



NAVIGANT  
CONSULTING

2003 Annual Report

# Navigant Consulting

*Navigant Consulting is a specialized independent consulting firm that assists clients in addressing the critical challenges of dispute and litigation, regulation, risk and business model change. We offer law firms, major corporations 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.*

## 2003 Financial Highlights

<b>Results of Operations</b> <i>(in thousands except per share data)</i>	<b>2003</b>	<b>2002</b>	<b>2001</b>
Revenues before Reimbursements	\$276,130	\$225,305	\$210,532
Reimbursements	41,652	32,715	25,048
Total Revenues	\$317,782	\$258,020	\$235,580
Operating Income (Loss)	\$31,843	\$14,788	(\$8,469)
<i>Add back:</i>			
Depreciation and Amortization Expense	\$9,368	\$10,024	\$12,818
Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA)	\$41,211	\$24,812	\$4,349
EBITDA as a % of Revenues before Reimbursements	15%	11%	2%
Diluted Earnings Per Share	\$0.40	\$0.21	(\$0.14)

<b>Selected Other Information</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
Annual Gross Revenues Per Consultant	\$335,900	\$253,500	\$248,800
Days Sales Outstanding, Net at Year End	72	77	80
Net Cash Provided by Operating Activities (\$000s)	\$57,045	\$8,876	\$11,523

*We continue to build one of the best and deepest consulting firms in our industry. As new regulations force large auditing firms to either sell or shrink significant segments of their consulting businesses, we have been able to draw upon a large pool of experienced professionals to further strengthen our litigation and business consulting platform.*



*A Letter from the*

## Chairman and Chief Executive Officer

The increasing challenges that companies face today represent growth opportunities for Navigant Consulting. The year 2003 brought accelerated change and increasing levels of stress to many organizations. The Sarbanes-Oxley Act of 2002, and new initiatives by state and federal regulators, created new challenges for public companies and their Boards, stimulating a realignment of their relationships with auditors, outside counsel and other professional advisors. Escalating costs prompted healthcare payers and providers to seek new strategies, improve their programs and eliminate costs. A growing number of enterprises were threatened by litigation over their financial reporting, financial restatements and product liability litigation. Entire industries, including the mutual fund industry, came under intense scrutiny from regulators.

As a firm that specializes in providing practical solutions to the challenges of litigation, risk, distress and change, we experienced strong demand for our professional services this past year. We continued to build - and expand - our relationships with leading law firms, *Fortune* 500 companies and government agencies. Revenues increased 23% in 2003, to \$317.8 million. At \$18.7 million, net income for the year was more than double the \$8.9 million reported in 2002. Earnings per share reached \$0.40, compared to \$0.21 in 2002. Reflecting our growth, significant profitability improvement and bright

future prospects, the Company's share price increased from \$5.95 to \$18.86 during 2003.

Navigant Consulting has grown because our professionals provide our clients a singular combination of deep industry insight and experience, coupled with unmatched technical expertise. We have the professional resources required to manage incredibly large data sets that increasingly figure in a major way into litigation and corporate decision-making. We have developed effective processes to settle complex claims, analyze disputes and support litigation. And we have combined these capabilities with extensive professional knowledge and experience in healthcare, financial services, construction, energy and other key sectors of the economy.

### *Our Objective*

Our strategic objective is to be the premier professional services provider in our areas of expertise. We want to be the first organization our clients call and the one they turn to when they face their greatest challenges.

In 2003, we united all of our businesses, which formerly operated under a number of different names, under a single brand: Navigant Consulting. We made further progress in leveraging our combined strengths - and raising our Company's professional profile.

**We are making  
excellent progress.**

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## Navigant Consulting has grown ...

*because our professionals provide our clients a singular combination of deep industry insight and experience coupled with unmatched technical expertise.*

We continue to build one of the best and deepest consulting firms in our industry. As new regulations force large auditing firms to either sell or shrink significant segments of their consulting businesses, we have been able to draw upon a large pool of experienced professionals to further strengthen our litigation and business consulting platform. Improved recruiting programs continue to help us attract top talent. New training programs support cross-disciplinary professional development and the reinforcement of a single, unified culture. Our incentive program rewards top producers by giving them a larger ownership stake in Navigant Consulting - and even a greater reason to drive its growth.

We took another very important step forward in early 2004 when we acquired Tucker Alan Inc., the leading, privately-held litigation and business consulting firm in the United States. Over the last decade, Tucker Alan's 230 professionals have assisted in many of the country's most significant and complex litigation proceedings. We are very pleased to gain their skills and experience, which include special expertise in regulatory and investigative actions and in analyzing causation and economic damages issues. In addition to strengthening our leadership in litigation support services, the acquisition also significantly increases our presence on the West Coast, creating an exceptionally strong national platform.

### The Opportunities

Today, with more than 1,600 employees, including 1,200 consultants nationwide, we have built the infrastructure required to manage large, long-term, national engagements - and have an excellent platform for future growth. We expect all of our practices to expand in 2004. The opportunities in four areas are especially attractive:

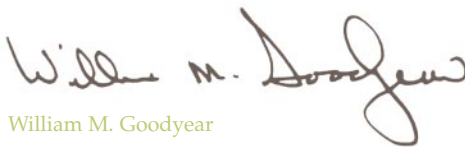
The healthcare industry, which accounts for approximately 15% of the gross domestic product, is under enormous stress. Healthcare costs and insurance premiums are rising rapidly, prompting a search for new ways to pay for and deliver care, and even greater scrutiny from regulators. Our healthcare professionals assist providers, payers, regulators and life science companies in managing issues that range from strategic development to regulatory compliance. The recent acquisition of Front Line Strategic Consulting adds to our ability to serve pharmaceutical companies and other life science clients. Likewise, the Tucker Alan acquisition added significant strength to our healthcare practice.

The Sarbanes-Oxley Act and increased regulatory activity create a once in a generation opportunity for our Litigation and Investigations practice to build new relationships with law firms, corporate executives and Boards of Directors. Our independence allows us to offer clients competence without conflict - the objective counsel required to manage complex, multiparty litigation and investigations. We expect the current crisis facing the mutual funds industry, which now encompasses scores of funds, to further increase demand for our professional services.

The widespread use of electronic information systems has transformed the legal discovery process at a time when regulation and investigations have brought a flood of new discovery requests. Our Discovery Services practice can deliver a wide range of discovery services, including hard copy and electronic document identification, preservation, analysis and collection, for multiple parties, at different locations. Continued regulatory investigations and tort litigation will create new opportunities to apply our industry insight and technical expertise.

The blackout that struck much of the East Coast in 2003 underscores the continuing challenges facing the U.S. energy industry. Our energy professionals have a long track record of assisting public power utilities, investor owned utilities and independent generators to optimize their assets, expand transmission capacity and respond to changes in technology, energy markets and regulations.

We will capitalize on these - and other - opportunities by continuing to build our business in 2004, and enhancing our professional profile. 2003's successful results and initiatives were gratifying and provide a solid base upon which we intend to build an enduring and formidable, specialized consulting company.



William M. Goodyear  
Chairman and Chief Executive Officer

## Strategic Objective

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### Corporate Information

#### Board of Directors

William M. Goodyear

*Chairman and Chief Executive Officer*

Thomas A. Gildehaus

*Retired Executive Vice President, Deere & Co.*

Valerie B. Jarrett

*Executive Vice President, The Habitat Company*

Peter B. Pond

*General Partner, Alta Equity Partners*

Samuel K. Skinner

*Retired Chairman, President and Chief Executive Officer, U.S. Freightways Corporation*

Gov. James R. Thompson

*Chairman, Partner and Chairman of the Executive Committee, Winston & Strawn*

#### 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, Chief Operating Officer and Human Capital Officer*

Philip P. Steptoe

*Vice President, General Counsel and Secretary*

David E. Pardun

*Vice President and Controller*

Jeffrey H. Stoecklein

*Vice President, Corporate Development*

#### 2004 Management Committee

Julie M. Howard,

*Chair*

Douglas A. Reichert,

*Co-Chair*

Timothy H. Hart

William T. Jones

David E. Kleinschmidt

John J. MacDonald III

Ronald O. Nichols

David R. Tortorello

Avram S. Tucker

### Investor Information

#### Corporate Headquarters

615 North Wabash Avenue

Chicago, Illinois 60611

312.573.5600

Fax 312.573.5675

[www.navigantconsulting.com](http://www.navigantconsulting.com)

#### Annual Meeting of Shareholders

9:00 am CDT, Wednesday, April 21, 2004

Aon Center

The Mid-America Club

200 East Randolph Drive, 80th Floor

Chicago, Illinois 60601

#### Investor Relations

Mary E. Rosinski, Manager

312.573.5614

Fax 312.573.5675

#### Stock Market Information

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

#### Transfer Agent and Registrar

American Stock Transfer & Trust Company

6201 15th Avenue, 3rd Floor

Brooklyn, New York 11219

#### Independent Accountants

KPMG LLP

303 East Wacker Drive

Chicago, Illinois 60601

#### Legal Counsel

Sidley Austin Brown & Wood

Bank One Plaza

10 South Dearborn Street

Chicago, Illinois 60603

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