	EBITDA £m	Operating result £m	EBITDA £m
Proudfoot Consulting						
North America	7.4	—	0.3	7.7	3.2	3.5
Europe	(1.3)	1.1	0.2	—	(2.1)	(0.8)
Rest of world	(0.3)	—	—	(0.3)	0.1	0.1
	5.8	1.1	0.5	7.4	1.2	2.8
Parson Consulting						
North America	(0.2)	0.8	0.1	0.7	(3.7)	(2.6)
Europe	—	—	—	—	(0.5)	(0.5)
	(0.2)	0.8	0.1	0.7	(4.2)	(3.1)
Total	5.6	1.9	0.6	8.1	(3.0)	(0.3)

Results commentary

- 45% revenue growth in sterling, compared to H1 2003
- Dollar 10% weaker compared to H1 2003 – reduced reported group revenue by about £4.5 million or 7% of revenue
- Costs and revenues matched in currency so profit impact cushioned
- Gross margin maintained at 50%
- Costs controlled tightly

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Balance sheet

	30 June 2004	31 Dec 2003
	£m	£m
Fixed assets		
Intangible assets	64.9	69.2
Tangible assets	1.9	1.6
	<u>66.8</u>	<u>70.8</u>
Current assets		
Debtors	14.5	7.9
Cash and cash equivalents (net)	12.4	9.7
	<u>26.9</u>	<u>17.6</u>
Creditors due within one year	(30.6)	(24.0)
Creditors due after one year	(3.2)	(3.3)
Provisions for liabilities and charges	(2.4)	(3.2)
Retirement benefits liability	(12.5)	(13.2)
	<u>45.0</u>	<u>44.7</u>
Net assets		

Balance sheet commentary

- Receivables collection remains strong – increase reflects higher revenue in period and seasonality
- Retirement benefits liability fully reflected on balance sheet – actuarial assumptions more conservative

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Marketplace – regional trends

Market

- Overall, mid single-figure growth rates
- Upturn in US marketplace for first time in three years
- European marketplace sluggish
- Asia Pacific (ex-Japan) optimism is high
- India optimism is very high

MCG

- Significantly exceeded
- Well placed – dominant market for MCG
- Maintain presence in all markets, use period to improve sales infrastructure
- Separate Proudfoot unit in China; explore opportunities for Parson; maintain relationships with Proudfoot Japan
- Not an attractive marketplace due to low billing rates

Marketplace – sectors

Market

- Operational consulting remains strong
- Financial management consulting is strong, mainly governance related
- IT consulting remains sluggish
- Strategy consulting improving
- HR consulting improving

MCG

- Organic growth
- Build on Sarbanes-Oxley relationships and further exploitation through new product development
- Avoid
- Avoid
- Monitoring and interested

Marketplace – client needs

Market

- Increasing demand for help to increase output
- Financial sector and telcos increasing spending
- Off-shoring and out-sourcing trends continue, but US political issues
- Private equity houses are active and potential sources of business for both Proudfoot and Parson

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- Proudfoot aligning closely to client needs
- Non-industry specific approach allows rapid progress
- Parson offers objective assessment. Independent arrangements with partners being discussed
- New service offerings to assist them

Marketplace – tactical factors

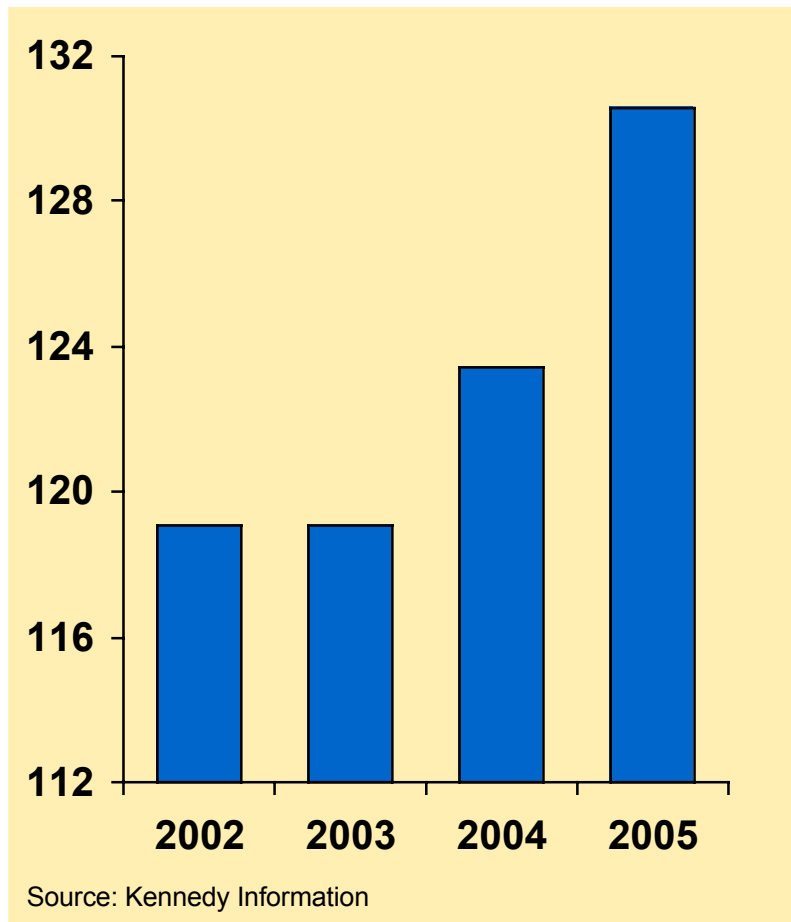
Market

- Slow decline in billing rates
- Increasing need for talent management as recovery takes place
- Salary inflation not yet visible but anticipated for 2005
- Increasing use of procurement procedures
- Regulatory pressure on big 4 continues

MCG

- Pushing up prices in Parson and will seek to increase Proudfoot prices in 2005
- Long standing highly geared packages continues to attract
- Higher prices will enable us to meet without margin erosion
- Formation of 'win' team
- Continue to look for further opportunities

Consulting market place (US\$bn)



- Flat in 2003
- 4% growth in 2004
- 6% growth in 2005

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Future priorities

- Proudfoot Consulting:
 - *Increase financial sector emphasis*
 - *Expand private equity client focus into Germany and North America*
 - *Improvement in procurement handling*
 - *Support development of China*
- Parson Consulting:
 - *New service line development : Business Intelligence; Business Performance Management; Enterprise Risk Assessment; Transaction Support; Post Merger Integration; Shared Services and Outsourcing Strategy; International Accounting Standards*
 - *Sarbanes-Oxley in Europe*
 - *Further practice director recruitment*
 - *Further middle management strengthening*
 - *Further price rises*

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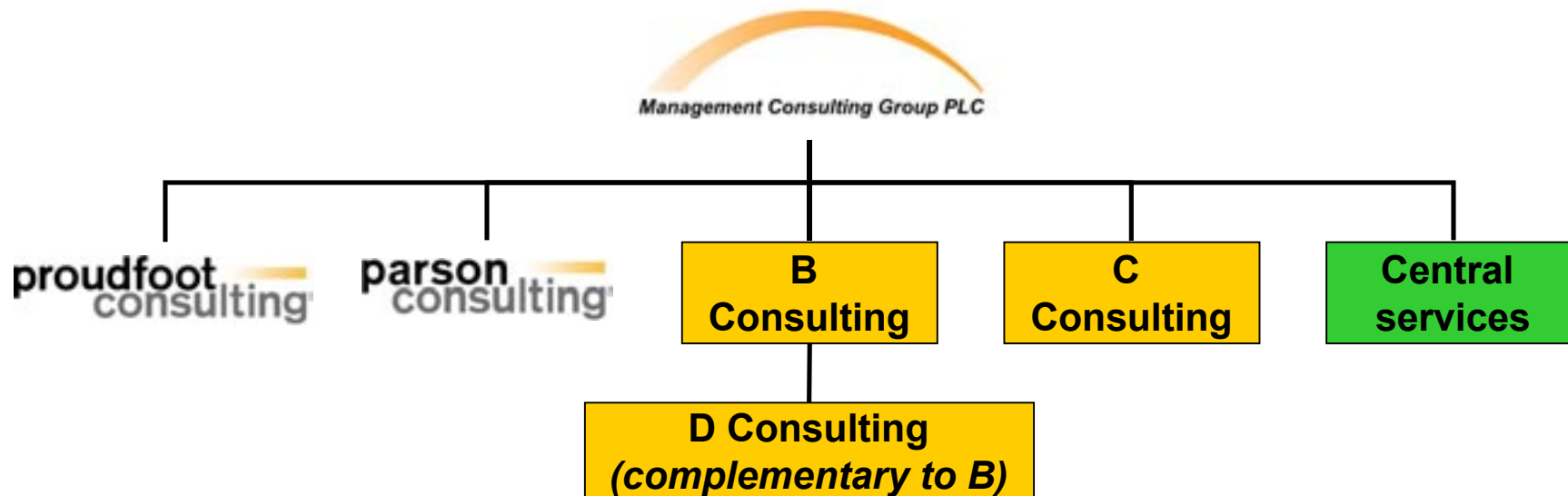
Outlook for 2004

- Order book 47% higher than a year ago (Proudfoot up 35% and Parson up 127%)
- Order book 27% higher than 1 January 2004 (Proudfoot up 14% and Parson up 139%)
- H2 seasonally weaker
- US election creates uncertainties
- Economic conditions generally stable
- Expect H2 2004 to show significant progress compared to H2 2003
- 2004 full year performance expected to be significantly better than 2003

Appendix

- The Group's businesses

Group structure

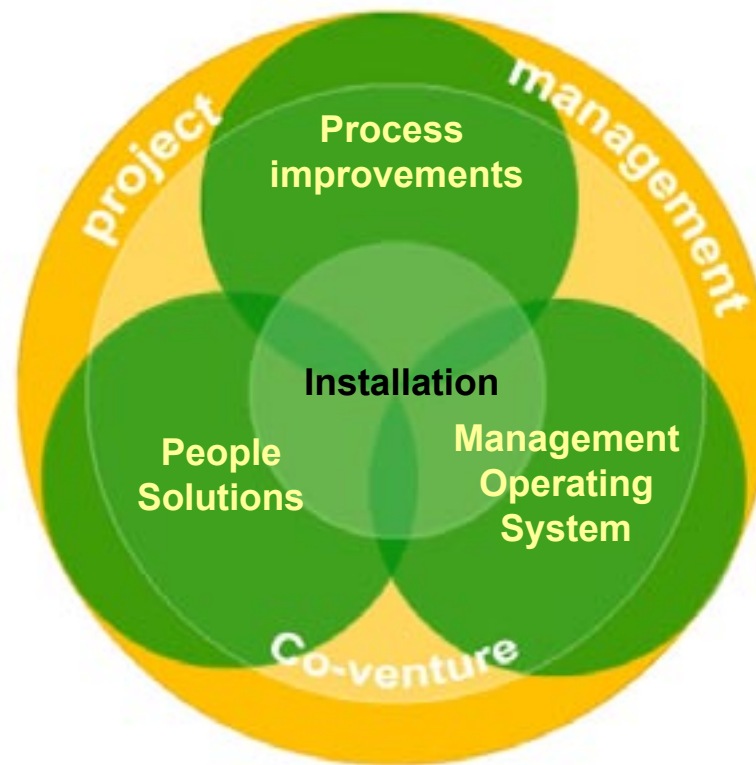


MCG will become an umbrella organisation for different consulting offerings

Proudfoot Consulting – installation

The enhancement and design of processes to increase sales and throughput; and reduce costs, overheads and capital expenditure

Behavioural analysis, training, coaching and communications to enhance skills and embrace change



Coherent, impactable operational indicators to provide immediate visibility of past and predictable under-performance that prompts corrective managerial actions

Proudfoot Consulting - first year no net cash impact

“Your annualised earnings enhancement will exceed our fee”



“Can you afford not to discuss your issues with us?”

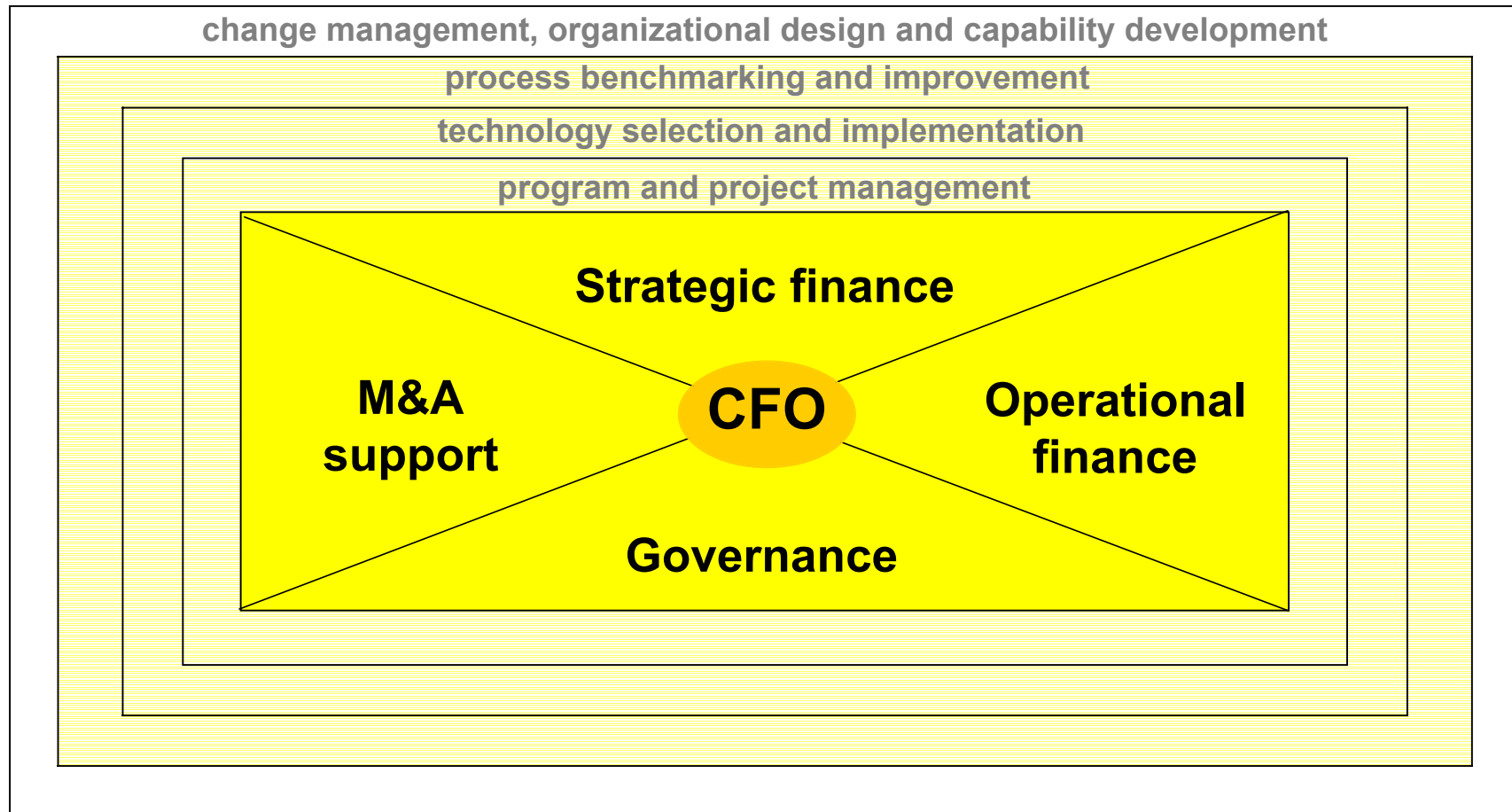
Proudfoot Consulting – representative clients



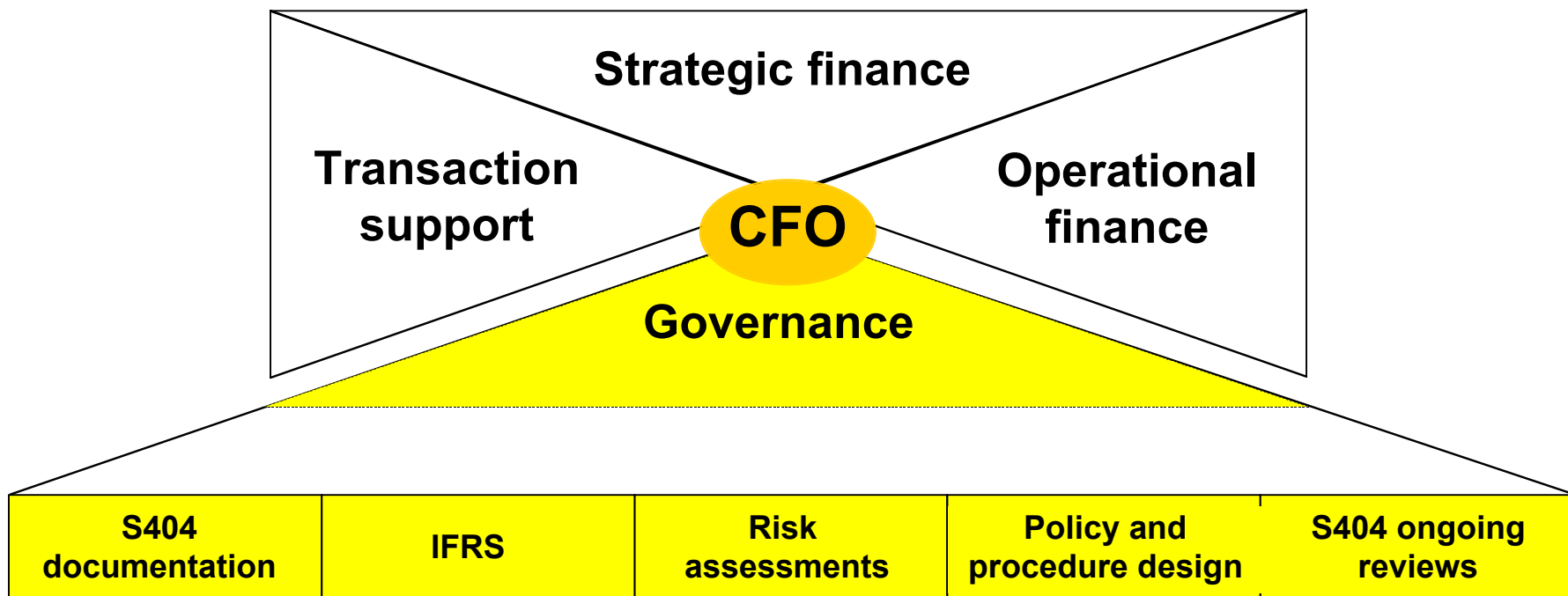
Parson Consulting

- Works with finance functions to service the ever increasing needs of stakeholders
- No conflict financial management consulting
- Increases the speed, efficiency and accuracy of finance functions
- Mix of highly experienced finance executives from industry and management consulting firms
- Over 400 consultants located in offices across the US and Europe
- Worked with over 1,000 companies, including more than one-third of the Fortune 500
- Ninety-one percent client satisfaction (more than twice the industry standard)

Parson Consulting – offerings



Parson Consulting – governance offerings



Parson Consulting – representative clients

