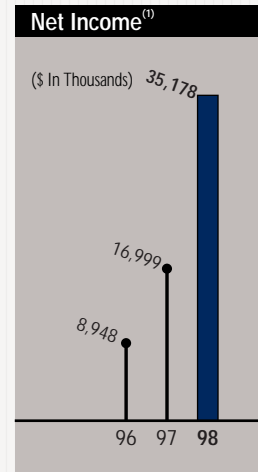
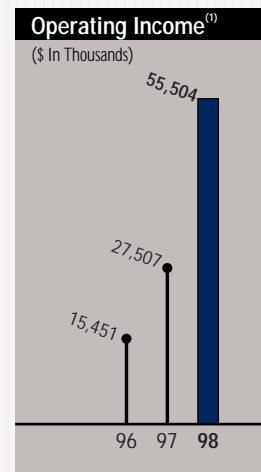
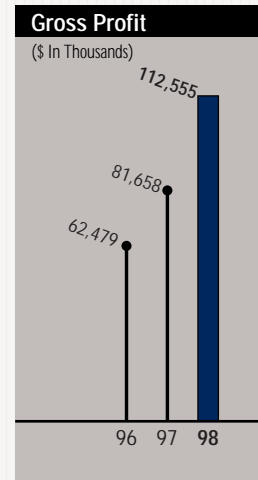
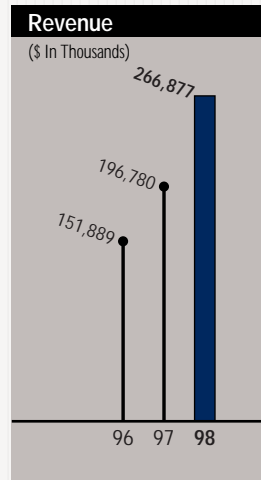


# 1998 Financial Highlights



<sup>(1)</sup> Operating income and net income, as presented, are pro forma, reflecting certain compensation adjustments in 1998 and income tax adjustments in 1996 and 1997, as described in the notes to the Consolidated Financial Statements. Operating income and net income, as presented, also exclude merger related costs and related tax effects in 1997 and 1998.

# The Report Card for '98:

I am pleased to report that 1998 was a great year for us, both financially and strategically.

We set out at the beginning of 1998 to integrate our acquisitions, capitalize on the revenue pull-through opportunity, improve our combined operations, and continue to execute our growth strategy. Here are some of the highlights of how we accomplished the financial aspects of our goals (except for numbers identified as "as reported," the growth rates and financial information you find throughout this Annual Report reflect required restatements for our 1998 acquisitions):

- Revenues for the year ended December 31, 1998 increased 36% to \$266.9 million, exceeding our 30% growth target. Operating earnings rose 48% to \$38.9 million, and pro forma net income increased 58% to \$25.6 million. Excluding one-time merger-related costs, operating earnings grew 88% to \$51.7 million and pro forma net income increased 107% to \$35.2 million.
- Margins continued to expand in 1998, and we expect to see more progress in 1999. Our gross margin reached 42%, compared with 41% in 1997.
- On a pro forma basis, excluding merger-related costs, our operating margin increased to 21% from 14%, and net margin improved to 13% from 9% the year earlier.
- In March 1998, we declared a 3-for-2 stock split. For those of you who were shareholders through all of 1998, your Metzler stock rose 82% in price (split adjusted).

Our financial success was also accompanied by our strategic success. We continued to add to our service offerings and expanded into other regulated industries to stay ahead of the demand being generated by our utility clients.

Although the investor community knows us as The Metzler Group, most of our services are marketed under the individual brand names of our companies. In 1998, however, we experimented marketing as a unified compa-

*Excerpt from  
1997 Annual Report*

***"1998: Opportunities and Positive Outlook***

*The coming year will hold a number of opportunities. We will continue to integrate our acquisitions and capitalize on the revenue pull-through opportunities they provide. We will improve our combined operations to make further progress on increasing operating margins. We will continue to apply our growth strategies in domestic and international markets. We will stay ahead of the challenges facing the utility and energy industries today and in the future. We believe [we] will more than rise to these challenges, setting new performance records while sharing our advances with stockholders."*



*— Robert P. Maher, Chairman, President & CEO*

ny, and our success rate has led us to adopt that model and pursue a name change. Earlier this year, our Board approved changing our name to Navigant Consulting, Inc. to reflect our common mission of guiding clients through rapidly changing business and economic environments. Of course, we won't abandon our established brands immediately, but as we complete our transition to a unified company in the marketplace, our clients will enjoy the ability to obtain a full-range of management consulting services from a single source, having a single name.

In the remainder of this Annual Report, I share with you some of the details of our successes in 1998 and the expectations of our future for 1999 and beyond.

### **Market Trends and Internal Growth**

Demand for consulting services in the energy industry alone has grown to exceed \$4.5 billion, growing at a rate of 19% per year (source: Dataquest). This demand is driven by competitive forces and uncertainty in the face of deregulation. As deregulation of electric and gas utilities progresses through changing federal and state legislation, our clients address macro-issues — such as whether to remain in all or only some of their power generation, transmission or distribution businesses, whether to enter into new businesses and how to adapt to new competition. Our utility clients continue to look to us and our experience in other regulated industries to help them address these issues.

Some of the industries we serve are further along in the deregulatory process than others. We have experts who have already guided their telecommunications clients through the early and mid-stages of deregulation in that industry. Our ability to transfer knowledge and experience across industries gives us a distinct advantage in guiding our clients and helps fuel our internal growth.

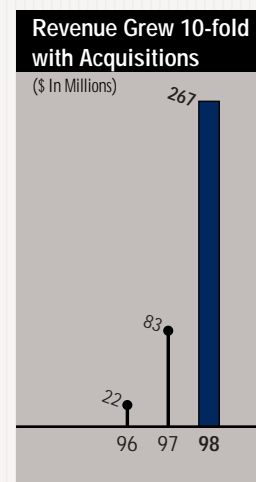
## Expanding Services and Geographic Reach through Mergers & Acquisitions.

Acquisitions are an integral part of our ongoing growth strategy and were a highlight of 1998. All of our acquisitions have been accounted for as pooling-of-interests transactions and were accretive to earnings per share excluding one-time merger related expenses. We started our acquisition program early in 1999, having acquired Strategic Decisions Group (SDG). These acquisitions have contributed to our strategic plan of broadening and enhancing our service offerings and geographic presence.

Our largest recent acquisitions include:

■ **LECG, Inc.** – LECG is a leading economic consulting services firm that provides sophisticated economic and financial analysis, expert testimony, litigation support and strategic management consulting services. LECG joined us in August 1998 and brought to us expertise in antitrust, deregulation, business valuation, damages analyses, economic and financial modeling, intellectual property valuation, environmental economics, marketing economics and public policy. LECG provides its services through renowned academics, recognized industry leaders and former high-level government officials who are supported by a highly educated professional staff. We believe LECG's experts and staff include more Ph.D.'s than any other company in our market (and second overall only to the federal government). We have already begun to enjoy significant synergies between LECG's operations and personnel and the rest of our organization, particularly in areas of merger analysis, restructuring, modeling derivatives and auction design.

■ **Peterson Consulting, LLC. (Peterson)** – Peterson, which does business under the name Peterson Worldwide LLC, is a leading value-added strategic management and information technology (IT) consultant. Peterson joined us in September 1998 and brought to us expertise in information management and technology services, damages analyses, business and property valuation, regulatory compliance, process operations management and litigation support. Peterson's expertise complements not only our historic service offerings, but also the service offerings of LECG, and we immediately began to enjoy the effects of cross-selling among these two business units.



*Revenue not restated in past years for later acquisitions.*

- **Strategic Decisions Group (SDG)** – SDG is a leading strategic and management consulting firm whose clients include Global 1000 companies, with a strong presence in the utility and energy industries. SDG joined us in February 1999 and brings to us enhanced access to the “corner offices” of our primary client base and expertise in market analysis, strategic planning and change management. SDG also brings to us a proprietary approach for e-commerce strategy which we have integrated with our existing IT capabilities.

We are enthusiastic about all of our acquisitions and the opportunity we believe they represent. We now offer our clients not only a broad scope of services, but also the continuity to oversee the implementation of the strategic decisions we help them develop.

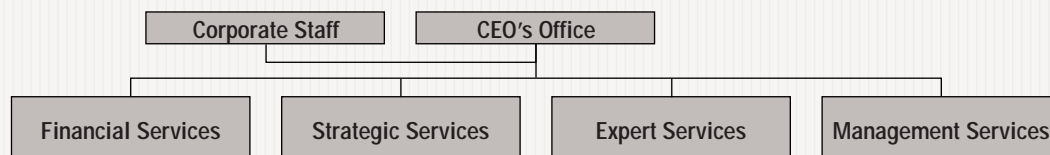
### **The Navigant Organization**

We believe that the overriding trend affecting the industries we serve is *convergence*. For several years, many of our telecommunications clients have been expanding into cable television, wireless and other network industries. Utilities can now own unregulated businesses as subsidiaries, and several of our utility clients have already crossed traditional industry boundaries to offer home security and cable television services. Conversely, companies in other industries, particularly companies in the oil & gas industry, have begun to make greater investments in utilities. It is apparent that there is significant overlap in the growth and acquisition strategies of these companies and that these industries have already begun to converge as they execute on that strategy.

In my letter in our 1997 Annual Report, I indicated that the value of marketing our services under one recognizable name would eventually exceed the value of the individual brands alone. We believe that day has arrived. We have chosen a single name — Navigant Consulting, Inc. — to enable us to develop greater recognition throughout our existing client base and our target market and to provide the platform to obtain larger, more encompassing engagements.

Under our new name, our separate operating subsidiaries have themselves converged into four marketing service groups with twelve practice areas. The four groups are of approximately equal size, with each group run by an Executive Managing Director. Our basic organizational structure is as follows:

### NAVIGANT CONSULTING, INC.



As we grow, more such groups may be created to manage the business effectively, but the incentives and commitment to sophistication and quality will not change.

### Outlook

We are very excited about our prospects for 1999 and beyond. Our basic strategies for profitable growth remain the same:

- *Attract and Retain the Best Consultants.* Our key assets are our people and the knowledge and experience they offer our clients. Attracting and retaining highly skilled and sophisticated consultants who fit within our expanding culture will continue to be the most important element of our growth strategy. As the only public management consulting firm in our niches, our ability to offer stock-based incentives provides us with a powerful compensation advantage.
- *Leverage Relationships and Provide Value-added Advice.* As a management consulting firm, we offer our clients the most sophisticated strategic and operational advice. Our services have historically been marketed to senior and mid-level executives in the highest ranks of a company. Through our expanded service offerings, we have begun to offer our clients the ability to not only develop the guiding business and operational strategy, but also oversee the implementation of that strategy. We believe we can now offer services directly to the mid and lower-level executives and, more importantly, provide a communication and implementation bridge to the different ranks of executives with our clients.

- *Continue to Build a Complementary Spectrum of Consulting Services.* Through internal growth and acquisitions, we have added significant depth and scope to our consulting services. We will continue this process in 1999 to continue to enhance our ability to cross-sell expertise and provide follow-on engagements and integrated solutions to our clients. We are continuing to discuss opportunities overseas, particularly in Europe and Australia, where power industry convergence and consolidation is also taking place. Our internal growth and acquisition program will continue to be designed to meet our commitment to growth and earnings.

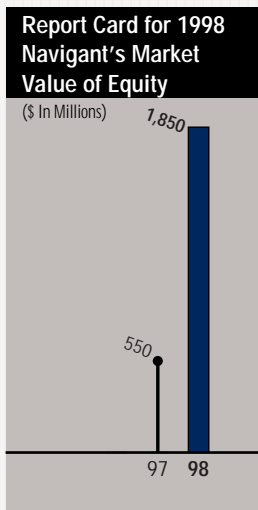
As I mentioned above, Navigant provides us the brand platform to continue our growth into a world class management consulting firm. We appreciate the support of our shareholders in the past year, and we are committed to repeating our successful performance in 1999.

Very truly yours,



Robert P. Maher

Chairman, Chief Executive Officer and President



# Investor Information

## Investor Relations

Joan Bates  
312-573-5650 — Telephone  
312-573-5678 — Fax

## Transfer Agent and Registrar

American Stock Transfer & Trust Company  
6201 – 15<sup>th</sup> Avenue  
3<sup>rd</sup> Floor  
Brooklyn, NY 11219

## Auditors

KPMG Peat Marwick LLP  
303 East Wacker Drive  
Chicago, IL 60601

## Legal Counsel

Sachnoff & Weaver, Ltd.  
30 South Wacker Drive  
29<sup>th</sup> Floor  
Chicago, IL 60606

## Stock Market Information

The Metzler Group, Inc. / Navigant Consulting, Inc.'s common stock is traded on the Nasdaq National Market under the symbol, METZ

## Annual Meeting

The Annual Meeting of The Metzler Group, Inc. / Navigant Consulting, Inc. will be held on Thursday, July 15, 1999 at 9:00 a.m. cst  
Location of the meeting:  
The Mid-America Club, 200 East Randolph Drive,  
Chicago, IL 60601

## Form 10-K

The Company's annual report on Form 10-K, filed with The Securities and Exchange Commission for the year ended December 31, 1998, will be sent upon request by writing to Investor Relations, The Metzler Group, Inc. / Navigant Consulting, Inc.  
615 North Wabash Avenue  
Chicago, Illinois 60611

## Research

The following organizations have initiated investment Research coverage on The Metzler Group, Inc. / Navigant Consulting, Inc.

BancBoston Robertson Stephens  
Brean Murray & Co., Inc.  
Donaldson Lufkin & Jenrette  
Hanifen Imhoff  
Janney Montgomery Scott  
Ladenburg Thalman  
Lehman Brothers  
LJR Great Lakes Review  
Merrill Lynch  
Punk Ziegel & Company  
Tucker Cleary  
Warburg Dillon Reed

## Corporate Headquarters

615 North Wabash Avenue  
Chicago, Illinois 60611  
312-573-5600 — Telephone  
312-573-5675 — Fax

## Board of Directors:

Left to Right:  
Barry S. Cain  
Governor James R. Thompson  
Robert P. Maher  
Peter B. Pond  
Mitchell H. Saranow

