



Looking *Beyond* the Horizon

Navigant Consulting 2004 Annual Report

Navigant Consulting

Navigant Consulting is a specialized consulting firm providing dispute, financial, regulatory and operational advisory services primarily to companies in regulated industries, government agencies and legal counsel.

Financial Highlights

Results of Operations (in thousands except per share data)	2002	2003	2004
Total revenues	\$258,020	\$317,782	\$482,119
Operating income	\$14,788	\$31,843	\$70,301
<i>Add back:</i>			
Depreciation and amortization expense	\$10,024	\$9,368	\$11,874
Earnings before interest, depreciation, taxes and amortization (EBITDA)	\$24,812	\$41,211	\$82,176
EBITDA as a % of revenues before reimbursements	11%	15%	19%
Net income	\$8,861	\$18,708	\$40,375
Diluted net income per share (EPS)	\$0.21	\$0.40	\$0.80

Selected Other Information	2002	2003	2004
Full Time Equivalent (FTE) consultants at year-end	1,002	932	1,523
Average FTE consultants during the year	991	937	1,319
Annual gross revenues per FTE consultant	\$260,400	\$339,100	\$365,500
Net cash provided by operating activities (in 000s)	\$8,876	\$57,045	\$72,240
Days sales outstanding, net, at year end	77	72	71

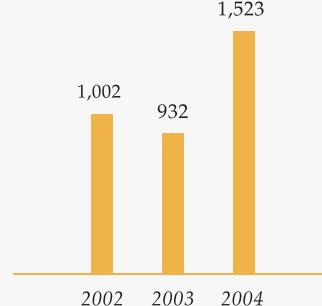
Total revenues
(in millions)



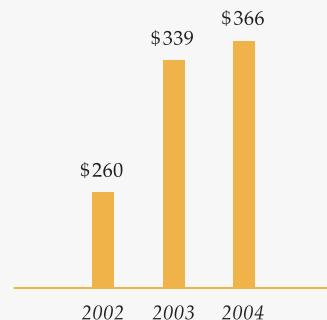
Diluted net income per share (EPS)

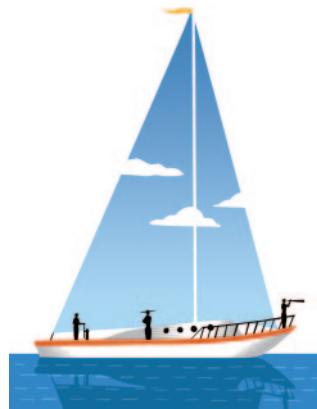


FTE consultants at year-end



Gross revenues per FTE consultant
(in thousands)





A Letter from the
Chairman and Chief Executive Officer

Today, virtually every organization faces the stress produced by increased regulation and new and growing litigation risks. This reality drives our strategy and underpins our performance.

In 2004, we continued to improve our profitability while investing for the future. Our revenues increased 52%, to \$482 million. For the second consecutive year, our net income and earnings per share doubled, to \$40 million and \$0.80, respectively. Our year-end share price rose to \$26.60, which translates into an enterprise value of more than \$1.25 billion. We also earned greater recognition, opportunities and respect in the marketplace. Navigant Consulting was named one of the 200 Best Small Companies by *Forbes* magazine and one of the 25 Most Influential Consultants by *Consulting Magazine*.

Our performance reflects our ability to provide the clients we serve with practical solutions to the litigation, investigations, regulatory interventions and business risks that can threaten their performance – and even their survival. In 2004, the challenges multiplied to include unprecedented investigation of corporate financial controls and accounting practices. Federal and state regulators aggressively pursued a number of new and sometimes competing initiatives. Entire industries, including insurance, financial services, healthcare and defense contractors, were subjected to intense oversight, scrutiny and regulatory intervention.

A growing number of companies faced the challenges of information retention, security and document discovery and production. Shareholder lawsuits and class action litigation continued to rise.

In this extremely challenging and changing environment, we have a unique window of opportunity to build our business, lead our markets, and expand our profile and our reach. We are doing all three.

Our Goal

Our goal is to be the premier professional services provider in our areas of expertise. Our success in hiring and acquiring new talent during 2004 brought clear progress toward that objective. In February, we acquired Tucker Alan, a leading litigation and business consulting firm with 230 professionals and an especially strong presence on the West Coast. In June, we acquired Capital Advisory Services, a firm with a team of nearly 50 professionals that specializes in helping companies improve financial processes, manage risk and comply with changing regulations. Our September acquisition of Invalesco enhanced our growing healthcare practice. We also added nearly 300 individual professionals to our litigation and investigations, healthcare, e-discovery, and corporate finance practices during the year. Now, with more than 1,500 professionals across the country, we are 60% larger than we

**We have increased our
“permission to play.”**

Today, we have the critical mass required to compete for, win, and carry out larger engagements, of longer duration.

We are ready for the future.

When we look beyond the horizon to 2005 and 2006, we see even greater opportunities.

were a year ago, with a broader and deeper portfolio of service offerings.

In addition to expanding our services and our geographic reach, we have continued to build our specialized technical expertise. Our electronic discovery professionals have expanded their expertise to include digital theft, cyber-terrorism, on-line piracy and information technology disputes. We have developed proven processes and systems for settling complex claims, analyzing disputes and improving decision-making. And we have combined these capabilities with our extensive knowledge and experience in healthcare, financial services, construction, energy and other regulated markets to deliver on-point solutions.

We are also building our reputation and the recognition of our brand. Our professionals are being featured at a growing number of industry conferences and in white papers on subjects ranging from protecting digital assets to optimizing the performance of power plants. A new national business development team helps us market our services to clients across the United States.

Today, we have the critical mass required to compete for, win and carry out larger engagements, of longer duration, with *Fortune* 500 companies, *Amlaw* 100 law firms and government agencies. Our 2004 engagements, more than 3,000 in all, included managing the operations of—and restructuring—a major medical center hospital. Working under intense conditions in the Middle East, we helped a major defense contractor address complex contract administration issues. We assisted a major financial institution in assessing compliance with new government regulations and developing—and testing—a new compliance program. Working as both an industry consultant and a testifying expert, we assisted an energy company with litigation related to its performance-based rate-making plan. On more than 250 different engagements, we generated revenues per engagement in excess of \$500,000, compared to 110 engagements of similar size in 2002.

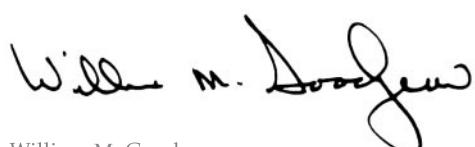
Leveraging a leader's strengths

We are, increasingly, recognized as a leader, and we are leveraging a leader's strengths. The 13 acquisitions we have completed since 2001 have been fully integrated into a single organization with a consistent approach to our markets. Combining several sub-practices and offices has helped us improve efficiency and eliminate redundant activities. A single incentive compensation system,

which rewards the success of the company as a whole, helps promote teamwork and the cross-selling of our services. We have strengthened our professional development activities, including leadership development for our senior practitioners. Our Management Committee, chaired by our Chief Operating Officer, Julie Howard, brings together senior leaders from each of our practices to develop common strategies, share their insight and expertise, and optimize our increasingly integrated operations.

When we look beyond the horizon to 2005 and 2006, we see even greater opportunities. We expect our healthcare practice, which has expanded from 135 to over 350 professionals in the last two years, to continue to build its leadership position with new quality-of-care improvement initiatives and health information technology strategies, and greater assistance for pharmaceutical companies responding to Medicare reform. Demand for financial and insurance services will also continue to grow as investigations of broker practices and mutual funds and other investigations move forward. In February 2005, we acquired Casas, Benjamin & White, a financial advisory firm, and our corporate finance team now offers a broader range of services, including restructuring, valuation, M&A and divestiture services to middle market companies, secured and unsecured creditors and private equity groups. The growing number of whistleblower allegations and regulatory interventions will trigger more accounting and forensic investigations. We plan to leverage our e-discovery technology and expertise to play an expanded role in emerging electronic preservation and security issues.

We successfully executed our strategy in 2004. We expect to do the same in 2005, looking beyond the horizon to meet our clients' emerging needs and anticipate emerging trends. We will increase our presence in key regional markets and continue to recruit and acquire top talent. We will strive to be the first organization that companies call when they face their greatest challenges.



William M. Goodyear
Chairman and Chief Executive Officer

Strategic 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.

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

Julie M. Howard
Executive Vice President and Chief Operating Officer

Ben W. Perks
Executive Vice President and Chief Financial Officer

Philip P. Steptoe
Vice President, General Counsel and Secretary

David E. Pardun
Vice President and Controller

Jeffrey H. Stoecklein
Vice President, Corporate Development

2005 Management Committee

Julie M. Howard
Chair

Timothy H. Hart

William T. Jones

David E. Kleinschmidt

John J. MacDonald III

Ronald O. Nichols

Douglas A. Reichert

David R. Tortorello

Avram S. Tucker

Investor Information

Corporate Headquarters

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Chicago, Illinois 60611
312.573.5600

www.navigantconsulting.com

Annual Meeting of Shareholders

9:00 am CDT, Wednesday, May 4, 2005
The Chicago Club
81 East Van Buren Street
Chicago, Illinois 60605

Investor Relations

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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

LaSalle Bank N.A.
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Chicago, Illinois 60603

Independent Accountants

KPMG LLP
303 East Wacker Drive
Chicago, Illinois 60601

Legal Counsel

Sidley Austin Brown & Wood
Bank One Plaza
10 South Dearborn Street
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