

NAVIGANT
CONSULTING

Navigant Consulting, Inc.

Navigant Consulting is a specialized independent consulting firm that assists clients in addressing the critical challenges of regulation, risk, business model change and disputes. We offer law firms, companies and government agencies independent and objective advice, supported by advanced technical skills, proven large-case competence, and in-depth knowledge of the industries we serve.

“Navigant” is a service mark of Navigant International, Inc. Navigant Consulting, Inc. (NCI) is not affiliated, associated, or in any way connected with Navigant International, Inc., and NCI’s use of “Navigant” is made under license from Navigant International, Inc.

2002 Financial Highlights

Results of Operations

(in thousands except per share data)

	2002	2001	2000
Core Revenues (excludes success fee revenues)	\$ 258,020	\$ 224,552	\$ 236,643
Operating income (loss) from continuing operations	\$ 14,788	\$ (8,469)	\$ (18,885)
Diluted earnings (loss) per share from continuing operations	\$ 0.21	\$ (0.14)	\$ (0.35)
Diluted cash earnings (loss) per share from continuing operations	\$ 0.31	\$ 0.07	\$ (0.23)

Selected other information

	2002	2001	2000
Average number of consultants	1,018	946	959
Annual gross revenues per consultant	\$ 253,500	\$ 237,400	\$ 246,800
Days sales outstanding, net at year-end	78	80	84

Navigant Consulting dramatically improved its business performance in 2002 and returned to solid profitability. The Company acquired and integrated eight accretive acquisitions and is poised to deliver continuing improved results in 2003. The professionals these investments represented have materially strengthened our service offering capabilities and industry expertise. As we enter 2003, the Company is benefiting from favorable demand drivers for our specialized skill sets. With the exception of the challenges in our Energy practice, the Company's target markets all have attractive prospects for growth.

Letter from the Chairman and Chief Executive Officer

In recent months, the need for our professional services has expanded. So has our ability to respond to those needs.

As the headlines indicated, 2002 was a stressful time for many companies. Almost all industries felt the effects of a weak economy. New regulations added to reporting burdens, increased liabilities, and placed new constraints on professional service firms. Many organizations heard the call to, and faced the challenge of, strengthening corporate governance. Asbestos liability claims—and a growing amount of other mass tort litigation—threatened an increasing number of businesses.

Our professional skills and industry expertise are increasingly valued by our clients. We specialize in providing critical services to organizations facing changing regulation, litigation and business model stress. While we are not immune to the challenges of the current economic landscape, we continue to take advantage of unique opportunities to expand our client base. The Company added a number of new, high-profile clients, while maintaining strong relationships with our existing clients, including leading law firms, S&P 500 companies and government agencies.

Building Our Business

While we were assisting our clients, we were seizing a unique opportunity to add to our professional staff and expand the scope of our businesses. As new regulations and other issues forced accounting firms to sell or contract their consulting businesses, we acquired several specialized practices, along with their well-established client relationships. We purchased Arthur D. Little's Advanced Energy Systems and Technology and Innovation Management practices, adding world class capabilities in energy technologies

and clients that include leading oil firms and large state and federal government agencies. We acquired several large teams (including 18 partner-level professionals) from Arthur Andersen LLP, enhancing our leadership and revenue generation capabilities in four specialized practice areas—commercial litigation, government contracting, healthcare and corporate restructuring.

Other acquisitions also enhanced our service offerings and industry expertise. Our acquisition of Barrington Energy Partners added to the depth of our experience in the energy industry, especially in the areas of energy-related restructurings, mergers, acquisitions and divestitures. We acquired The Hunter Group, the premier, national hospital restructuring organization. Its professional staff, which includes experienced healthcare professionals and hospital administrators, serves major hospitals and healthcare systems, as well as physician groups, academic medical centers and managed care organizations.

Today, with a staff of more than 1,000 consultants, we have a great platform. And we offer clients a unique combination of highly specialized, technical skills—the kind few companies could duplicate in-house—and a deep knowledge of their industry.

Our teams have special competence in the management of large data sets that increasingly figure into litigation and corporate decision-making regarding regulatory requirements or investigations. We have equally well developed processes for settling complex claims, analyzing disputes and supporting litigation. And we have the experience and relationships needed to understand and manage the complexities of the regulatory environment, particularly in healthcare, financial services, energy and government contracting. Our

professionals have not only served these sectors of the economy, they often have worked in them, as practitioners, regulators, researchers and senior managers. Many helped to pioneer their specialties and continue to lead the development of those disciplines today.

A Powerful Combination

Strong technical skills and in-depth industry experience are a powerful combination. We want our clients to get the most from it. So we are working to integrate the technical skills we have developed with our experts in key industries. We are creating an organization that combines an intimate understanding of its clients' concerns with exceptional professional services and strategies. And the convergence of our skills and knowledge will make us even more valuable to clients and will open new opportunities for growth.

To achieve that convergence, we have further integrated our operations, weaving our core service offerings across six target industry sectors. We have combined recent business acquisitions with our established service offerings, to expand relationships with current clients and to gain new opportunities. We are bringing together all of our capabilities and expertise and are working to apply everything we know for the benefit of every client.

And, beginning in 2003, we will do it as a single, integrated organization, with a consistent message. We are uniting all of our legacy businesses, which formerly operated as different brands, under the name Navigant Consulting. A single common name – and a new visual identity – reflects our commitment to leveraging our strengths and applying all of our resources to assist clients in attaining their objectives. Our new visual identity reinforces the key attributes

clients have told us they value most – innovation, professionalism and people who are dedicated to serving their clients. Operating under one name will also help increase the overall awareness of our company and promote a better understanding of who we are and what we do.

Enhanced Opportunity for Growth

We have built a solid foundation for growth and are able to offer competence without the conflicts found with many of our competitors. Our ability to handle large engagements including, in 2002, the largest public revenue bond financing in U.S. history, is increasingly important. Our independence and objectivity have helped us build long term relationships with clients, now spanning more than seven years on average.

Our challenge is to capitalize on the acquisitions we made in 2002, capture new business, and provide more creative solutions to the increasingly complex problems our clients face.



William M. Goodyear
Chairman and Chief Executive Officer

Our Professional Services

Discovery Services

Key Services:

e-Discovery
e-Prevention™
e-Retention

Market Opportunities:

90% of all corporate information is electronic
Unstructured information, such as e-mails, doubles every three months
Few corporations currently retain and delete their e-information properly
By 2005, more than 70% of corporate IT budgets will be devoted to electronic data retention

Market Drivers:

Complex litigation
Regulatory investigations
Mergers and acquisitions
Corporate crises

Representative Clients:

Energy, financial services, healthcare, telecom

Corporate Restructuring

Key Services:

Financial and operational restructuring
Distressed asset sales and recapitalizations
Turnaround consulting
Formal insolvency
Creditor and lender services
Fiduciary services
Tax services

Market Opportunities:

The number of large corporate bankruptcies has risen sharply in last two years
Economic uncertainty and faltering consumer confidence are pressuring many U.S. companies

Market Drivers:

Economic uncertainty
Lower corporate profits
Industry downturns
Increased foreign competition
Tight capital markets
Decreased consumer confidence and spending

Representative Clients:

Manufacturing, healthcare, retailing, steel producers

Operations Advisory and Management

Key Services:

Business divestitures, acquisitions and outsourcing
Regulatory and compliance corrective action
Project management
Data/value mining
Discovery services/records retention
Business process documentation and improvement
Systems development implementation

Market Opportunities:

Vast market potential among insurance and reinsurance companies, utilities, healthcare and financial institutions
Corporations driving to implement best practices, increase ROI, and prioritize corporate initiatives
"Right-sized" corporate staff lack time or skills needed to respond to crises

Market Drivers:

Corporate cost-cutting
Regulatory change and investigations
Exits from corporate business lines
Replacement of or migration from large scale systems
Major corporate changes such as M&A, demutualization

Representative Clients:

Investment firms, insurers, utilities

Litigation and Investigations

Key Services:

Accounting, financial and other forensic investigations
 Securities fraud and litigation assistance
 Business interruption insurance recovery
 Intellectual property

Market Opportunities:

Sarbanes-Oxley Act of 2002 sets new standards for public companies
 Firms providing audit services are restricted from providing certain other services to their audit clients
 Increased litigation
 Increasing complexity of transactions

Market Drivers:

Complex litigation
 Regulatory investigations
 Mergers and acquisitions
 Corporate crises
 Market volatility

Representative Clients:

Accounting firms, financial services institutions, corporate managements, corporate boards

Claims Management and Analysis

Key Services:

Claims management and processing
 Liability estimation and analysis
 Insurance and reinsurance coverage analysis
 Data conversion/recollection

Market Opportunities:

Increasing number of corporate bankruptcies due to mass tort liabilities, such as asbestos
 Vast, growing market encompasses insurance companies, financial institutions, Fortune 500 corporations, State/Federal agencies, joint defense groups

Market Drivers:

Class action lawsuits
 Mass tort litigation
 Regulatory/legislative changes
 Bankruptcy/insolvency
 Major financial transactions, such as mergers, divestitures and refinancings

Representative Clients:

Corporations in bankruptcy, financial services, government agencies

Financial and Transaction Advisory

Key Services:

Merger, acquisition and divestiture strategy development
 Private equity advisory/placement
 Transaction management and execution
 Valuation services
 Portfolio optimization/risk management

Market Opportunities:

More than \$20 billion in assets being divested
 Many new financial buyers lack industry experience
 Power projects being abandoned, leaving ownership to bondholders
 New bankruptcies/restructurings

Market Drivers:

Distressed energy markets
 Market complexity and regulations increase valuation difficulties and risks
 Bankruptcies require specialized expertise

Representative Clients:

Acquiring companies, bankruptcy estates, financial investors, utilities

Government Contracting

Key Services:

Cost allowability and cost accounting standards consulting
 Contract cost accounting and pricing
 Compliance reviews, risk assessments, internal audits
 Contract claims
 Accounting and fraud investigations
 Disputes, litigation and expert testimony
 Mergers, acquisitions and strategic alliances

Market Opportunities:

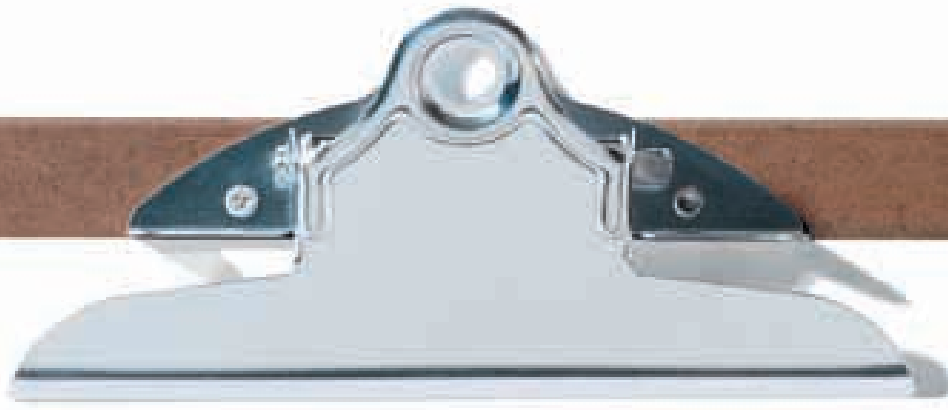
Market encompasses all companies that do business with U.S. or foreign governments, and the law firms that serve those companies

Market Drivers:

Regulatory complexity
 Intensified oversight of procurement process
 Emphasis on Homeland Security
 Sarbanes-Oxley Act of 2002
 Regulatory investigations
 Increased defense budget

Representative Clients:

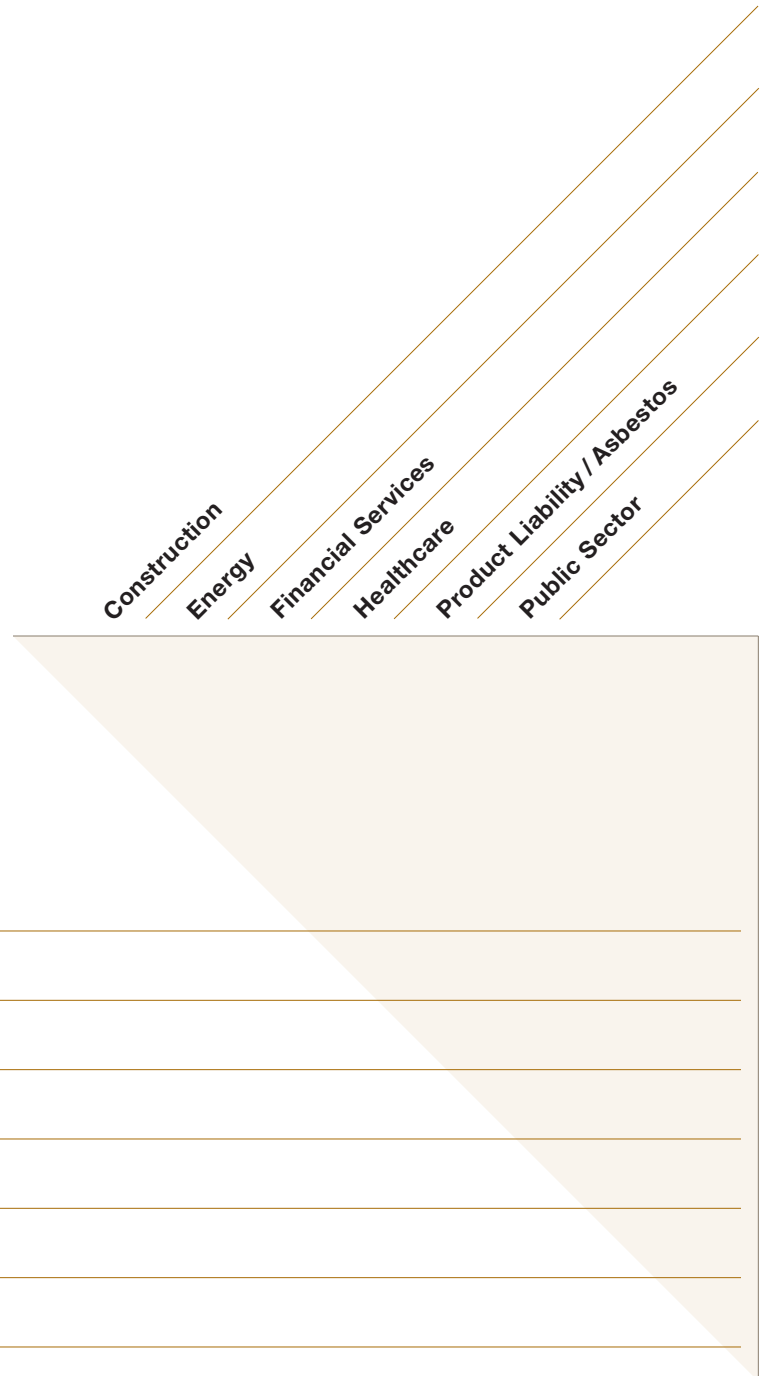
Defense contractors, healthcare companies



Critical Care. We provide professional services for companies facing critical challenges. In times of stress, we can help them act with confidence – and reach their goals.



Service Offerings and Industry Sectors



Discovery Services

Litigation and Investigations

Claims Management and Analysis

Corporate Restructuring

Operations Advisory and Management

Financial and Transaction Advisory

Government Contracting

Integrated Services. We combine the specialized technical skills needed to handle such challenges as bankruptcies, regulation, mass tort litigation and major contractual disputes with an insiders' knowledge and experience of the key industry sectors we serve. Our goal is to apply all of our skills across all of our markets, to link

information and insight, strategies and implementation. We see the big picture. We watch the details. And we offer our clients effective, well-integrated professional services to assist them in managing uncertainty, business model change and risk.



With their size, complexity and extensive regulations, large construction projects are often plagued by disputes and problems. We help our clients avoid or resolve them.

Construction

Key Services:

- Cost, schedule and damage analysis
- Contract and forensic accounting
- Pricing and financial reporting
- Litigation consulting and expert testimony
- Special investigations
- Mergers, acquisitions, strategic alliances
- Project planning and management oversight
- Risk assessment
- Project progress reviews

Representative Clients:

- Federal government
 - Department of Justice
 - Department of State
 - Department of the Navy
 - Department of Energy
 - Department of the Army
 - GSA
- State government agencies
 - Departments of Transportation
 - Attorneys General
 - Environmental agencies
- Commercial contractors

Case Study

Navigant Consulting is currently working with seven Departments of Transportation across the United States, to help them complete major highway and bridge construction projects totaling more than \$1 billion.

Experience is the key. Our construction professionals have developed in-depth expertise in engineering, construction management,

scheduling and costs analysis. From reviewing and evaluating project schedules to conducting damage calculations and providing litigation support and expert testimony, we support our clients every step of the way. And the value of our services can be seen in our relationships and results. We have served many of our construction clients for ten years and more, and have successfully helped resolve disputes totaling hundreds of millions of dollars.

Energy

Key Services:

Business process transformation
Financial and transaction advisory,
and asset valuation
Staff augmentation and outsourcing
Technology and innovation management
Asset optimization analyses
Litigation consulting and expert testimony
Strategy and planning
Operations advisory and management

Representative Clients:

Department of Energy
State of California
Long Island Power Authority
Exelon Energy
Duke Energy

Case Study

Two years ago, the California energy market faced major disruptions in supply and pricing that sent shockwaves through the industry. One investor-owned utility went bankrupt and a second lost its creditworthiness, which in turn created energy procurement problems for a third utility. To respond to the crisis, the California Department of Water Resources (DWR) stepped in to assume the responsibility for purchasing one-third of the total energy requirements of the three utilities. To keep its commitment, DWR had to quickly establish a power supply and procurement program, while also securing funding for energy purchases.

Navigant Consulting was a key part of the solution. We served as the lead energy consultant for a \$11.3 billion power supply revenue bond issue, the largest public revenue bond financing in history.

Our professionals provided the consultant's report to support the financing effort and played a lead role in presentations to the bond rating agencies, bond insurance companies, banks and institutional and retail investors. We also assisted in the preparation of the Official Statements, Bond Indenture and other financing documents and served as a liaison between the DWR and the California Public Utilities Commission.

The bond issue brought a return to more stable conditions in the California energy market. It also enabled the DWR to replenish \$6.3 billion in funds that had been provided by the California state legislature to purchase energy when the three investor-owned utilities were financially unable to do so themselves. Today, Californians have the power they need, provided by utilities that have a stronger financial footing.

Solving a major challenge, with the largest public revenue bond financing in the nation's history.



Government procurement spending will increase by 60% in the next five years. New opportunities can bring new risks.



Government Contracting

Key Services:

Contract cost accounting and pricing
 Compliance reviews, risk assessments,
 internal audits
 Contract claims
 Accounting and fraud investigations
 Disputes, litigation and expert testimony
 Mergers, acquisitions and strategic alliances

Representative Clients:

Defense contractors
 IT service providers
 Healthcare providers
 Energy companies

Case Study

One of our clients discovered that an independent contractor had been falsifying sales, perhaps putting our client at risk of violating several government procurement regulations.

Applying our government contracting expertise, our team conducted a comprehensive special investigation to assess the nature and extent of the fraud and its financial implications. We looked at the impact on sales, as well as accounts receivable, inventory and other account balances. Forensic accounting techniques were

used to test and assess the accounting system data. We analyzed the company's federal contracts to identify whether unintentional billing errors occurred so they could be promptly corrected by the company. We also assisted the company in filing required financial information with the SEC.

Our professionals worked to help ensure that the client would never face the same issues again. We developed and implemented systems to strengthen the company's internal controls and processes.

Healthcare

Key Services:

- Performance improvement plans
- Interim management
- Restructuring/bankruptcy
- Regulatory assistance and compliance
- Operating assistance
- Special investigations/fraud allegations
- Litigation support

Representative Clients:

- Hospitals
- Academic medical centers
- Physician groups
- Managed care suppliers
- Health insurers
- State and federal regulators

Case Study

Virtually every U.S. healthcare institution faces conflicting demands to continually improve the quality of their care, while also continuing to reduce costs and operate more efficiently. The Hunter Group, which recently became part of Navigant Consulting, has assisted scores of healthcare providers in resolving these conflicts and reaching their goals.

One example is a recent assignment for a healthcare system that includes six hospitals, a corporate office, a home health agency, an HMO and a real estate company. The healthcare entity was seeking assistance in assessing its operations and developing a performance improvement plan that would help reduce expenses, enhance revenues and meet operating margin goals.

Our professionals began with a thorough assessment of the systems' challenges and strengths, including the specific issues that were affecting its operational and financial performance. Based on this assessment, we developed a detailed performance improvement plan that helped the management team and board determine areas of improvement, set realistic timeframes for achieving change and develop new analytical tools to monitor their progress.

After identifying performance improvement opportunities totaling nearly \$100 million over three years, several of our professionals were contracted to serve as interim executives to help implement the plan. The system already has begun to transform itself, moving from an annual loss of \$28 million to profitable operations.



An organization's financial health is vital to its ability to provide high-quality healthcare services. What's the right prescription? Navigant Consulting can help.

Searching corporate databases and e-mail systems in responding to discovery requests can be both costly and time-consuming. Yet failing to do the job right can increase liabilities and risks.



Discovery Services

Key Services:

e-Discovery
 e-Prevention™
 e-Retention

Representative Clients:

Corporations

General counsel
 Senior regulatory counsel or managers
 CFO, CIO

Law firms, government agencies

Senior litigation counsel
 Law department management

Case Study

The widespread use of electronic information systems has transformed the legal discovery process. Navigant Consulting can meet the challenge. Witness our work for a Fortune 500 corporation, the subject of an aggressive investigation by a number of federal and state agencies.

The task was not simple. The corporation had recently completed a major merger and its organization and electronic data systems were complex. What's more, its outside counsel included multiple law firms, located across the country.

We took responsibility for a wide range of discovery services, including document identification, preservation and collection. Our Discovery Services team worked with counsel to quickly develop

information technology and records retention policies and a document production plan that met "chain of custody" concerns. We assisted counsel in coordinating all hard copy and electronic document production activities, including locating and securing electronic data maintained by hundreds of data custodians at different locations. We also developed an electronic search strategy that used a number of different search engines and methods to avoid duplicate listings, reduce the amount of non-relevant materials and allow counsel to quickly review e-mail and other electronic data for relevancy and privilege. The investigation moved forward in a timely manner. Counsel was free to concentrate on pursuing their case, not on responding to requests for documents. The corporation could focus on its operations, with minimal distractions.

Public Sector

Key Services:

- Operations advisory and support
- Regulatory support
- Asset and transaction support

Representative Clients:

- Federal government
 - Department of Justice
 - FDIC
 - Department of the Navy
 - Department of Energy
 - Department of the Army
- State government agencies
 - Departments of Transportation
 - Attorneys General
 - Insurance agencies
 - Environmental agencies
 - Energy commissions

Case Study

When the Department of Defense directed United States military departments to privatize their government-owned electric, natural gas, water and wastewater utilities, it applied to more than 300 utility systems at more than 50 Navy and Marine Corps installations along the East Coast. The Naval Facilities Engineering Command (NAVFACENGCOM) elected to pursue a comprehensive approach that could be applied across its facilities.

Our Advanced Energy Systems and Technology Innovation Management team submitted the winning proposal, and our professionals now serve as NAVFACENGCOM's lead business consultants and project managers for utilities privatization.

Working with other subcontractors, consulting and law firms, we support NAVFACENGCOM with utility service cost analyses and help them design new business models, evaluate proposals and develop and negotiate privatization and long-term utility service contracts. Applying our extensive utilities industry experience, we also serve as technical experts for the electric and natural gas distribution and central mechanical plant systems designated for privatization. NAVFACENGCOM has gained the technical, business and strategic capabilities required to effectively evaluate privatization proposals and make the best decisions. The contracts now being developed will reduce the Navy's utility costs and support its ability to carry out its mission.

In large organizations, implementing change can be technically challenging and complex. The US Navy enlisted Navigant Consulting.



Corporate Information

Executive Management Group

William M. Goodyear
Chairman and Chief Executive Officer

Ben W. Perks
Executive Vice President and Chief Financial Officer

Julie M. Howard
Vice President and Human Capital Officer and Chief Operating Officer, Financial & Claims

Philip P. Steptoe
Vice President, General Counsel and Secretary

David E. Pardun
Vice President and Controller

Jeffrey H. Stoecklein
Vice President, Corporate Development

Board of Directors

William M. Goodyear
Chairman and Chief Executive Officer

Thomas A. Gildehaus
Chairman, Southwest Supermarkets LLC

Valerie B. Jarrett
Executive Vice President, The Habitat Company

Peter B. Pond
General Partner, Alta Equity Partners

Samuel K. Skinner
Chairman, President and Chief Executive Officer,
U.S. Freightways Corporation

Gov. James R. Thompson
Chairman, Partner and Chairman of the Executive
Committee, Winston & Strawn

Group Operating Unit Leaders

Douglas A. Reichert
Executive Managing Director,
Financial & Claims

Joel L. Singer
Executive Managing Director,
Energy

Investor Information

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Annual Meeting of Shareholders

9:00 am, CDT, Thursday, April 24, 2003
Aon Center
The Mid-America Club
200 East Randolph Drive, 80th Floor
Chicago, Illinois 60601

Independent Accountants

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303 East Wacker Drive
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Legal Counsel

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Stock Market Information

Common stock is traded on the New York Stock Exchange under the symbol NCI.

Transfer Agent and Registrar

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