

**HEIDRICK & STRUGGLES**

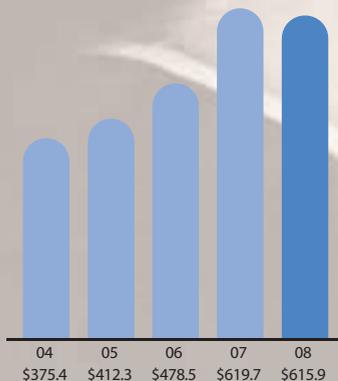
Helping Build Exceptional Leadership Teams

Annual Report 2008

## Financial Highlights

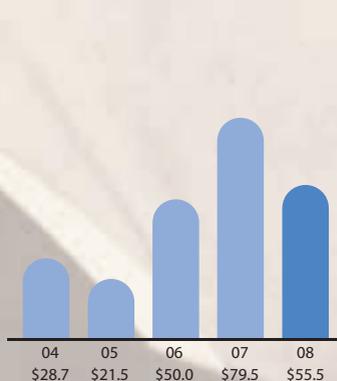
### Net Revenue\*

\* \$ in millions; excludes reimbursements



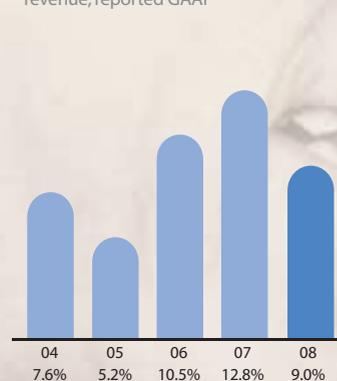
### Operating Income\*

\* \$ in millions; reported GAAP



### Operating Margin\*

\* Operating income as a percentage of net revenue; reported GAAP



## Safe harbor statement

This annual report contains forward-looking statements. The forward-looking statements are based on current expectations, estimates, forecasts and projections about the industry in which we operate and management's beliefs and assumptions. Forward-looking statements may be identified by the use of words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," "projects," "forecasts," and similar expressions. Forward-looking statements are not guarantees of future performance and involve certain known and unknown risks, uncertainties and assumptions that are difficult to predict. Actual outcomes and results may differ materially from what is expressed, forecasted or implied in the forward-looking statements. Factors that may affect the outcome of the forward-looking statements include, among other things: our ability to attract and retain qualified executive search consultants; further declines in the global economy and our ability to execute successfully through business cycles; the timing, speed or robustness of any future economic recovery; social or political instability in markets where we operate; the impact of foreign currency exchange rate fluctuations; price competition; the ability to forecast, on a quarterly basis, variable compensation accruals that ultimately are determined based on the achievement of annual results; our ability to realize our tax loss carryforwards; the timing of the establishment or reversal of valuation allowance on deferred tax assets; the mix of profit and loss by country; an impairment of our goodwill and other intangible assets; delays in the development and/or implementation of new technology and systems; and, the ability to meet and achieve the expected savings resulting from cost-reduction initiatives and restructuring activities. Our reports filed with the U.S. Securities and Exchange Commission also include information on factors that may affect the outcome of forward-looking statements. We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

## Company Profile

Securing a company's prosperous future through the acquisition and continuous development of leadership talent is an ongoing process – and one of the most critical endeavors a company will pursue. That is why so many top companies have turned to Heidrick & Struggles as their business partner and strategic advisor. Operating from the world's principal business centers, Heidrick & Struggles offers clients a comprehensive approach to leadership acquisition, assessment and development through a single source and on a global scale. Organizations the world over rely on our expertise to help assemble and maintain powerful and diverse leadership teams.

In our 56-year history, we have conducted some of the most noted chief executive and board director searches in business. In fact, we've built our reputation as the world's premier executive search firm by working at the top, recruiting senior-level executives for a broad spectrum of client organizations representing every industry. Our renowned executive search capability is augmented by a full complement of leadership advisory services that drive required organizational change, enhance leadership team effectiveness, and support long-term talent management.

We offer a collaborative and consultative approach to executive search based on a thorough understanding of the strategic, cultural, financial and operational issues our clients face. Our consultants work in teams through a matrix structure, organized by geography, industry practices, and functional specialties, as well as by complementary leadership advisory services. This specialization provides us with exceptional access to an astonishing pool of worldwide executive talent. With more than 60 locations and more than 1,500 employees around the world, we have the resources and contacts necessary to conduct a global, multinational, national or local market search.

Year Ended December 31,	2004	2005	2006	2007	2008
Confirmed Searches	3,975	4,077	4,447	5,102	4,812
Productivity (\$ in millions ) Average Annualized Revenue per Executive Search Consultant	\$1.2	\$1.3	\$1.3	\$1.5	\$1.4
Average Number of Consultants	299	307	348	401	413
Average Fee per Executive Search	\$91,400	\$97,100	\$101,100	\$114,900	\$122,600

### Diverse Geographic Mix\*

\* As a percentage of net revenue for the year ended December 31, 2008



### Broad Industry Group Mix\*

\* As a percentage of net revenue for the year ended December 31, 2008



## Letter to Shareholders



For so many reasons, 2008 will surely remain etched in our collective memory for a lifetime. Despite a steadily declining economy, Heidrick & Struggles was competing well against our record 2007 results until the fourth quarter. In the end, our 2008 net revenue of \$615.9 million was down just 0.6 percent from 2007, or about two percent on a constant currency basis.

Our geographic diversification was important to 2008 results. The Asia Pacific region, now 16 percent of our mix, grew 27.3 percent (approximately 24 percent on a constant currency basis), mostly offsetting results in the Americas and in Europe where economies were more severely impacted by the credit crisis and resulting recession. Net revenue declined 5.7 percent in the Americas and 2.9 percent in Europe (approximately 4 percent on a constant currency basis).

Diversification of our industry practice mix was also significant. The Education/Nonprofit, Business & Professional Services, Life Sciences, and Industrial practices all achieved record revenue years, while the Technology practice achieved double digit growth in 2008. The growth of these practices came close to making up for declines in the Financial Services and - to a lesser degree - Consumer practices.

We confirmed 4,812 executive searches in 2008. This was down 6 percent from 2007, but our average fee per search increased 7 percent to \$122,600 as a result of the unrelenting competition for the best talent and our continued and concerted focus on working at higher levels of an organization. In fact, 51 percent of our revenue in 2008 came from searches at the board and C-level. The balance of our revenue came predominantly from follow-on work resulting from our strong relationships at the top.

Consultant headcount at December 31 was 419 and voluntary turnover in 2008 was very low at 6 percent. Productivity, which we define as average revenue per executive search consultant, was \$1.4 million in 2008, down just slightly from our \$1.5 million record in 2007. This change is explained by a higher number of consultants during the year, but at essentially the same revenue levels.

Operating income in 2008 was \$55.5 million, representing an operating margin of 9.0 percent, compared to operating income in 2007 of \$79.5 million and an operating margin of 12.8 percent.

Our financial position remains solid. Net cash generated from operating activities was \$51.4 million in 2008 and we have no debt. In 2008 we repurchased 1,545,967 shares of our common stock for a total cost of \$46.5 million and we paid quarterly cash dividends totaling \$8.8 million. We also acquired three search boutiques, hired a number of experienced search consultants to capture market share in new or growing industry sub-sectors and emerging markets, and we opened offices in Bangkok, Bangalore, Guangzhou, and Bogotá.

Although 2008 did not turn out the way anybody anticipated at the beginning of the year, we are pleased with our overall performance.

### Looking forward to 2009

In a matter of only several months the world has changed dramatically. The global economy is far more interconnected than during prior recessions and the instability of the financial services industry has had an unprecedented impact on almost every aspect of the global economy and on nearly every developed country.

Although nobody can project the breadth and depth of this downturn, we do know from past recessions that it will affect regions and industries at different times and with different levels of severity. Given this, we believe that Heidrick & Struggles will benefit from our diversity of geographies and practices.

In early 2008 and throughout the remainder of the year, we cut expenses to realign our cost base in light of slowing revenue. In January 2009, we announced a restructuring plan to further reduce overall costs and improve operational efficiencies. Unfortunately, the restructuring included a headcount reduction of approximately 12 percent, or about 200 employees, across all regions and at every level. Our long-term goal is to cut real estate expenses and support costs by approximately 30 percent. We will achieve this by closing or consolidating some of our offices, utilizing space more creatively, and adopting new technologies and processes to improve productivity in areas such as accounting, procurement, and human resources administration. Although this won't happen overnight, we will make progress in 2009.

Also in January we shared our plan to more aggressively grow our leadership advisory services. This means a more intent focus on expanding our capabilities beyond executive recruiting to something much more broadly defined as talent management, including the onboarding and continuous development of new talent, retention, and succession planning. Leadership advisory is a logical extension of our search business. Like executive search, its foundation is absolute trust in our judgment and integrity at the most senior levels of the organizations we serve. Extending our offering will help us to develop more meaningful, longer-term relationships with our clients.

Our five-year plan is to develop a more holistic talent management offering by growing our search business while expanding our leadership advisory capabilities. In time, we envision leadership advisory and executive search each representing closer to half of our business.

Our investment in this strategy has started with the formalized training and development of our consultants, many of whom have already earned the right to advise senior clients beyond the scope of traditional recruitment. Last year, 40 of our consultants in Europe took part in a three-session program that provided a deeper understanding of the strategic implications of our talent management offering and formally developed the competencies necessary to become more effective leadership advisors to CEOs and boards. The six-month program was a clear success, turning into numerous leadership advisory projects and leads. We will conduct the same program for consultants in Asia Pacific and the Americas in 2009.

### Conclusions

At some point, this recession will end. And when it does we are confident that organizations will turn to us for help with new and different talent management needs. Demographic trends and the growing shortage of senior-level talent will continue to drive demand for our executive search and leadership advisory services. Of course we will continue to evaluate our cost structure against expected revenue levels, but our actions must be balanced with how best to position our company for improving market conditions. This is a delicate balance and we review it constantly.

Heidrick & Struggles has a 56-year history of helping organizations manage their talent needs in good times and bad. We will weather this storm and be better because of it. On behalf of our board of directors and management team, I extend thanks to our clients, candidates, employees and shareholders for their continued support.



L. Kevin Kelly  
Chief Executive Officer

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*“Success in any endeavor of life is always provisional. Good leaders learn how to recognize the challenges between success and failure and manage that paradox. In business it is imperative that we understand that people are the intellectual assets that make things happen and we must be able to mobilize and develop our people to unleash their competencies, creativity, and commitment to get things moving forward. For the past decade we have worked with Heidrick & Struggles and, in that time, it has successfully expanded beyond simply being a provider of executive search to become a trusted advisor on all issues related to attracting and retaining top talent in our organization.”*

Don Argus  
Chairman, BHP Billiton

## background

Formed from a merger between BHP and Billiton in 2001, BHP Billiton is the world’s largest diversified resources company with significant positions in major commodity businesses, including aluminum, energy coal and metallurgical coal, copper, manganese, iron ore, uranium, nickel, silver and titanium minerals, as well as substantial interests in oil, gas, liquefied natural gas and diamonds. Headquartered in Melbourne, Australia, the company has approximately 41,000 employees working in over 100 operations in 25 countries.

## challenge

BHP Billiton had grown rapidly, with plans to continue to build a larger and broader portfolio of global businesses across multiple sectors. To be successful, the company needed a superior management team able to thrive in an increasingly complex and challenging environment. In late 2005, it hired Heidrick & Struggles to assist the board with a CEO transition that was planned for sometime within 18 to 36 months. As the board turned its focus to this succession, it became clear the company needed highly professional, consistent and fact-based assessment and benchmarking processes for evaluating internal and external senior-level talent.

Heidrick & Struggles partnered with the BHP Billiton board, Chairman Don Argus, and the then-CEO, Chip Goodyear, to fully understand the current situation and the strategic direction of the company. We assessed the top management team to identify and develop potential internal CEO

candidates. We also conducted a simultaneous confidential review of the external marketplace, providing the board with additional CEO options and context for use in making the CEO selection. As a result of our initial assessment work, the board and management team also asked that we expand our work to undertake comprehensive assessments of the top 100 executives to establish a longer-term talent map of the organization.

## results so far

We provided the board and the CEO with a detailed “organizational 360” outlining the strengths and experience/leadership gaps among the senior team, both individually and as a group. We identified several bona fide internal succession candidates and prepared detailed development plans and on going one-on-one coaching programs for them. We also made recommendations about organizational changes that could help further develop these leaders within the relevant timeframe. Concurrently, we continued to refresh the external CEO options as additional executives became potentially available.

In October 2007, Marius Kloppers, one of the internal candidates, was appointed CEO. We provided Kloppers on-boarding assistance during his transition that has been widely viewed as a great success. Given our extensive knowledge of the team, we were also able to help Kloppers and the company to retain other key executives.

Heidrick & Struggles continues to work with BHP Billiton on a talent framework, succession planning and leadership development program for the top 150 executives. In addition to leadership advisory services, we continue to undertake top-level search work and have recently conducted assignments for the CEO of one of BHP Billiton’s largest sectors and several other top corporate roles.



### **Case Study: BHP Billiton**

Establishing a comprehensive leadership talent map for the long term



**Case Study: Energy Conversion Devices**

Transforming to a top-level, commercially driven energy business from a founder-led research and development shop

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*“ECD chose Heidrick & Struggles because of its multiple levels of support to meet our challenges. Their way of working combines a deep understanding of our business and our specific needs. As trusted advisors and partners they help us with effective and pragmatic solutions for top talent and leadership team concerns.”*

Mark Morelli  
President and CEO, ECD

## background

Energy Conversion Devices, Inc. (ECD) (NASDAQ: ENER) is the leader in building integrated and commercial rooftop photovoltaics, one of the fastest growing segments of the solar power industry. The company manufactures and sells thin-film solar laminates that convert sunlight to energy using proprietary technology. ECD also pioneers other alternative technologies, including a new type of nonvolatile digital memory technology that is significantly faster, less expensive, and ideal for use in a variety of applications, including cell phones, digital cameras and personal computers.

## challenge

ECD had a long history of scientific innovation but struggled with commercialization. The company had been tightly led for decades by brilliant Chief Scientist and Founder Stan Ovshinsky and his wife, Iris, along with their CEO, Robert Stempel (formerly the chair and CEO at General Motors). They had great ideas that could change the world – from their unique thin-film, flexible solar laminates and next-generation digital memory, to their NiMH battery technology – but couldn’t produce and market effectively. United Solar Ovonic (UNI-SOLAR® brand), their solar division, had huge potential but mostly just paid for research on the other technologies that were core to the culture. Leadership resisted change and the board was challenged about how to best move forward.

ECD’s main challenge was how to transform from an “R&D shop” to a profitable commercial organization working in a global business environment.

Heidrick & Struggles worked with ECD for several years to help evolve the composition of the ECD board, bringing in solid CEOs and strong commercial business people who began to supplant the legacy mindset and address the need for change. At the start of 2007, the board engaged us to conduct an extensive, multi-level assessment of leadership and the

organizational challenges blocking the company’s effective commercialization. The in-depth analysis from our extensive, multi-level interviews helped to galvanize the board and led them to take further action. We then assisted them in developing a Lead Director position to champion the change process while helping navigate the founder’s retirement and facilitate the CEO succession. We also helped identify and develop the required competencies and management strategies for leadership talent against new business goals to consolidate around the solar division.

## results so far

ECD’s transformation took a leap forward in mid-2007 with the hiring of Mark Morelli as CEO. Mark brought to ECD 15 years of experience as an executive at a Fortune 50 company. He knew how to reorganize and integrate businesses on a global scale, developing and marketing “building-integrated” products. Since Mark’s arrival, Heidrick & Struggles has remained a close advisor to him and the ECD board to ensure they have the leadership talent capabilities needed to expand their market share and global footprint. We have continued to support ECD in:

- Upgrading key executive talent
- Providing on-boarding and coaching to new management team members
- Supporting leadership team development and organizational structure
- Facilitating a thorough board evaluation and peer review

Today ECD is in a strong market and financial position. Revenue for the twelve-month period ending December 31, 2008 increased 110 percent over the same period of 2007, and the company achieved increasing profitability in each of the last four quarters. The company is aggressively increasing production capacity and their Uni-Solar laminates have been installed on the world’s largest rooftop solar energy system. They have continued their legacy as innovators but with an enhanced focus on profitability and commercialization. ECD benefits from a strong board and leadership team positioned to lead their growth and global expansion as a key player in the alternative energy space.

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*“We chose Heidrick & Struggles as our partner because of their systematic and integrated approach to the talent agenda. Their way of working combines a deep understanding of our specific needs with effective and pragmatic solutions for attracting, retaining, developing and deploying talent.”*

Jukka Laaksovirta  
President and CEO, Destia

## background

Destia Ltd is the leading Finnish infrastructure services company. It constructs, maintains, and plans modern traffic and industrial environments for customers that include government agencies, industry, commercial enterprises, cities and municipalities.

Although the company's roots date back more than 200 years to the Royal Finnish Committee for the Clearing of Water Rapids, the Destia name was born in early 2007 when it was adopted as the marketing name for the Finnish Road Enterprise. In early 2008, Destia, with 2,800 employees, became a wholly state-owned limited liability company established with the purpose of continuing the work of the Finnish Road Enterprise.

## challenge

Evolving from a government body into a private corporation – working in a dynamic global business market – marked a significant leap for Destia. Competencies and talent management strategies needed to be defined and then optimized against business goals and requirements. The management team agreed its organization needed an external talent advisor to help with this challenge.

Heidrick & Struggles began working with Destia in December 2007. Following a consultation phase, we identified three key talent management needs:

- Introduction of a recruitment program with a special emphasis on improving Destia's reputation as an employer of choice
- A formalized performance review process and specific talent assessments to improve the company's talent diagnostics and career development programs, while providing the Executive Committee a better understanding of its talent pool
- A post-merger integration process that would give management a framework for recognizing, integrating, and retaining new talent after making acquisitions

## results so far

In-depth research and interviews of the Executive Committee and other senior-level executives provided a thorough understanding of Destia's specific talent needs. With this background, we facilitated an intense two-day workshop with the Executive Committee in order to agree on and commit to the priorities. This process also enabled us to help Destia define its unique selling points, which in turn helped distinguish the company as an employer of choice.

To ensure the ongoing assessment, retention, and career development of its core talent we recommended that Destia implement a formalized process of reviews for approximately 180 of its employees. This is currently in place, while a comprehensive training and development program is in development. Destia is also finalizing mechanisms for talent assessment, retention and utilization in post-merger situations based on our recommendation.

In December 2008 Destia engaged Heidrick & Struggles again to partner on the development of a Performance Management program, a systematic process of communication within the company that supports accomplishing the strategic objectives of the organization. Over the next 13 months, this change program will provide another significant upgrade to Destia's human capital, a key component of the company's continued expansion into Russia and the Baltic Sea markets.

## Case Study: Destia

Creating an infrastructure for leadership



## Global Presence

With more than 60 locations and more than 1,500 employees around the world, we have the resources and contacts necessary to conduct a global, multinational, national, or local market search. This structure allows us to be as responsive as a boutique firm yet serve our clients with the support of a global partnership.

### North America

Atlanta  
Boston  
Chicago  
Cleveland  
Dallas  
Denver  
El Segundo  
Encino  
Houston  
Los Angeles  
Menlo Park  
Miami  
Minneapolis  
New York  
Philadelphia  
San Francisco  
Stamford  
Toronto  
Tysons Corner  
Washington, D.C.

### Latin America

Bogotá  
Buenos Aires  
Mexico City  
Santiago  
São Paulo  
Monterrey

### Europe

Amsterdam  
Barcelona  
Brussels  
Bucharest  
Budapest  
Copenhagen  
Düsseldorf  
Frankfurt  
Geneva

### Hamburg

Helsinki  
Istanbul  
Lisbon  
Ljubiana  
London  
Madrid  
Milan  
Moscow  
Munich  
Paris  
Prague  
Rome  
Stockholm  
Vienna  
Warsaw  
Zürich

### Africa/Middle East

Johannesburg  
Dubai

### Asia Pacific

Auckland  
Bangalore  
Bangkok  
Beijing  
Chongqing  
Guangzhou  
Hong Kong  
Melbourne  
Mumbai  
New Delhi  
Seoul  
Shanghai  
Singapore  
Sydney  
Taipei  
Tokyo

## Global Leadership

### Board of Directors

Richard I. Beattie \* (2+)  
Chairman of the Board and  
Chairman, Simpson Thacher & Bartlett LLP.  
Member of that firm since 1968.

António Borges \* (2) (3)  
Chairman, Hedge Fund Standards Board  
since 2008.

John A. Fazio \* (1+)  
Retired. Former Senior General Practice  
Partner, Pricewaterhouse Coopers.

Jill Kanin-Lovers \* (1) (3+)  
Former Senior Vice President, Human  
Resources, Avon Products, Inc. from  
1998 to 2004.

L. Kevin Kelly  
Chief Executive Officer since 2006.

Gary E. Knell\* (2) (3)  
President and Chief Executive Officer  
Sesame Workshop since 1999.

Robert E. Knowling Jr. \* (1) (3)  
Chief Executive Officer,  
Vercuity since 2005.

Gerard R. Roche  
Senior Chairman since 1999.

V. Paul Unruh \* (1)  
Retired. Former Vice Chairman,  
Bechtel Group, Inc. from 2001 to 2003.

\* Independent Director

(1) Member, Audit and Finance Committee

(2) Member, Nominating and Board Governance  
Committee

(3) Member, Human Resources and Compensation  
Committee

+ denotes committee chair

### Operating Committee

L. Kevin Kelly  
Chief Executive Officer

K. Steven Blake  
Executive Vice President, General Counsel  
and Secretary

Richard J. Caldera  
Executive Vice President, Chief Human  
Resources Officer

Charles G. Davis  
Managing Partner, Global Practices

Robert L. Hines  
Managing Partner, Global Operations

Scott J. Krenz  
Executive Vice President, Chief Financial Officer



### Heidrick & Struggles

Our five-year plan is to develop a more holistic talent management offering by growing our search business while expanding our leadership advisory capabilities.

## Shareholder Information

### Corporate

#### Headquarters

Heidrick & Struggles  
International, Inc.  
233 South Wacker Drive  
Suite 4200  
Chicago, Illinois 60606-6303  
+1 312 496 1200  
[www.heidrick.com](http://www.heidrick.com)

### Exchange Listing

Our common stock has been listed on the Nasdaq Global Select Market, under the symbol HSII, since our initial public offering in April 1999

### Annual Meeting

The annual meeting of shareholders will be held at 9:00 AM EDT, Thursday, May 21, 2009, Millennium Broadway Hotel New York, 145 West 44th Street, New York.

### Stock Transfer Agent and Registrar

For address changes, account consolidation, registration changes, stock holdings and lost stock certificates, please contact:

Mellon Investor Services LLC  
480 Washington Boulevard  
Jersey City, NJ 07310  
+1 877 522 6645

Shareholders can also obtain account information through Investor ServiceDirect at [www.melloninvestor.com](http://www.melloninvestor.com).

### Independent Registered Public Accounting Firm

KPMG LLP  
Chicago, Illinois

### S.E.C. Filings and Investor Information

Filings with the Securities and Exchange Commission and other investor information are available through our website or by request to the Investor Relations Department.

### Investor Contact

Shareholders, analysts and investors may contact the Investor Relations Department at our corporate headquarters address, through our website at [www.heidrick.com](http://www.heidrick.com), by email at [investorrelations@heidrick.com](mailto:investorrelations@heidrick.com), or by telephone at +1 312 496 1774.

### Corporate Governance

Visit the About Us section of our website at [www.heidrick.com](http://www.heidrick.com) to see our corporate governance documents, including our Code of Business Conduct, Corporate Governance Guidelines, Director Independence Standards, and Charters of our Audit Committee, Nominating and Board Governance Committee, and Human Resources and Compensation Committee.

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