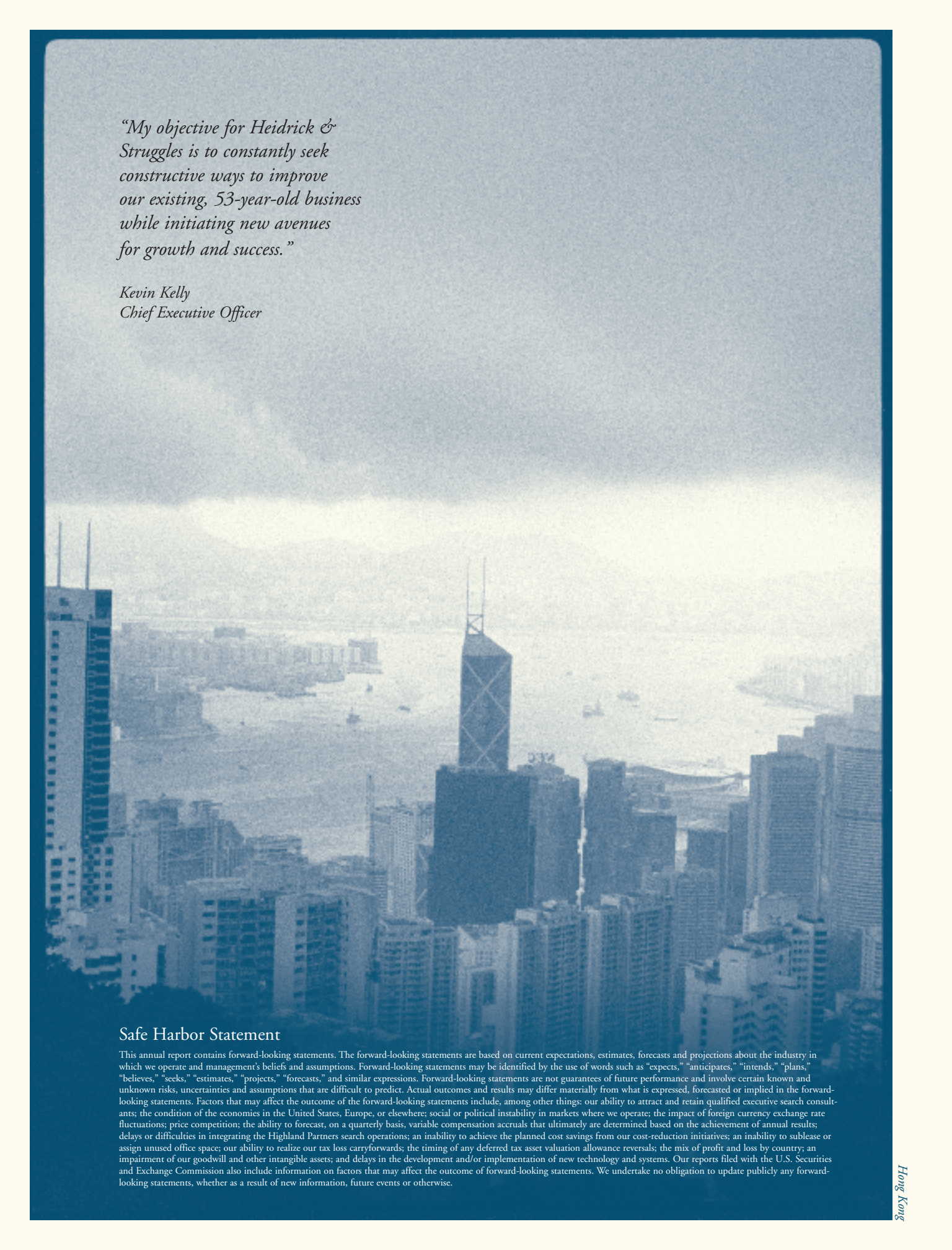


## HEIDRICK & STRUGGLES

*We help clients build winning leadership teams*

*Annual Report 2006*





*"My objective for Heidrick & Struggles is to constantly seek constructive ways to improve our existing, 53-year-old business while initiating new avenues for growth and success."*

*Kevin Kelly  
Chief Executive Officer*

## 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; the condition of the economies in the United States, Europe, or elsewhere; 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; delays or difficulties in integrating the Highland Partners search operations; an inability to achieve the planned cost savings from our cost-reduction initiatives; an inability to sublease or assign unused office space; our ability to realize our tax loss carryforwards; the timing of any deferred tax asset valuation allowance reversals; the mix of profit and loss by country; an impairment of our goodwill and other intangible assets; and delays in the development and/or implementation of new technology and systems. 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.

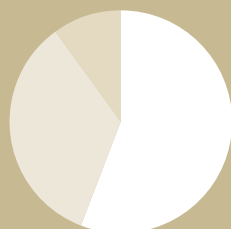
# Company Profile

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 of the world's top companies have turned to Heidrick & Struggles as their business partner and strategic advisor. Operating from principal business centers in North America, Latin America, Europe and Asia Pacific, 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 more than 50-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 consulting 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 consulting 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.

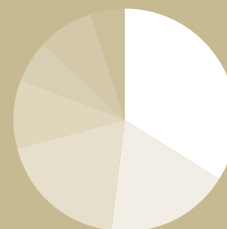
Year Ended December 31,	2002	2003	2004	2005	2006
Confirmed Searches	3,973	3,757	3,975	4,077	4,447
Productivity (\$ in millions ) <i>Average Annualized Revenue per Executive Search Consultant</i>	\$0.8	\$0.9	\$1.2	\$1.3	\$1.3
Average Number of Consultants	391	328	299	307	348



Americas	56%
Europe	34%
Asia Pacific	10%

## Diverse Geographic Mix\*

*\* As a percentage of net revenue for the year ended December 31, 2006*

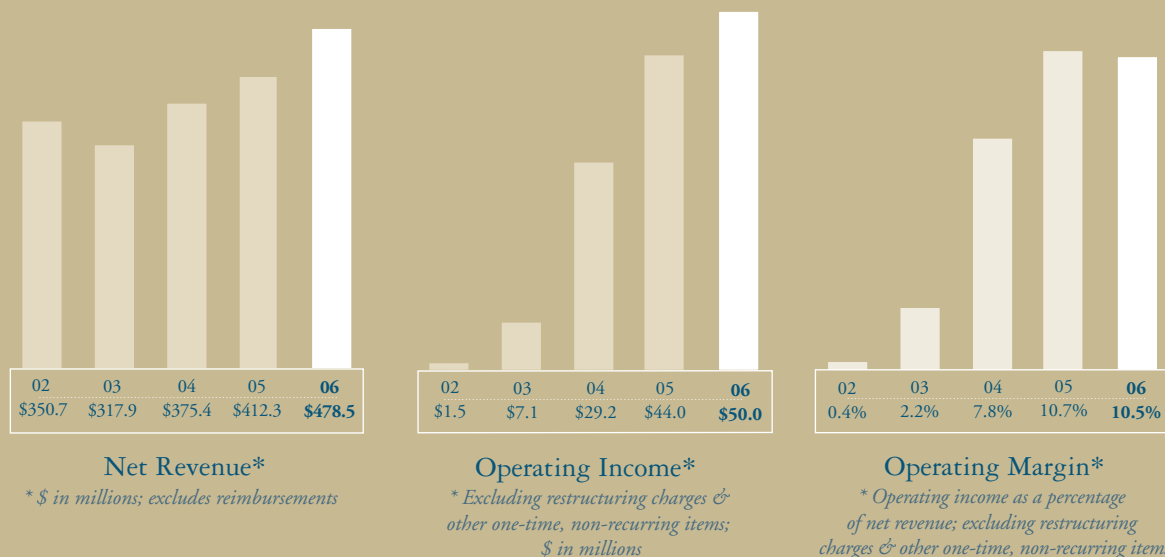


Financial Services	34%
Consumer	19%
Industrial	18%
Technology	10%
Health Care	8%
Professional Services	6%
Education / Nonprofit / Other	5%

## Broad Industry Group Mix\*

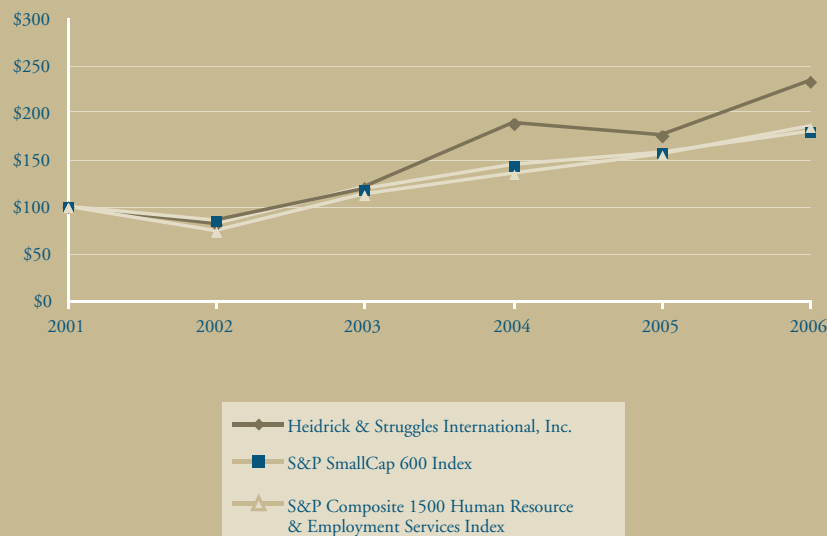
*\* As a percentage of net revenue for the year ended December 31, 2006*

# Financial Highlights



## Comparison of Five-Year Cumulative Total Return\*

Comparison is among Heidrick & Struggles, the S&P SmallCap 600 Index and the S&P Composite 1500 Human Resource & Employment Services Index. The S&P Composite 1500 Human Resource & Employment Services Index includes 13 companies in related businesses, including Heidrick & Struggles.

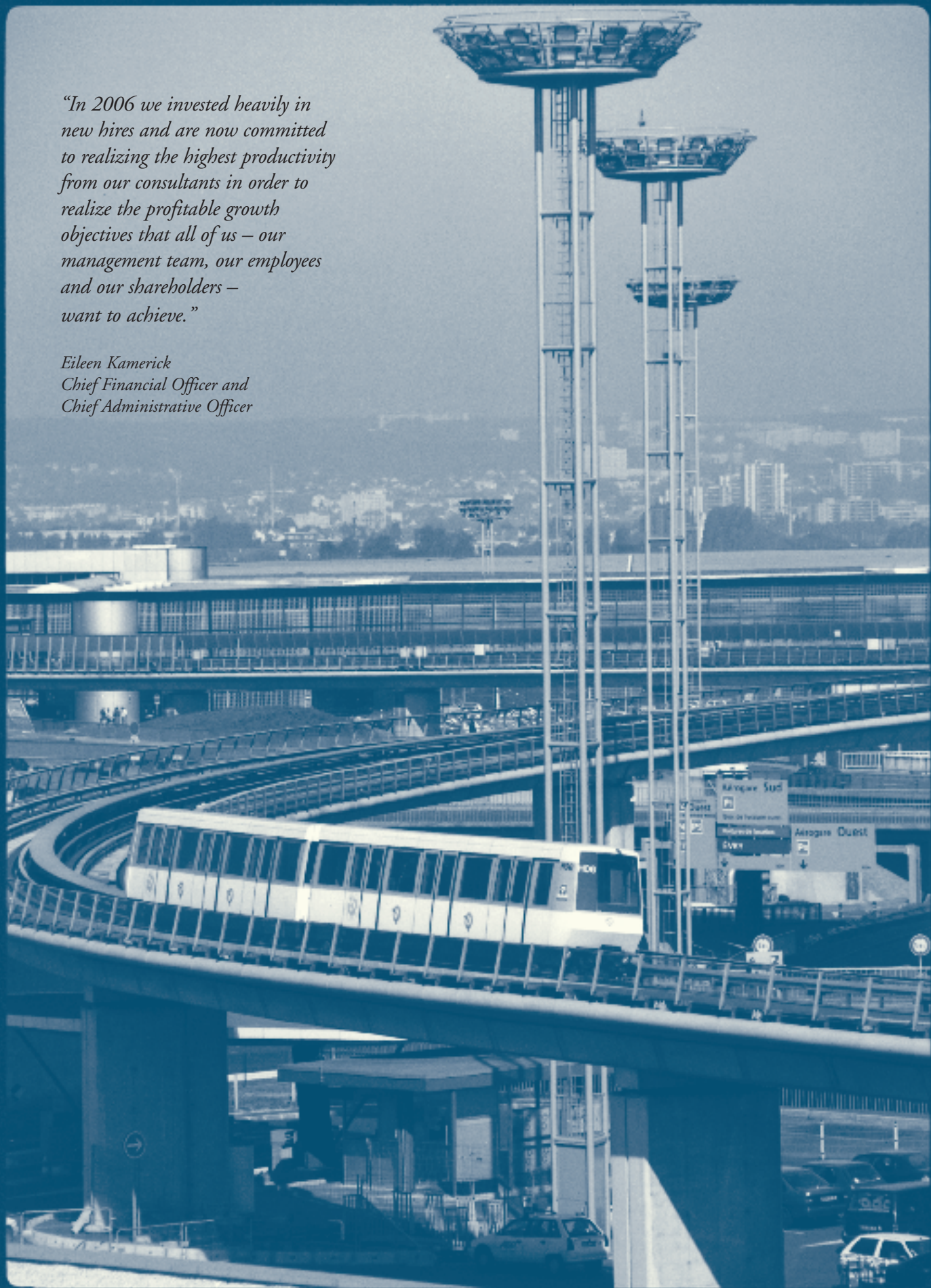


\* Assuming \$100 invested on 12/31/01 in HSII or index, including reinvestment of dividends.  
Source: Standard & Poor's



*"In 2006 we invested heavily in new hires and are now committed to realizing the highest productivity from our consultants in order to realize the profitable growth objectives that all of us – our management team, our employees and our shareholders – want to achieve."*

*Eileen Kamerick  
Chief Financial Officer and  
Chief Administrative Officer*





## *Message to Our Shareholders*

It was a defining year for Heidrick & Struggles as we aimed to secure our future as the world's preeminent executive search and leadership consulting firm.

### *2006 Review*

We achieved net revenue of \$478.5 million, an increase of 16.1 percent over 2005. Every region — Americas, Europe and Asia Pacific — delivered double-digit revenue growth.

The successful completion of the Highland Partners acquisition — the largest in our history — in October 2006 contributed \$13.7 million of net revenue to the year.

All of our key growth drivers contributed to improved top-line results in 2006:

- One of our key initiatives in 2006 was to increase the number of our consultants. Consultant headcount at December 31 was 388, up 23 percent from 315 at the end of 2005, including 48 consultants who came with the Highland Partners acquisition. We believe this investment will help us to accelerate profitable growth in 2007 and beyond.
- We signed contracts for 4,447 searches in 2006, up 9 percent from 2005.
- Our average fee per search in 2006 increased to \$101,100, an increase of 4 percent from 2005.
- And despite having added 73 net new consultants to our ranks in 2006, average annualized revenue per executive search consultant remained strong at \$1.3 million.

Our continued emphasis on cost controls and expense reduction was effective in 2006, although we know there is still much work to do.

Our general and administrative expenses as a percentage of net revenue declined to 20.8 percent in 2006 from 22.9 percent in 2005. But salaries and employee benefits increased to 68.7 percent of net revenue, compared to 66.4 percent in 2005.

Our operating income of \$50.0 million was up 13.8 percent over 2005 operating income (excluding restructuring charges), but annual operating margin was below our goal of 12 percent due in part to the Highland Partners acquisition and some one-time severance expenses.

Although I am disappointed we did not meet our targeted operating margin for 2006, I firmly believe that the actions we took in the fourth quarter are going to better position us to accelerate growth — more profitable growth — in the years to come.

We generated strong cash flow and are using our financial strength to grow the company and deliver improving shareholder value. In 2006 we repurchased 1.5 million of our shares for \$51.7 million and acquired Highland Partners for an initial cash payment of \$36.6 million.

We remain committed to using our cash balances to support our core business, pursue strategic opportunities, and return any excess cash to shareholders.

### *Investing in Our People*

It is the passion, commitment, and expertise of our people that will drive our results and help us realize our long-term vision.

We are proud to maintain the high consultant productivity rates, in terms of revenue per consultant, we enjoyed in 2005.

But we know there is opportunity for improvement — ensuring all our consultants are successful to enhance productivity in the firm is key to accelerating our growth in 2007.

In October 2006 I appointed our first Global Head of Talent, who is overseeing recruitment and development across the firm. We are keenly aware that attracting, developing, and retaining top talent in our industry is absolutely critical to our success and we are focused on realizing the maximum return on our human capital investments.

### *Defining and Driving Our Future*

Looking ahead, the fundamental drivers of our business continue to be excellent. We see continued strong demand for our services — both executive search and leadership consulting.

There are a number of secular trends that we believe will continue to drive this market.

- Aging demographics are causing a shortage of management talent.

- Executive tenure is at an all-time low because high-caliber talent is aspirant and mobile, and ongoing focus on improving corporate governance continues to create opportunities.
- And companies continue to globalize with an ever-growing need for management in developing areas such as China, the Middle East and Eastern Europe.

I believe that Heidrick & Struggles' future as the worldwide leader in executive recruiting is dependent on three major factors.

First, our vision of how the industry will evolve. Second, the strategy that we employ to gain market leadership based on that vision. And third, our effectiveness in executing on this strategy, as measured by such factors as market share gains, brand reputation, and operating performance.

Let me be more specific: Having improved our cost structure over the past three years, we are now in a much better position to accelerate our growth in all our regions as a unified global team, and to do so more profitably. To accelerate growth we will capitalize on our current assets; leverage the talent of the strategic hires we've made in the past 12 to 18 months, as well as those we've acquired; and differentiate our firm through innovation — challenging ourselves to find new and better ways to do things.

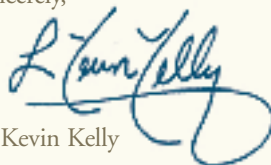
My objective for this company is to constantly seek constructive ways to improve our existing, 53-year-old business while initiating new avenues for growth and success.

At this year's annual meeting in May, Tom Friel will step down from his responsibilities as Chairman of the Board. We thank Tom for his many years of service to Heidrick & Struggles, and for his invaluable contributions to our business and the fundamental nature of our culture. When you look at the financial results we've achieved over the past three years, Tom has played a key role in making them happen.

Thanks go as well to our clients, candidates, employees and shareholders for their continued support as we move into the next exciting phase of the Heidrick & Struggles story.

We've already shown record performance in parts of our business and, through continued focus on our key initiatives and good execution, I'm confident we will continue to create long-term value for our shareholders.

Sincerely,



L. Kevin Kelly

Chief Executive Officer





### *Chairman's Letter*

Heidrick & Struggles is a unique and thriving company and it has been an honor to lead it. As we have previously announced, I will retire from our Board of Directors at the conclusion of our annual meeting and from the company as an active employee mid-year, but intend to remain close as an alumnus and friend. This planned transition brings to a conclusion my nearly 28-year tenure with Heidrick & Struggles. When I joined in 1979, our founders were still active in the business. Since then I have been privileged to participate in our evolution from a mostly US-centric, founder-driven culture, to a partnership era as a private company focused on aggressive global expansion, to our experience as a public company.

We have faced many challenges in our history, including some difficult periods during the past four years. I am grateful for the support and commitment of my colleagues that allowed us to put the firm on the right course. As a result we are now in a better position to achieve sustainable, long-term, profitable growth – and to enhance our reputation as the best firm in our profession.

The leadership transition to Kevin Kelly and his team has been smooth and seamless. I am more confident than ever in the company, our strategy, our employees, and our leadership. I appreciate enormously the confidence and trust our employees and our shareholders have placed in me, and I wish you every success in the future.

Sincerely,

A handwritten signature in blue ink, appearing to read "T. J. Friel". The signature is fluid and cursive, with the first and last names being more prominent.

Thomas J. Friel

Chairman of the Board

# *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  
Encino  
Houston  
Los Angeles  
Menlo Park  
Miami  
Minneapolis  
New York (Park Avenue)  
New York (Wall Street)  
Philadelphia  
San Francisco  
Stamford  
Toronto  
Tysons Corner  
Washington, D.C.*

## *Latin America*

*Bogota  
Buenos Aires  
Caracas  
Lima  
Mexico City  
Santiago  
São Paulo*

## *Europe*

*Amsterdam  
Barcelona  
Berlin  
Brussels  
Copenhagen  
Düsseldorf  
Frankfurt*

*Hamburg  
Helsinki  
Istanbul  
Lisbon  
London  
Madrid  
Milan  
Munich  
Paris  
Rome  
Stockholm  
Vienna  
Warsaw  
Zürich*

## *Africa*

*Johannesburg*

## *Asia Pacific*

*Auckland  
Beijing  
Chongqing  
Hong Kong  
Melbourne  
Mumbai  
New Delhi  
Seoul  
Shanghai  
Singapore  
Sydney  
Taipei  
Tokyo*

*"We have achieved strong revenue growth and significant improvements in our operating margins the past two years in EMEA and are committed to seeing these trends continue."*

*David Peters  
Regional Managing Partner  
Europe/Middle East/Africa*





An aerial, high-angle photograph of a dense urban skyline, likely New York City. The image is dominated by numerous tall, rectangular skyscrapers of varying heights and architectural styles. Some buildings have distinctive features like domes or ornate facades. The city is packed closely together, with very little open space visible between the buildings. In the background, a body of water (likely the Hudson River or New York Harbor) is visible, with a few ships and a distant shoreline. The overall color palette is a monochromatic blue, giving it a classic, historical feel.

*"Extending our market leadership is a top priority for the Americas region. Our acquisition of Highland Partners in October 2006 and our strategic decision to increase consultant head-count are just two investments we are focused on leveraging in 2007 to accelerate profitable growth."*

*John Hawkins  
Regional Managing Partner  
Americas*

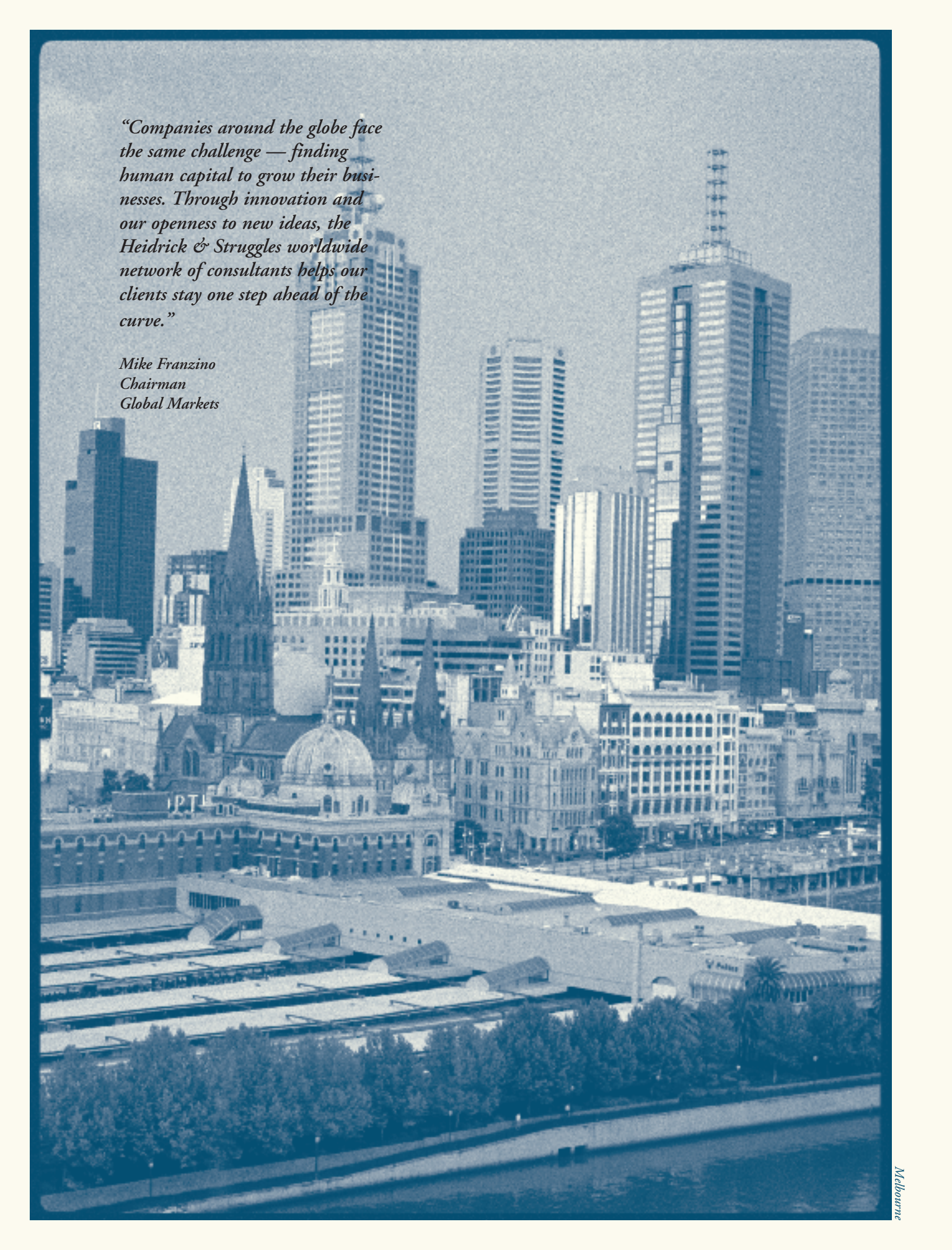


*"We are meeting our clients' growing needs for highly qualified senior talent in fast developing sectors and new markets across Asia Pacific. Our strategy is to invest ahead of other executive search firms in opening new offices and offering innovative leadership consulting services."*

*Gerry Davis  
Regional Managing Partner  
Asia Pacific*







*"Companies around the globe face the same challenge — finding human capital to grow their businesses. Through innovation and our openness to new ideas, the Heidrick & Struggles worldwide network of consultants helps our clients stay one step ahead of the curve."*

*Mike Franzino  
Chairman  
Global Markets*



# Global Leadership

## Board of Directors

**Richard I. Beattie** <sup>\*(2+)(3)</sup>

*Chairman, Simpson Thacher & Bartlett LLP.  
Member of that firm since 1968.*

**António Borges** <sup>\*(2)</sup>

*Vice Chairman, Goldman  
Sachs International since 2000.*

**John A. Fazio** <sup>\*(1+)</sup>

*Retired. Former Senior General Practice Partner,  
Pricewaterhouse Coopers.*

**Thomas J. Friel**

*Chairman of the Board since 2006.*

**Jill Kanin-Lovers** <sup>\*(1)(3+)</sup>

*Former Senior Vice President, Human Resources,  
Avon Products, Inc. from 1998 to 2004.*

**L. Kevin Kelly**

*Chief Executive Officer since 2006.*

**Robert E. Knowling Jr.** <sup>\*(1)(3)</sup>

*Chief Executive Officer,  
Vercuity since 2005.*

**Gerard R. Roche**

*Senior Chairman since 1999.*

**V. Paul Unruh** <sup>\*(1)</sup>

*Retired. Former Vice Chairman,  
Bechtel Group, Inc. from 2001 to 2003.*

**Douglas C. Yearley** <sup>\*(2)(3)</sup>

*Retired. Chairman Emeritus,  
Phelps Dodge Corporation since 2000.*

**\*Independent Director**

*(1) Member, Audit Committee*

*(2) Member, Nominating and Board Governance Committee*

*(3) Member, Compensation Committee*

*+ denotes committee chair*

## Executive Committee

**L. Kevin Kelly**

*Chief Executive Officer*

**K. Steven Blake**

*Chief Legal Officer and Corporate Secretary*

**Gerry Davis**

*Regional Managing Partner, Asia Pacific*

**Michael Franzino**

*Chairman, Global Markets*

**John T.W. Hawkins**

*Regional Managing Partner, Americas*

**Eileen A. Kamerick**

*Chief Financial Officer and  
Chief Administrative Officer*

**David Peters**

*Regional Managing Partner, EMEA*

# 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 CDT, Thursday, May 24, 2007, at the Conrad Chicago Hotel, Chicago, Illinois.

## 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 +1 312.496.1366.

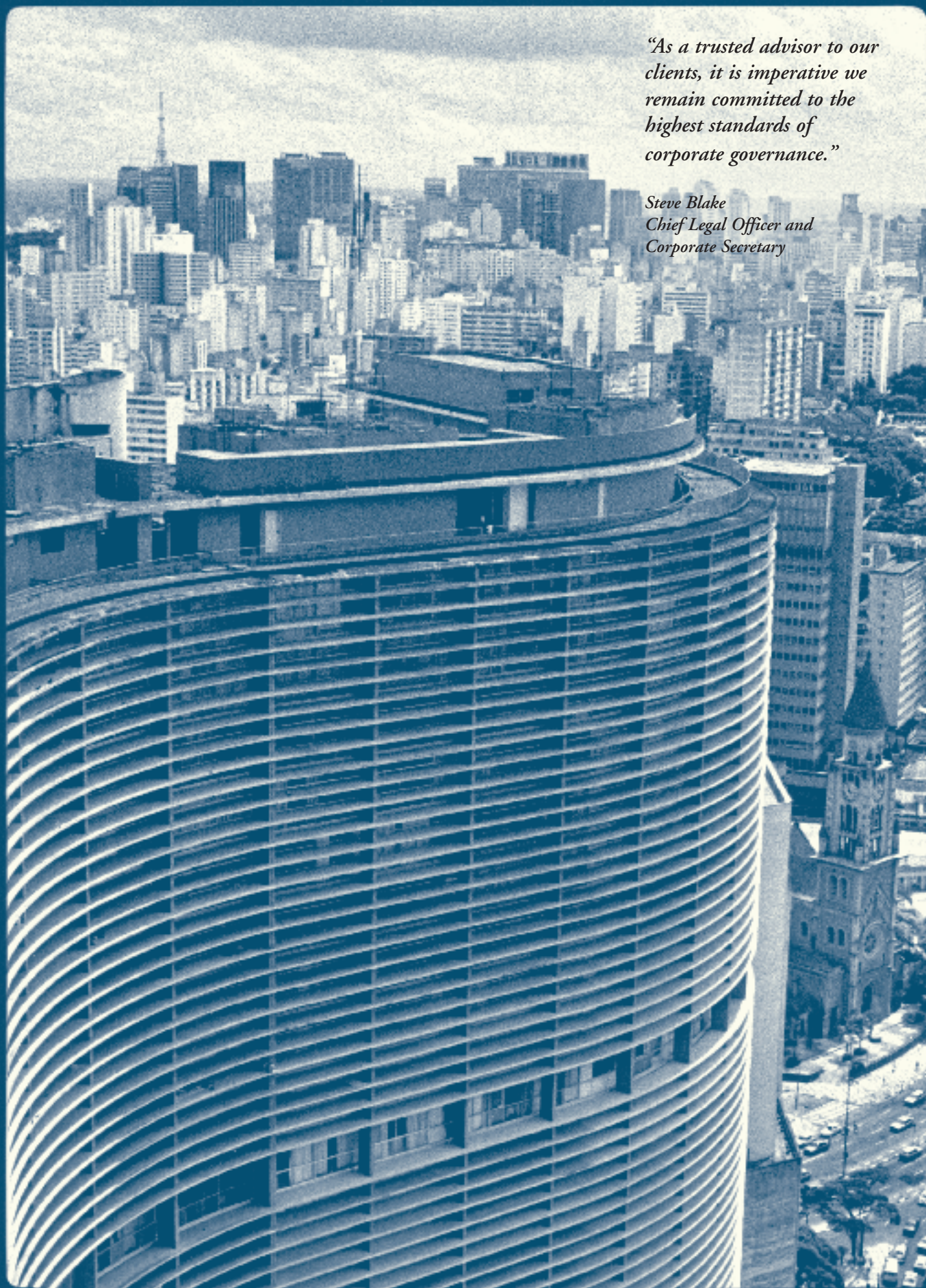
## Corporate Governance

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 Compensation Committee.



*"As a trusted advisor to our clients, it is imperative we remain committed to the highest standards of corporate governance."*

*Steve Blake  
Chief Legal Officer and  
Corporate Secretary*





## HEIDRICK & STRUGGLES

*We help clients build winning leadership teams*