

KORN/FERRY INTERNATIONAL



THE FUTURE OF TALENT  
Annual Report 2007

# KORN/FERRY AT A GLANCE

#1 in market share (global and U.S. leader)

\$653.4 million global fee revenue in fiscal 2007

25% increase in global fee revenue from fiscal 2006

27% increase in EPS from fiscal 2006\*

82 offices worldwide

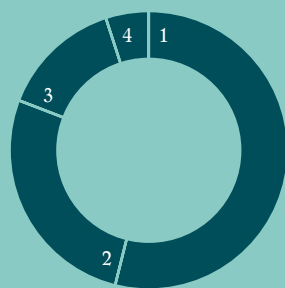
2,260 employees

10,420 searches in fiscal 2007

5.1 million candidates in database

All figures above include Futurestep

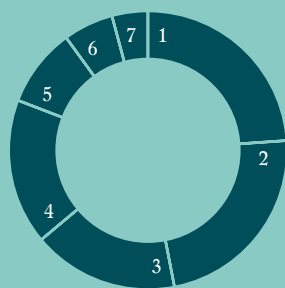
\* Adjusted for SFAS 123(R) stock option expense and one-time charges/gains in fiscal 2007, as well as one-time gains in fiscal 2006



Revenue by region  
Global fee revenue in fiscal 2007

1. North America	54%
2. EMEA	27%
3. Asia Pacific	14%
4. South America*	5%

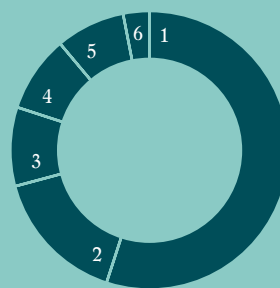
\* Includes unconsolidated Mexican subsidiaries



Revenue by industry  
Global fee revenue in fiscal 2007

1. Financial Services	24%
2. Industrial	23%
3. Consumer	17%
4. Technology	17%
5. Life Sciences	9%
6. Healthcare Provider	6%
7. Education/Not-for-Profit	4%

Excludes Futurestep



Engagements by function  
Global assignments in fiscal 2007

1. C-Level/Senior Management/Board	55%
2. Marketing	16%
3. Human Resources	9%
4. Manufacturing/Research & Development/Technology	9%
5. Finance	8%
6. Information Systems	3%

Excludes Futurestep

## A UNIQUE APPROACH TO TALENT

Korn/Ferry International is a premier global provider of talent management solutions to assist organizations in attracting, deploying, developing, retaining and rewarding their people.

Since our inception in 1969, clients have trusted us to help them recruit world-class leadership talent. Building on this heritage, today Korn/Ferry is a single source for a wide range of HR needs.

From 82 offices in 39 countries, our diversified suite of solutions builds on our extensive expertise in recruiting and focuses on career-long leadership development. Services range from executive search to CEO and board services, leadership assessment and development, outsourced recruiting, interim solutions and mid-level search.

The result is an approach to talent that spans the entire employee lifecycle and enables our clients to drive success through the empowered management of people.

## CHAIRMAN'S LETTER

“There is no doubt: Korn/Ferry is making great strides and the opportunity that lies before us remains significant.”



Paul C. Reilly  
Chairman

To see our K/F One Company strategy taking form around the world is quite invigorating and it seems only fitting to be writing this letter as we have just finished a year of record revenues and profits, up 25% and 27%\* respectively. There is no doubt: Korn/Ferry is making great strides and the opportunity that lies before us remains significant.

When I reflect back on those early days when I first joined the firm, the outlook was certainly less rosy. However, through the collaborative efforts of the board, Gary and our leadership team, and all the employees of the firm, we designed a differentiated strategy, made the tough decisions early and had the perseverance to stick through the hard times. As a result, we have emerged as the clear market leader six years later. This was no small accomplishment and I am proud of the work we have done.

In order to achieve the next level of growth, we felt it was time to scale our management structure by separating the roles of Chairman and Chief Executive Officer. On July 1, 2007, Gary D. Burnison assumed his new role of Chief Executive Officer of Korn/Ferry.

We went about the process very pragmatically and we hold ourselves out as a model for transition planning. This move will be largely invisible in many aspects. I will stay full-time with the firm in my role as Chairman and will focus on driving client facing activities and enhancing our go-to-market approach. I will continue

to recruit and retain great people and I will be very active in helping Gary and the leadership team to execute on our strategic plan, and driving the agenda for the board.

Looking ahead, we will continue our journey. We will build off our current successes and sustain the momentum of our three-year strategic plan, K/F One Company. This plan centers on the following four strategic pillars:

- #1 Market Share – driving revenue growth in all business segments
- Client Excellence – delivering quality service through our unique technologies and intellectual property, thus adding ‘science’ to our processes
- Solutions-Driven Growth – looking for additional products and services to provide clients with a rich set of solutions, further strengthening relationships and diversifying our firm
- Partnership – developing our team organically as well as attracting outside market experts, and focusing on training, professional development and retention

I remain extremely excited about the opportunity ahead and look forward to even greater things to come for our clients, our shareholders and our employees in fiscal 2008.

A handwritten signature in dark ink that reads "Paul C. Reilly". The signature is written in a cursive, flowing style.

Paul C. Reilly  
Chairman

\* Adjusted for SFAS 123(R) stock option expense and one-time charges/gains in fiscal 2007, as well as one-time gains in fiscal 2006

## CHIEF EXECUTIVE'S REVIEW

“Today we are transforming our business through innovative solutions that allow us to engage with our clients on their broader talent management issues on an ongoing, long-term basis.”



Gary D. Burnison  
Chief Executive Officer

### Dear Shareholder,

By any measure, fiscal 2007 was a remarkable year for Korn/Ferry International. Not only did the firm set new financial records for both our organization and the industry, but clients around the world further validated our long-term business strategy to offer a diversified suite of talent management solutions.

Our impressive performance can be attributed first and foremost to our team of world-class professionals working around the globe. The Korn/Ferry team is now 2,260 strong. Today, there are currently seven former CEOs of major executive search firms working at Korn/Ferry – the caliber of our people has never been better.

The strength of our results was further fueled by the power of our brand, our diversified suite of solutions and the continued investments made in technology and training. Companies have come to trust Korn/Ferry with regards to leadership, and our brand creates permission for us to provide greater value to our customers through our talent management solutions.

Executive Search remains the flagship of Korn/Ferry. During fiscal 2007, executive recruiting grew 25% to \$567.6 million. All industry sectors were up from the prior year, with Technology, Financial and Industrial growing the fastest. With the war for talent being driven by the aging populations in many of the world's mature economic markets along with workforce

booms in several emerging nations, we believe that the demand for executive search will continue to grow in the long term.

Moving beyond our executive search business, we are strongly encouraged by the steady progress of our Futurestep and Leadership Development Solutions businesses. Demand for our middle management and outsourced recruitment offerings reached an all time high as Futurestep recorded \$85.8 million in fee revenues for fiscal 2007 and expanded its operating margin to 8.1% (excluding the benefit of a \$0.9 million reversal of a previously recorded lease reserve).

Our Leadership Development Solutions group also posted high growth in fiscal 2007. Our broad development platform now provides Korn/Ferry the capability to offer our clients solutions geared at enhancing employee effectiveness and leadership abilities. During the year, in an effort to further diversify our firm into adjacent, synergistic talent management services, we made two strategic acquisitions. The acquisitions of Lominger International, a leading training and development product and services company, and LeaderSource Ltd., a management and team development boutique, now provide Korn/Ferry with an even stronger suite of experience-tested, research-based development tools and consulting practices. Combined revenues for the Leadership Development Solutions business inclusive of Lominger and LeaderSource were approximately \$38 million.

## CHIEF EXECUTIVE'S REVIEW continued

In fiscal 2008, we will continue to focus on the very things that have created our recent success:

- Unparalleled reach and quality in Executive Search
- New technologies and tools that will further differentiate Korn/Ferry and provide our search process with a unique competitive advantage
- Additional enhancements to Futurestep and further growth as the leading recruitment process outsourcing (RPO) provider in the industry
- An aggressive push to scale our Leadership Development Solutions
- Continued recruitment and development of our people, providing them with an enriching and rewarding environment that allows them to thrive professionally

Today we are transforming our business through innovative solutions that allow us to engage with our clients on their broader talent management issues on an ongoing, long-term basis. We have the capabilities to

work with our clients in not only identifying and attracting talent, but also in deploying, developing, retaining and rewarding their workforces.

As the demands of our clients change, we must continue to innovate. In order to stay ahead of the competition, we will continue to upgrade our offerings. Through our proprietary intellectual property and technologies, we will infuse science into the art of search. Not only will this further differentiate Korn/Ferry, it will also build a bridge between our recruiting businesses and our other solutions.

This strategy will allow us to better serve our clients' diverse talent management needs, help us to strengthen our number one position and give us a distinct advantage in the marketplace. We believe that this approach will drive deeper relationships with clients, provide our consultants with a unique platform and unlock greater shareholder value for years to come.

Korn/Ferry's success is built upon a team effort, and I wish to thank our clients, colleagues and shareholders for making fiscal 2007 a watershed year. I would also like to acknowledge our leadership team, our board and especially Paul for their continued hard work, stewardship and commitment to our strategy.

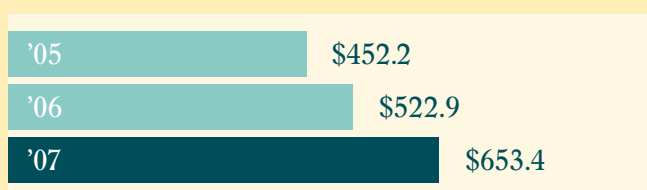
I am excited about the future and look forward to continuing to deliver the operational and financial results that have made us the clear industry leader.



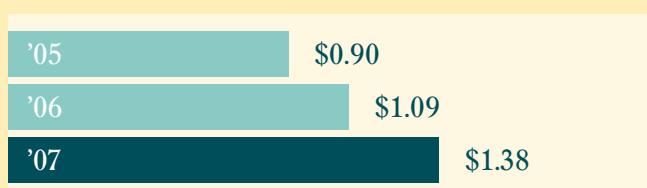
**Gary D. Burnison**  
Chief Executive Officer

## FINANCIAL HIGHLIGHTS

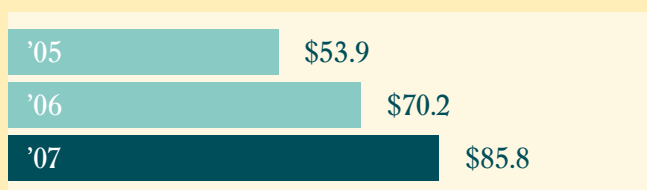
Continued focus on exceptional client service and innovative talent management solutions has not only enabled Korn/Ferry to become trusted business advisors and business partners to our clients but also to deliver an exceptional set of financial results for fiscal 2007.



Total fee revenue in millions, fiscal year

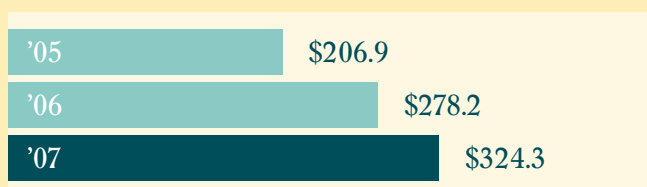


Earnings per share in dollars, fiscal year\*



Futurestep fee revenue in millions, fiscal year

\* Adjusted fiscal 2007 results exclude the effect of SFAS 123(R) stock option expensing (which was implemented for the first time in fiscal 2007) of approximately \$3.6 million after tax, and a \$3.3 million after tax charge for an employment contract change offset by a \$0.4 million after tax reversal of a previously established lease restructuring reserve. Adjusted fiscal 2006 results exclude the effect of a \$4.5 million after tax loss recovery on an investment previously written off that was sold in fiscal 2006 and \$6.5 million of one-time tax benefits. These are non-GAAP measures that the Company believes provide useful information regarding the ongoing results of operations because they have been prepared on a basis comparable year-over-year. These measures are not intended to replace EPS measured in accordance with U.S. Generally Accepted Accounting Principles.



Ending cash balance in millions, fiscal year

# REDEFINING THE INDUSTRY

## Executive Search

Since our inception, we have filled more than 120,000 executive-level positions including board directors, chief executive officers, chief financial officers, chief operating officers, chief information officers and other senior officers.

Our search consultants operate in a highly specialized global network of more than 30 market sectors and functional areas of expertise, including a team dedicated to CEO & Board Services. Korn/Ferry consultants combine an in-depth understanding of their given industry with unsurpassed knowledge of and access to the top players, guaranteeing the highest levels of service – and most effective results – for clients worldwide.

Korn/Ferry boasts a unique approach to executive search that integrates practical experience with scientific research, and infuses quality and standardization into the search process. We employ a rigorous interviewing approach that identifies in advance the right competencies to evaluate, and offers clients deeper insights into a candidate's accomplishments, expertise and fit. Organizations that partner with Korn/Ferry also benefit from Search Assessment<sup>SM</sup>, our proprietary online methodology that matches candidates against statistically validated best-in-class profiles.

For clients, this approach translates into less guesswork, a faster fill rate and a clearer roadmap for success, not to mention a statistically proven ability to generate better results in identifying the right talent for the position.

## Leadership Development Solutions

Our comprehensive blend of leadership services assists clients with the ongoing assessment and development of their leadership teams.

**Succession Planning** – Assesses the competencies of existing management resources as a basis for understanding key succession gaps and related development opportunities

**Management & Team Development** – Assesses and enhances the effectiveness of senior managers and leadership teams

**Competency Modeling** – Assists clients in defining the critical competencies required for success

**Executive Coaching** – Enhances the effectiveness of key talent via high performance and developmental coaching

**Onboarding** – Improves the success of external hires and new promotions through individual, team and enterprise coaching

**Merger Integration** – Assesses and integrates talent pursuant to a merger or acquisition

**Executive Compensation** – Through our affiliate Executive Compensation Advisors, ensures that management and executive pay programs and incentives align with shareholder value, company strategy and sound governance practices

**Cultural Change** – Aligns culture with a company's strategy and organizational requirements

**Integrated Talent Management** – Coordinates all key aspects of the talent management process through our proprietary Web-based technology platform, Executive Center<sup>SM</sup>

During the last 12 months, Korn/Ferry acquired both Lominger International and LeaderSource Ltd. This provides us an even stronger suite of experience-tested, research-based development tools and consulting processes.

## Futurestep

Futurestep, a Korn/Ferry company, is a global leader in outsourced recruitment for middle management professionals. Companies worldwide from every major industry turn to Futurestep for help attracting the highest quality mid-level talent and remaining competitive in this increasingly challenging marketplace. Futurestep's process leverages a multi-channel sourcing strategy and global database of more than a million pre-screened professionals to provide a diverse set of candidates.

Futurestep's recruitment solutions include:

**Recruitment Process Outsourcing (RPO)** – Manages part or all of the client's recruitment function through a fully integrated, measurable, single-source solution, often including on-site consultants from Futurestep

**Project Recruitment** – Delivers multiple hires with built-in timeline and metrics

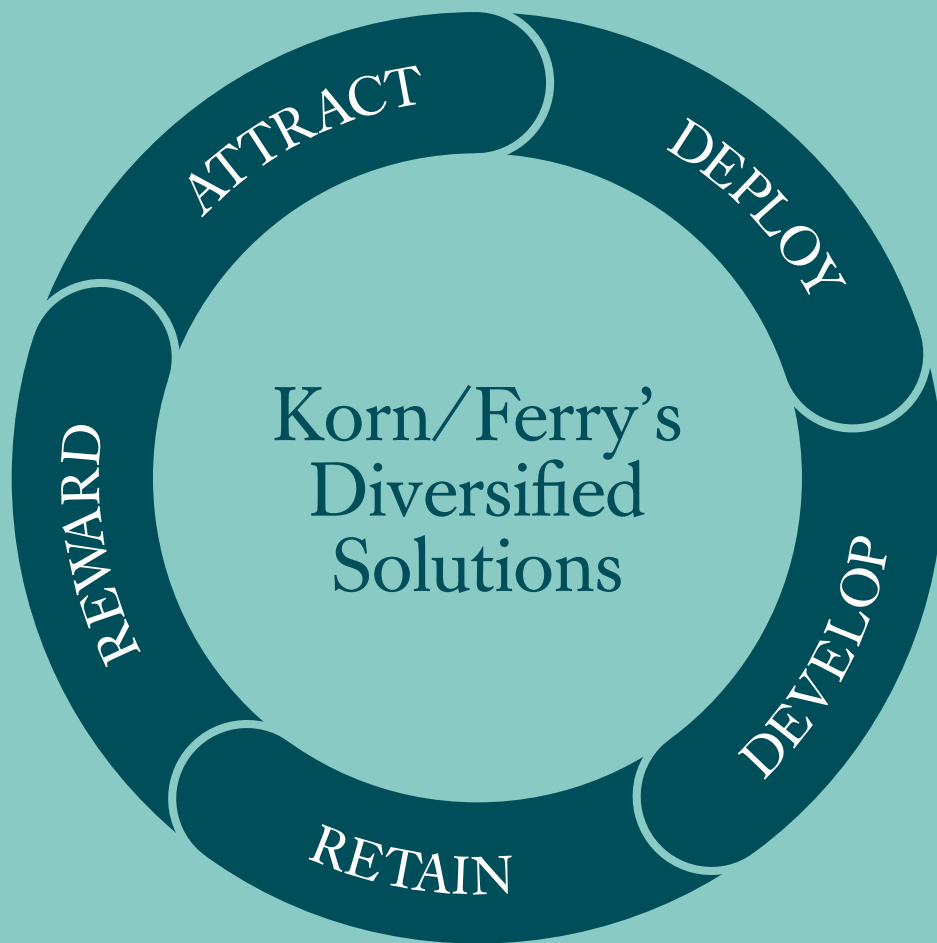
**Interim Solutions** – Solves the need for temporary, flexible mid-management professionals

**Mid-Level Search** – Addresses an organization's need for key mid-level talent

**Consulting** – Through The Newman Group, a Futurestep company, provides talent acquisition and management consulting services addressing all facets of the talent management lifecycle, including strategic analysis and planning; process review and optimization; technology and services evaluation, selection and implementation; and workforce planning



We believe that clients would prefer to work with fewer trusted partners for multiple HR needs. The result is an approach to talent that spans the entire employee lifecycle and enables our clients to drive success through the empowered management of people.



# COMPANY LEADERSHIP

## Board of Directors

Paul C. Reilly <sup>(1)</sup>  
Chairman,  
Korn/Ferry International

James E. Barlett <sup>\*(3,5)</sup>  
Vice Chairman,  
TeleTech Holdings, Inc.

Gary D. Burnison <sup>(2)</sup>  
Chief Executive Officer,  
Korn/Ferry International

Frank V. Cahouet <sup>\*(3+,4)</sup>  
Retired Chairman, President  
and Chief Executive Officer,  
The Bank of New York  
Mellon Corporation

Sakie T. Fukushima  
Senior Client Partner,  
Korn/Ferry International

Patti S. Hart <sup>\*(5+,6)</sup>  
Former Chairman and  
Chief Executive Officer,  
Pinnacle Systems, Inc.

David L. Lowe <sup>\*(4)</sup>  
Vice Chairman,  
Friedman Fleischer & Lowe

Edward D. Miller <sup>\*(4)</sup>  
Former President and  
Chief Executive Officer,  
AXA Financial, Inc.

Ihno Schneevoigt <sup>\*(4)</sup>  
Former Management Board Member  
and Human Resources Director,  
Allianz Versicherungs AG and  
Allianz Lebensversicherung AG

Gerhard Schulmeyer <sup>\*(4,5)</sup>  
Managing Director,  
Gerhard, LLC

Ken Whipple <sup>\*(3,4+)</sup>  
Chairman,  
CMS Energy Corporation

Harry L. You <sup>\*</sup>  
Chief Executive Officer,  
BearingPoint Inc.

## Global Operating Committee

Gary D. Burnison <sup>(2)</sup>  
Chief Executive Officer

Cheryl Buxton  
Global Managing Director,  
Life Sciences Market

Robert A. Damon  
President, North America

Robert Grandy  
Global Managing Director,  
Financial Market

Joe Griesedieck  
Vice Chairman

Gary C. Hourihan  
Executive Vice President and President,  
Leadership Development Solutions

Linda Hyman  
Managing Director,  
Integrated Services Programs

Scott E. Kingdom  
Global Managing Director,  
Industrial Market

Robert McNabb  
Chief Executive Officer, Futurestep  
and Executive Vice President,  
Korn/Ferry International

Paul C. Reilly <sup>(1)</sup>  
Chairman

Tierney Remick  
Global Managing Director,  
Consumer Market

Chris van Someren  
President, Europe, Middle East & Africa

Charles Tseng  
President, Asia Pacific

Richard Spitz  
Global Managing Director,  
Technology Market

Charles W.B. Wardell III  
Managing Director,  
Northeast U.S. Region

(1) Chief Executive Officer until June 30, 2007

(2) Chief Executive Officer effective July 1, 2007

(3) Member, Audit Committee

(4) Member, Compensation & Personnel Committee

(5) Member, Nominating & Governance Committee

(6) Lead Director

\* Independent Director

+ Denotes Committee Chair

# CORPORATE INFORMATION

## Stock Listing

Korn/Ferry International Class A common shares are traded on the New York Stock Exchange under the symbol KFY.

## Annual Meeting

The annual meeting of shareholders will be held at 10:00 a.m. PDT, September 11, 2007, at:

InterContinental Los Angeles  
2151 Avenue of the Stars  
Los Angeles, California 90067

## Registrar and Transfer Agent

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

Mellon Investor Services  
Shareholder Services  
P.O. Box 3315  
South Hackensack, New Jersey 07606  
Domestic: +1 877 889 7584  
International: +1 201 329 8660  
[www.melloninvestor.com](http://www.melloninvestor.com)

## Legal Counsel

Gibson, Dunn & Crutcher LLP  
Los Angeles, California

## Auditors

Ernst & Young LLP  
Los Angeles, California

## Investor Contact

Gregg Kvochak  
+1 310 556 8550

## Media Contact

Michael Distefano  
+1 310 843 4199

# OUR OFFICES WORLDWIDE

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## The Americas

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Minneapolis  
Monterrey\*  
Montréal  
New York  
Northern Virginia  
Philadelphia  
Princeton  
Quito\*  
Rio de Janeiro  
San Francisco  
Santiago  
São Paulo  
Seattle  
Silicon Valley  
Stamford  
Toronto  
Vancouver  
Washington DC

## Asia Pacific

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Guangzhou  
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## Europe, Middle East & Africa

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\* Satellite Office  
\*\* Alliance Partner