UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 1999 or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number 0-25837

HEIDRICK & STRUGGLES INTERNATIONAL, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	36-2681268
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

233 South Wacker Drive-Suite 4200
Chicago, Illinois
60606-6303

(Address of Principal Executive Offices)

(312) 496-1200

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No ____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

The number of shares outstanding of the Company's common stock as of November 5, 1999 was 16,663,151.

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

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HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	September 30, 1999 (unaudited)	December 31, 1998
Current assets:		
Cash and cash equivalents	$ 109,529	$ 11,521
Accounts receivable, net of allowance for doubtful accounts	86,207	42,292
Other receivables	3,349	2,862
Notes receivable from affiliate	-	1,900
Prepaid expenses	4,518	1,837
Prepaid income taxes	-	3,063
Deferred income taxes	15,228	8,871
Total current assets	218,831	72,346
Property and equipment, net	50,949	27,054
Other assets:		
Cash and investments designated for nonqualified retirement plans	31,521	13,552
Investment in Heidrick & Struggles International, Inc.	-	4,766
Investments and other assets	5,896	353
Deferred income taxes	7,058	2,649
Goodwill and other intangibles, net	44,982	8,055
Total other assets	89,457	29,375
Total assets	$ 359,237	$ 128,775

The accompanying notes are an integral part of these consolidated financial statements.

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	September 30, 1999 (unaudited)	December 31, 1998
Current liabilities:		
Short-term debt	$ -	$ 22,000
Current maturities of long-term debt	3,893	2,847
Accounts payable	8,456	3,487
Accrued expenses-		
Salaries and employee benefits	132,899	27,893
Other	17,990	8,165
Income taxes payable	5,997	-
Total current liabilities	169,235	64,392
Long-term debt, less current maturities	1,591	6,350
Liability for nonqualified retirement plans	29,341	11,358
Other long-term liabilities	-	2,253
Mandatorily redeemable common and preferred stock		
Preferred stock, $.01 par value, 10,000,000 shares authorized, no shares issued at December 31, 1998.	-	-
Common stock, $.01 par value, 100,000,000 shares authorized at December 31, 1998, of which 8,183,851 and 3,146,871 shares were issued and outstanding, respectively.	-	44,422
Total mandatorily redeemable common and preferred stock	-	44,422
Stockholders' equity		
Preferred stock, $.01 par value, 10,000,000 shares authorized, no shares issued at September 30, 1999.	-	-
Common stock, $.01 par value, 100,000,000 shares authorized, of which 16,663,151 shares were issued and outstanding at September 30, 1999.	167	-
Additional paid-in capital	124,539	
Retained earnings	31,781	
Cumulative foreign currency translation adjustment	(1,940)	
Unrealized gain on available-for-sale investments (net of tax)	4,523	-
Total stockholders' equity	159,070	-
Total liabilities, mandatorily redeemable common and preferred stock and stockholders' equity	$359,237	$128,775

The accompanying notes are an integral part of these consolidated financial statements.

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
Revenue	$114,936	$ 62,278	$302,583	$168,914
Operating expenses:				
Salaries and employee benefits	76,303	42,705	201,847	121,585
General and administrative expenses	26,686	15,663	75,121	39,191
Nonrecurring charge and merger costs	2,800	--	15,220	--
Total operating expenses	105,789	58,368	292,188	160,776
Operating income	9,147	3,910	10,395	8,138
Non-operating income (expense):				
Interest income	1,343	523	1,939	941
Interest expense	(361)	(235)	(1,298)	(354)
Other, net	281	307	357	143
Net non-operating income	1,263	595	998	730
Equity in net income/(loss) of affiliate	--	134	(630)	(772)
Income before income taxes	10,410	4,639	10,763	8,096
Provision for income taxes	4,983	2,854	10,635	4,533
Net income	$ 5,427	$ 1,785	$ 128	$ 3,563
Basic earnings per common share	$ 0.33	$ 0.61	$ 0.01	$ 1.20
Basic weighted average common shares outstanding	16,533	2,906	12,624	2,957
Diluted earnings per common share	$ 0.32	$ 0.61	$ 0.01	$ 1.20
Diluted weighted average common shares outstanding	16,782	2,906	12,717	2,957

The accompanying notes are an integral part of these consolidated financial statements.

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(in thousands)
(unaudited)

	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Compre-hensive Income (Loss)	Total
Balance as of December 31, 1998 (1)	$ 82	$ 28,561	$ (16,471)	$ (12,769)	$ 597	$ --
Treasury and common stock transactions:						
Stock issued for Merger	34	26,576	16,471	--	--	43,081
Stock issued in initial public offering	42	51,959	--	--	--	52,001
Stock issued to employees	7	14,408	--	--	--	14,415
Stock issued for termination of Sullivan employee equity ownership plan	2	3,035	--	--	--	3,037
Release of book value restriction	--	--	--	44,422	--	44,422
Comprehensive income, net of tax						
Net income	--	--	--	128	--	128
Unrealized gain on available-for-sale investments	--	--	--	--	2,837	2,837
Foreign currency translation adjustments	--	--	--	--	(851)	(851)
Balance as of September 30, 1999	$ 167	$ 124,539	$ --	$ 31,781	$ 2,583	$ 159,070

(1) Mandatorily redeemable

The accompanying notes are an integral part of these consolidated financial statements.

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(unaudited)

	Nine Months Ended September 30, 1999	1998
Cash flows from operating activities		
Net income	$ 128	$ 3,563
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,353	2,970
Loss (gain) on sale of property and equipment	(33)	493
Gain on sale of securities	(417)	--
Deferred income taxes	(22)	(696)
Equity in net loss of affiliate	630	772
Stock-based compensation	252	331
Nonrecurring compensation charge and merger costs	15,220	--
Changes in assets and liabilities:		
Trade and other receivables	(23,523)	(9,583)
Other assets	2,379	(1,621)
Accounts payable	1,353	570
Accrued expenses	66,548	53,883
Income taxes payable	2,006	(2,538)
Liability for nonqualified retirement plans	1,062	172
Net cash provided by operating activities	72,936	48,316
Cash flows from investing activities		
Acquisitions	--	(3,060)
Purchases of securities for nonqualified retirement plan	(324)	(1,344)
Purchases of property and equipment	(16,622)	(11,527)
Sale of securities	7,232	--
Cash acquired in merger transactions with HSI	8,166	--
Other investing activities	(176)	5
Net cash used in investing activities	(1,724)	(15,926)
Cash flows from financing activities		
Net proceeds from issuance of common stock	61,334	--
Proceeds from debt	17,700	5,848
Payments of debt	(51,067)	(9,559)
Net cash provided by (used in) financing activities	27,967	(3,711)
Effect of foreign currency exchange rates on cash and cash equivalents	(1,171)	(567)
Net increase in cash and cash equivalents	98,008	28,112
Cash and cash equivalents:		
Beginning of period	11,521	10,650
End of period	$ 109,529	$ 38,762

The accompanying notes are an integral part of these consolidated financial statements.

(All tables in thousands, except per share figures)

1. Interim Financial Data

The accompanying unaudited consolidated financial statements of Heidrick & Struggles International, Inc. and Subsidiaries (the "Company"), included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates. In the opinion of management, the statements reflect all adjustments, which are of a normal recurring nature, necessary to present fairly the Company's financial position as of September 30, 1999, and December 31, 1998, the results of operations for the three months and nine months ended September 30, 1999 and 1998, stockholders' equity for the nine months ended September 30, 1999, and cash flows for the nine months ended September 30, 1999 and 1998. While these interim financial statements and accompanying notes are unaudited, they have been reviewed by Arthur Andersen LLP, the Company's independent public accountants. These financial statements and notes are to be read in conjunction with the Company's Registration Statement on Form S-1 (File No. 333-59931), as declared effective by the Securities and Exchange Commission on April 26, 1999.

The consolidated financial statements of the Company for all periods presented have been restated to give retroactive effect to the merger with Sullivan & Company ("Sullivan") on September 1, 1999, which has been accounted for using the pooling of interests method and, as a result, the financial position, results of operations, stockholders' equity and cash flows are presented as if the combining companies had been consolidated for all periods presented and, as if the additional common stock issued in connection with the merger had been issued for all periods presented.

2. Business Combinations

Acquisition Accounted for Using Purchase Method

On February 26, 1999, Heidrick & Struggles, Inc. ("H&S Inc.") merged (the "Merger") with and into Heidrick & Struggles International, Inc. (prior to the Merger, "HSI"). The Merger combined the operations of H&S Inc., which operated in all regions of the world except Europe, with HSI, a Europe-based company. The transaction was accounted for using purchase accounting and the excess purchase price was allocated to identifiable intangible assets and goodwill as follows:

Asset Classification	Fair Value	Weighted Average Remaining Useful Life in Years
Intangible assets	$12,478	17
Goodwill	$23,152	40

The unaudited condensed consolidated pro forma results of operations data for the three months and nine months ended September 30, 1999 and 1998, as if the Merger had occurred on January 1, 1999 and 1998, respectively, is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
Revenue	$ 114,936	$ 96,568	$ 322,568	$ 262,659
Operating expenses:				
Salaries and employee benefits	76,303	66,316	216,763	187,461
General and administrative expenses	26,686	25,541	81,562	65,864
Nonrecurring charge and merger costs	2,800	--	16,140	--
Total operating expenses	105,789	91,857	314,465	253,325
Operating income	9,147	4,711	8,103	9,334
Net non-operating income (expense)	1,263	519	942	(2,846)
Income before income taxes	10,410	5,230	9,045	6,488
Provision for income taxes	4,983	3,547	10,398	5,852
Net income (loss)	$ 5,427	$ 1,683	$ (1,353)	$ 636

Acquisition Accounted for Using Pooling of Interests Method

On September 1, 1999, the Company completed its acquisition of Sullivan which provided for the exchange of all the outstanding stock of Sullivan for 964,000 shares of the Company's common stock. The transaction was accounted for using the pooling of interests method of accounting. Sullivan is an executive search firm that specializes in the financial services industry and had revenue of $12.8 million in 1998.

Revenue, net income, and basic and diluted earnings per common share of the combining companies are as follows:

	Three Months Ended September 30, 1998	Nine Months Ended September 30, 1998
Revenue		
H&S Inc., as previously reported on Form S-1/A	$ 59,261	$ 157,976
Sullivan	3,017	10,938
H&S Inc., as restated	$ 62,278	$ 168,914
Net income		
H&S Inc., as previously reported on Form S-1/A	$ 2,294	$ 3,734
Sullivan	(509)	(171)
H&S Inc., as restated	$ 1,785	$ 3,563
Earnings per common share		
H&S Inc., as previously reported on Form S-1/A		
Basic	$ 0.87	$ 1.39
Diluted	$ 0.87	$ 1.39
H&S Inc., as restated		
Basic	$ 0.61	$ 1.20
Diluted	$ 0.61	$ 1.20

3. Nonrecurring Charge and Merger Costs

During the first quarter of 1999, the Company incurred a nonrecurring charge of $12.4 million. This charge was the result of the Company's agreement to modify the terms of the Mulder & Partner GmbH & Co. KG ("Mulder") acquisition agreement, including the termination of all employment contingencies. HSI acquired 100% of Mulder on October 1, 1997, for a combination of cash and 32,000 shares of HSI common stock. On October 1, 1997, HSI delivered 4,000 shares of HSI common stock, paid $8.7 million to the partners of Mulder and incurred $0.3 million of associated transaction costs. Under the original Mulder acquisition agreement an additional $5.2 million (plus interest at an annual rate of 4%) was due to the partners of Mulder in five equal annual installments, the first of which was paid on October 1, 1998. The remaining shares were to be issued in four annual installments beginning January 1, 1999. Because the total purchase price was contingent upon the continued employment of the Mulder consultants, the cost of the acquisition was accounted for as compensation expense to be recognized over a five-year period beginning October 1, 1997. In connection with the Merger, the Mulder acquisition agreement was amended such that the remaining cash (plus interest) would be paid within 90 days of the completion of the Merger and 428,452 shares (reflecting a split of 15.8217 for 1) of the Company's common stock (which were valued, based upon the estimated fair market value of HSI, at $5.2 million) were issued to such Mulder partners immediately after the Merger. During the nine months ended September 30, 1999, the Company paid the remaining $4.3 million cash due, issued 428,452 shares of the Company's common stock and wrote off $2.9 million of deferred compensation assets resulting in a total compensation charge of $12.4 million.

In connection with the acquisition of Sullivan, the Company recorded merger related costs of $2.8 million during the three months ended September 30, 1999. The merger costs consist of a $2.0 million non-cash charge for accelerated vesting of an employee equity ownership plan in place at Sullivan and $0.8 million of transaction related costs, including legal, accounting and advisory fees.

4. Basic and Diluted Earnings Per Share

Basic earnings per common share is computed by dividing net income by weighted average common shares outstanding for the period. Diluted earnings per common share reflects the potential dilution that would occur if securities or other contracts to issue common stock were exercised or converted.

The following is a reconciliation of the shares used in the computation of basic and diluted earnings per common share ("EPS"):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
Basic EPS				
Income available to common stockholders	$ 5,427	$ 1,785	$ 128	$ 3,563
Weighted average common shares outstanding	16,533	2,906	12,624	2,957
Basic EPS	$ 0.33	$ 0.61	$ 0.01	$ 1.20
Diluted EPS				
Income available to common stockholders	$ 5,427	$ 1,785	$ 128	$ 3,563
Weighted average common shares outstanding	16,533	2,906	12,624	2,957
Dilutive effect of common stock options	249	--	93	--
Weighted average diluted common shares outstanding	16,782	2,906	12,717	2,957
Diluted EPS	$ 0.32	$ 0.61	$ 0.01	$ 1.20

The share amounts in the table above reflect a 15.8217 for 1 stock split approved by the Board of Directors on March 26, 1999. Furthermore, the Company filed amendments to the Certificate of Incorporation to increase the number of authorized shares of common stock to 100,000,000 shares and to authorize a class of preferred stock of 10,000,000 shares. On February 11, 1999, the Board of Directors adopted, and on February 12, 1999, the stockholders approved, these amendments. The financial statements, including the number of shares of common stock authorized, issued and outstanding, have been retroactively restated for the effect of this split and the amendments to the Certificate of Incorporation.

5. Comprehensive Income

The Company adopted Statement of Financial Accounting Standards No. 130 ("SFAS 130"), "Reporting Comprehensive Income," in the fiscal year ended December 31, 1998. Comprehensive income is comprised of net income and all changes to stockholders' equity, except those changes resulting from investments by owners (changes in paid in capital) and distributions to owners (dividends). SFAS 130 requires disclosure of the components of comprehensive income in interim periods.

Total comprehensive income is as follows:

	Three Months Ended September 30, 1999	Three Months Ended September 30, 1998	Nine Months Ended September 30, 1999	Nine Months Ended September 30, 1998
Net income	$ 5,427	$ 1,785	$ 128	$ 3,563
Other comprehensive income (loss), before tax:				
Foreign currency translation adjustment	(914)	(1,707)	(1,455)	(1,086)
Unrealized gain (loss) on available-for-sale investments	(1,468)	(994)	4,892	77
Other comprehensive income (loss), before tax	(2,382)	(2,701)	3,437	(1,009)
Income tax expense (benefit) related to items of other comprehensive income (loss)	(1,027)	(1,152)	1,451	(432)
Other comprehensive income (loss), net of tax	(1,355)	(1,549)	1,986	(577)
Comprehensive income	$ 4,072	$ 236	$ 2,114	$ 2,986

6. Segment Information

Management views the operations of the Company through the following geographic segments:

	Three Months Ended September 30, 1999	Three Months Ended September 30, 1998	Nine Months Ended September 30, 1999	Nine Months Ended September 30, 1998
Revenue				
United States	$ 69,113	$55,261	$194,218	$147,886
Europe	35,113	-	81,410	-
Other International	10,710	7,017	26,955	21,028
Total	$114,936	$62,278	$302,583	$168,914
Operating income (loss):				
United States	$ 12,104	$ 8,440	$ 31,318	$ 19,434
Europe	3,402	-	(6,172)	-
Other International	1,889	(1,091)	3,735	(1,865)
Corporate Unallocated	(8,248)	(3,439)	(18,486)	(9,431)
Total	$ 9,147	$ 3,910	$ 10,395	$ 8,138

	As of September 30, 1999	As of December 31, 1998
Identifiable Assets		
United States	$ 106,838	$ 84,507
Europe	89,245	-
Other International	22,918	14,287
Corporate Unallocated	140,236	29,981
Total	$ 359,237	$ 128,775

7. Initial Public Offering

On April 26, 1999, the SEC declared effective the Company's Registration Statement on Form S-1 (File No. 333-59931) relating to the public offering of 4,200,000 shares of the Company's common stock and on April 27, 1999, the Company's common stock began trading on the Nasdaq National Market under the symbol "HSII".

On April 30, 1999, the Company completed the public offering of an aggregate of 4,200,000 shares of common stock at $14.00 per share, of which 3,700,000 shares were offered by the Company and 500,000 shares were offered by selling stockholders. In addition, on June 1, 1999, the Company completed the offering of an additional 505,000 shares of common stock which arose from the exercise of a portion of the over-allotment option granted to certain underwriters of the initial public offering. These offerings resulted in net proceeds (after deducting the underwriting discount and estimated offering expenses) of $52.0 million to the Company and $6.5 million to the selling stockholders. See Part II--"Use of Proceeds".

The Company's mandatory redemption feature on its common stock terminated as a result of the completion of the initial public offering.

8. Derivative Financial Instrument

The Company receives warrants for equity in its client companies, in addition to its cash fee, for services rendered on some searches. When the warrants are received, revenue is recorded equal to the estimated fair market value of the instrument received. Thereafter, the securities are accounted for as available-for-sale investments in accordance with Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Equity Securities". The Company has entered into a collar agreement to hedge the impact of market value changes of one of these equity securities. Collars consist of the sale of call options along with a corresponding purchase of put options, with the effect of establishing a "cap" and a "floor" with respect to the price of the stock. The collar has been designated and is effective as a hedge of the equity security. Unrealized gains and losses on both the equity security and the collar are recorded in equity and comprehensive income. When realized, gains and losses on the equity security and the collar are recorded in income. Beginning in the fourth quarter of 1999, the Company has the right to put and the counterparty has the right to call a portion of the shares on a quarterly basis in accordance with an established schedule. The unrealized pre-tax gain on the shares at September 30, 1999 was $4.0 million and the Company has not recorded any gains or losses on this collar to date.

The Company is exposed to credit loss in the event of nonperformance by the other party. However, the Company does not anticipate nonperformance by the counterparty.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

The Company is the leading global executive search firm and believes that, based on comparative revenues, it is the largest executive search firm in the world. The Company offers and conducts executive search services through its global network of offices to a broad range of clients, including Fortune 500 companies, major non-U.S. companies, middle market and emerging growth companies, governmental and not-for-profit organizations, and other leading private and public entities.

From the time of founding in 1953 until 1984, Heidrick & Struggles, Inc. ("H&S Inc.") and Heidrick & Struggles International, Inc. ("HSI") operated under a single ownership structure. In 1984, H&S Inc. consummated a spin-off of HSI to its European partners while retaining a significant equity interest. As discussed in Note 2 above, H&S Inc. and HSI consummated the Merger on February 26, 1999 in order to reunite the two companies into a single ownership structure.

H&S Inc. was treated as the survivor of the Merger for accounting purposes. As a result, in the discussion below, for periods prior to the Merger, historical Company information reflects historical H&S Inc. information.

With offices in over 65 locations throughout North and South America, Europe, the Middle East, Africa and Asia Pacific, the Company conducts business using various currencies. Revenue earned in each country is generally matched with the associated expenses incurred, thereby reducing currency risk to earnings. However, because certain assets or liabilities are denominated in non-U.S. currencies, changes in currency rates may cause fluctuations of the valuation of such assets or liabilities. For financial information by geographic region, see Note 6 above.

Results of Operations

The following table summarizes the results of the Company's operations for the three months and nine months ended September 30, 1999 and 1998 as a percentage of revenue:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
Revenue	100.0%	100.0%	100.0%	100.0%
Operating expenses:				
Salaries and employee benefits	66.4	68.6	66.7	72.0
General and administrative expenses	23.2	25.2	24.8	23.2
Nonrecurring charge and merger costs	2.4	-	5.0	-
Total operating expenses	92.0	93.8	96.5	95.2
Operating income	8.0	6.2	3.5	4.8
Non-operating income (expense)				
Interest income	1.2	0.8	0.6	0.6
Interest expense	(0.3)	(0.4)	(0.4)	(0.2)
Other, net	0.2	0.5	0.1	0.1
Net non-operating income	1.1	0.9	0.3	0.5
Equity in net income/(loss) of affiliate	-	0.2	(0.2)	(0.5)
Income before income taxes	9.1	7.3	3.6	4.8
Provision for income taxes	4.3	4.6	3.5	2.7
Net income	4.8%	2.7%	0.1%	2.1%

Three Months Ended September 30, 1999 Compared to the Three Months Ended September 30, 1998

Revenue. Revenue increased $52.6 million, or 84.6%, to $114.9 million for the three months ended September 30, 1999 from $62.3 million for the three months ended September 30, 1998. This increase was primarily the result of the Merger, which contributed $35.1 million in revenue for the three months ended September 30, 1999. Excluding HSI, revenue increased by 28.2%. Continued strong demand for the Company's services across a number of industries and disciplines, especially technology and e-commerce, financial services and industrial, aggressive business development activities, and an increase in the number of consultants all contributed to the revenue growth as the number of confirmed searches increased.

Salaries and employee benefits. Salaries and employee benefits increased $33.6 million, or 78.7%, to $76.3 million for the three months ended September 30, 1999 from $42.7 million for the three months ended September 30, 1998. This increase was primarily the result of the Merger, which contributed $24.0 million in salaries and employee benefits for the three months ended September 30, 1999. Excluding HSI, as a percentage of revenue, salaries and employee benefits decreased from 68.6% to 65.5%. This was due to increased search consultant productivity, greater leveraging of the support staff and a change in the bonus structure for management that replaces a portion of cash incentive compensation with stock options.

General and administrative expenses. General and administrative expenses increased $11.0 million, or 70.4%, to $26.7 million for the three months ended September 30, 1999 from $15.7 million for the three months ended September 30, 1998. This increase was primarily the result of the Merger, which contributed $7.8 million in general and administrative expenses for the three months ended September 30, 1999. Excluding HSI, as a percentage of revenue, general and administrative expenses decreased from 25.2% to 23.6%. This percentage decrease was primarily a result of growth in revenue in the quarter outpacing increases in fixed operating costs, costs of consulting services for the Company's technology initiatives and investment spending for new complementary business services.

Nonrecurring charge and merger costs. During the third quarter of 1999, the Company incurred merger costs of $2.8 million related to the acquisition of Sullivan. See Note 2 above for further details.

Net non-operating income (expense). Net non-operating income increased $668,000 or 112.3%, to $1.3 million for the three months ended September 30, 1999 from $595,000 for the three months ended September 30, 1998. This was primarily due to an increase in interest income arising from the investment of the net proceeds received from the initial public offering partially offset by an increase in interest expense. In addition, the Company recorded a $331,000 net gain from the sale of equity obtained as part of its new warrant program. Under this program, the Company receives warrants for equity in certain client companies in addition to its cash fee when executing searches for such clients.

Nine Months Ended September 30, 1999 Compared to the Nine Months Ended September 30, 1998

Revenue. Revenue increased $133.7 million, or 79.1%, to $302.6 million for the nine months ended September 30, 1999 from $168.9 million for the nine months ended September 30, 1998. This increase was primarily the result of the Merger, which contributed $81.4 million in revenue for the nine months ended September 30, 1999. Excluding HSI, revenue increased by 30.9%. Strong demand for the Company's services across a number of industries and disciplines, especially technology and e-commerce, financial services and industrial, aggressive business development activities and an increase in the number of consultants all contributed to the revenue growth as the number of confirmed searches increased. In addition, fees per search were higher as the Company's strategic focus on working at the top level of executive search continued to drive performance.

Salaries and employee benefits. Salaries and employee benefits increased $80.2 million, or 66.0%, to $201.8 million for the nine months ended September 30, 1999 from $121.6 million for the nine months ended September 30, 1998. This increase was primarily the result of the Merger, which contributed $54.6 million in salaries and employee benefits for the nine months ended September 30, 1999. Excluding HSI, as a percentage of revenue, salaries and employee benefits decreased from 72.0% to 66.6%. This was due to increased search consultant productivity, better leveraging of the support staff and a change in the bonus structure for management that replaces a portion of cash incentive compensation with stock options.

General and administrative expenses. General and administrative expenses increased $35.9 million, or 91.7%, to $75.1 million for the nine months ended September 30, 1999 from $39.2 million for the nine months ended September 30, 1998. This increase was primarily the result of the Merger, which contributed $21.6 million in general and administrative expenses for the nine months ended September 30, 1999. Excluding HSI, as a percentage of revenue, general and administrative expenses increased from 23.2% to 24.2%. This percentage increase was primarily due to an increase in costs of consulting services for the Company's technology initiatives and investment spending for new complementary business services.

Nonrecurring charge and merger costs. During the first quarter of 1999, the Company incurred a nonrecurring charge of $12.4 million. See Note 3 above for further details. During the third quarter of 1999, the Company incurred merger costs of $2.8 million related to the acquisition of Sullivan. See Note 2 above for further details.

Net non-operating income (expense). Net non-operating income increased $268,000 or 36.7%, to $998,000 for the nine months ended September 30, 1999 from $730,000 for the nine months ended September 30, 1998. This was primarily due to an increase in interest income arising from the investment of the net proceeds received from the initial public offering partially offset by an increase in interest expense. In addition, the Company recorded a

$417,000 net gain from the sale of equity obtained as part of its new warrant program. Under this program, the Company receives warrants for equity in certain client companies in addition to its cash fee when executing searches for such clients.

Pro Forma Combined Results of Operations

The following table provides pro forma combined results of operations as well as such data as a percentage of revenue of the Company for the three months and nine months ended September 30, 1999 and 1998. The data gives effect to the Merger, the modification of the Mulder acquisition agreement, the implementation of the Company's GlobalShare programs and the merger with Sullivan, as if the transactions had occurred on January 1, 1998.

	Three Months Ended September 30,				Nine Months Ended September 30,			
	1999 (3)		1998(1)(2)		1999(1)(2)(3)		1998(1)(2)	
Revenue	$ 114,936	100.0%	$ 96,568	$100.0%	$ 322,568	100.0%	$ 262,659	100.0%
Operating expenses:								
Salaries and employee benefits(4)	76,303	66.4	64,395	66.7	216,763	67.2	181,499	69.1
General and administrative expenses(5)	26,686	23.2	25,541	26.4	81,562	25.3	65,864	25.1
Total operating expenses	102,989	89.6	89,936	93.1	298,325	92.5	247,363	94.2
Operating income	$ 11,947	10.4%	$ 6,632	6.9%	$ 24,243	7.5%	$ 15,296	5.8%

(1) The September 30, 1999 and 1998 consolidated statements of income have been adjusted by the following amounts to reflect the historical operations of HSI:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
Revenue	--	$34,290	$19,985	$93,745
Salaries and employee benefits	--	23,611	15,836	65,876
General and administrative expenses	--	9,530	6,209	25,628

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(2) Excludes the $12.4 million nonrecurring Mulder charge for the nine months ended September 30, 1999. See further discussion in Note 3 above. In addition, $1.2 million, $0.9 million and $3.9 million of deferred compensation expense relating to the acquisition has been excluded for the three months ended September 30, 1998 and for the nine months ended September 30, 1999 and 1998, respectively.

(3) Excludes merger costs of $2.8 million for the three months and nine months ended September 30, 1999, arising from the merger of the Company and Sullivan on September 1, 1999. See further discussion in Note 2 above.

(4) Amount has been adjusted by $0.7 million and $2.1 million for the three months and nine months ended September 30, 1998, respectively, to eliminate compensation expense representing the difference between the amount actually paid to management for bonuses over the amount that would have been paid under the Company's GlobalShare programs. One of the plans within GlobalShare allows the Company to issue options to management in lieu of a portion of their annual cash performance bonus.

(5) Includes additional amortization related to acquired intangibles and goodwill arising from the Merger of $0.3 million, $0.2 million and $1.0 million for the three months ended September 30, 1998 and for the nine months ended September 30, 1999 and 1998, respectively.

Pro Forma Combined Results of Operations for the Three Months Ended September 30, 1999 Compared to the Three Months Ended September 30, 1998

Revenue. Revenue increased $18.3 million, or 19.0%, to $114.9 million for the three months ended September 30, 1999 from $96.6 million for the three months ended September 30, 1998. Excluding the negative effect of foreign currency translations into the U.S. dollar, revenue grew 21%. Continued strong demand for the Company's services across a number of industries and disciplines, especially technology, financial services and industrial, aggressive business development activities and an increase in the number of consultants all contributed to the revenue growth as the number of confirmed searches increased 21%.

Salaries and employee benefits. Salaries and employee benefits increased $11.9 million, or 18.5%, to $76.3 million for the three months ended September 30, 1999 from $64.4 million for the three months ended September 30, 1998. As a percentage of revenue, salaries and employee benefits decreased from 66.7% to 66.4%. This was due to increased search consultant productivity and greater leveraging of the support staff.

General and administrative expenses. General and administrative expenses increased $1.2 million, or 4.5%, to $26.7 million for the three months ended September 30, 1999 from $25.5 million for the three months ended September 30, 1998. As a percentage of revenue, general and administrative expenses decreased from 26.4% to 23.2%. This percentage decrease was primarily a result of growth in revenue in the quarter outpacing increases in fixed operating costs, costs of consulting services for the Company's technology initiatives and investment spending for new complementary business services. In addition, the decrease was partially attributable to cost control programs, particularly in Europe.

Liquidity and Capital Resources

The Company evaluates its liquidity requirements, capital needs and availability of capital resources based on its plans for expansion and other operating needs. It historically has financed its operations primarily through internally generated funds, supplemented by sales of common stock to certain key employees and periodic borrowings under it credit facilities. The Company has historically paid bonuses in December. Employee bonuses are accrued when earned and are based on the performance of the respective employee and the Company.

The Company believes that the net proceeds from the initial public offering and related sales of shares to employees pursuant to the GlobalShare Employee Share Purchase program, together with funds expected to be generated from operations and its lines of credit, will be sufficient to finance the Company's operations for the foreseeable future. However, if the Company undertakes significant acquisitions or other investment activities, it may need access to additional sources of debt or equity financing.

The Company maintained cash and cash equivalents at September 30, 1999 and 1998 of $109.5 million and $38.8 million, respectively. Towards these sums, cash flows from operating activities contributed $72.9 million for the nine months ended September 30, 1999, reflecting an increase in net income excluding the nonrecurring charge and merger costs of $15.2 million, a majority of which was non-cash, a decrease in working capital, and an increase in depreciation and amortization. For the nine months ended September 30, 1998, cash flows from operating activities contributed $48.3 million, reflecting a reduction in working capital and non-cash expenses for depreciation and amortization.

On September 1, 1999, the Company completed its acquisition of Sullivan, which provided for the exchange of all the outstanding stock of Sullivan for 964,000 shares of the Company's common stock. The transaction was accounted for using the pooling of interests method of accounting. On February 26, 1999, H&S Inc. merged with and into HSI resulting in $8.2 million of cash being acquired. On June 26, 1998, the Company purchased selected assets and liabilities of Fenwick Partners, Inc. for approximately $6.1 million in cash and notes.

Cash flows provided by financing activities were $28.0 million for the nine months ended September 30, 1999, resulting primarily from the estimated net proceeds raised in the initial public offering of $52.0 million and the related sales of shares to employees pursuant to the Company's GlobalShare program of $9.3 million, offset by net repayments under its lines of credit. Cash flows used in financing activities were $3.7 million for the nine months ended September 30, 1998, resulting from the Company's net repayments under its lines of credit and payments to former stockholders from whom it had repurchased stock.

The Company has a $60.0 million reducing revolving credit facility. This facility will terminate on December 31, 2001. The line of credit will reduce annually by $10.0 million on December 31, 1999 and 2000. There was no balance outstanding under this line of credit at September 30, 1999. At its discretion, the Company may borrow either U.S. dollars on deposit in the United States ("U.S. Borrowings") or U.S. dollars or foreign currencies on deposit outside the United States ("Non-U.S. Borrowings"). Non-U.S. Borrowings bear interest at the then-existing LIBOR plus a margin as determined by certain tests of the Company's financial condition (the "Applicable Margin"). U.S. Borrowings bear interest at the then-existing prime rate. This line of credit replaced a $25.0 million line of credit, which had been effective since October 1, 1997. There was no outstanding balance under the line of credit at September 30, 1998. The line of credit has certain financial covenants the Company must meet relating to consolidated net worth, liabilities, and debt in relation to cash flows.

Capital expenditures amounted to $16.6 million and $11.5 million for the nine months ended September 30, 1999 and 1998, respectively. These expenditures were primarily for systems development costs, office furniture and fixtures, leasehold improvements, and computer equipment and software. The systems development costs relate primarily to the Integrated Global Information System ("IGIS") initiative. IGIS expenditures of $9.9 million and $6.9 million have been capitalized for the nine months ended September 30, 1999 and 1998, respectively.

Derivatives

The Company receives warrants for equity in its client companies, in addition to its cash fee, for services rendered on some searches. The Company has utilized a derivative to seek to mitigate the impact of fluctuations in the price of one of these equity securities. The Company has used a collar in order to accomplish this. Collars consist of the sale of call options along with a corresponding purchase of put options, with the effect of establishing a "cap" and a "floor" with respect to the price of the stock. The Company has not recorded any gains or losses on such instruments to date. See Note 8.

Currency Market Risk

Historically, the Company has not experienced any significant translation gains or losses on transactions involving U.S. dollars and other currencies. Revenue earned in each country is generally matched with the associated expenses incurred, thereby reducing currency risk to earnings.

Year 2000 Compliance

The Year 2000 issue is the result of computer programs being written to use two digits to define year dates. Computer programs running date-sensitive software may recognize a date using "00" as the year 1900 rather than the Year 2000. This could result in systems failures or miscalculations causing disruptions of operations. The Company utilizes information technology to facilitate (i) its search processes communications with candidates and clients and (ii) its financial management systems and other support systems.

The Company has formed a task force to evaluate and correct its Year 2000 issues and to assess the compliance of its suppliers. The Company is replacing systems that are not Year 2000 compliant. The IGIS systems currently being deployed will be Year 2000 compliant. The Company currently has certification as to Year 2000 compliance from its key software suppliers.

EDS has been retained as the Company's systems integrator and is conducting Year 2000 testing. The Company has a complete duplication of hardware and software to conduct on-site, realistic testing and is currently conducting its own tests of these systems. In addition, the Company's personnel are currently conducting testing and will continue to monitor and test the systems through the end of 1999. The Company also has specifically addressed its non-information technology-related systems and believes that there will be no significant operational problems relating to the Year 2000 issue.

The Company's primary business does not depend on material relationships with third party vendors, but the Company does utilize third party vendors for a number of functions, including its automated payroll functions, insurance and investment of pension funds. The Company is continuing formal communications with third party providers to determine the extent to which these third parties are moving toward Year 2000 compliance. The Company also utilizes third party on-line information services and the Internet to communicate and to retrieve information about potential candidates and clients. Failure of these third parties to have their systems timely converted may have a material adverse effect on the Company's operations.

All major systems are now Year 2000 compliant and any remaining work to be done on non-critical components is expected to be completed in the fourth quarter of 1999. The Company expects to spend approximately $1,000,000, in addition to the IGIS budget, to address Year 2000 issues. The Company's total Year 2000 project cost estimates include the impact of third party Year 2000 issues.

The following scenarios with respect to the Company's systems could occur: (i) the software code may not be Year 2000 compliant, (ii) integration of upgrades may not be complete by the Year 2000 and (iii) the integration may be complete by the Year 2000 but not be fully tested or monitored prior to the Year 2000 such that testing and monitoring will uncover problems that the Company cannot remedy in a timely manner.

The Company believes that failure to be Year 2000 compliant will not have a significant impact on its human resources functions. However, any failure of the financial systems to be Year 2000 compliant could hinder timely reporting of financial data and processing of financial information and cause delays to client billings and collections as these functions would have to be performed manually using non-networked computers. Failure of search-related systems might force the Company to use older proprietary systems to conduct searches and might cause sorting problems, lowering productivity. If any non-information technology system is non-compliant, the Company will need to replace such a system.

The Company's cost and timing estimates to achieve Year 2000 compliance were based on numerous assumptions about future events, including third party modification plans and other factors. However, there can be no guarantee that these estimates will be achieved and actual results could differ materially from those anticipated. Specific factors that might cause such material differences include, but are not limited to, the availability and cost of personnel trained in this area, costs of the retention of key staff, the ability to locate and correct all relevant computer codes, and similar uncertainties.

European Monetary Union

Commencing January 1, 1999, eleven European countries entered into the European Monetary Union ("EMU") and introduced the Euro as a common currency. During a three-year transition period, the national currencies will continue to circulate, but their relative values will be fixed denominations of the Euro.

The Company recognizes that there are risks and uncertainties associated with the conversion to the Euro including, but not limited to, an increasingly competitive European environment resulting from greater transparency of pricing, increased currency exchange rate risk, uncertainty as to tax consequences and the inability to update financial reporting systems on a timely basis.

The Company is upgrading its systems to enable them to process transactions denominated in the Euro. The upgrade will allow the Company to utilize the Euro or local currency as needed. The upgrade is scheduled to be completed during 1999. The Company will later seek to adapt its systems to comply fully with the implications of the European single currency after January 1, 2002, when local currencies of EMU member countries are expected to be abolished. Failure to adapt information technology systems could have an adverse effect on the Company's financial condition and results of operations. The Company is also dependent on many third parties, including banks and other providers of information, for proper transaction clearance and reporting. If any of these systems are not appropriately upgraded to manage transactions denominated in the Euro, the Company's operations could be adversely affected.

The Company can give no assurance that the Company or third parties on whom the Company depends will have in place in a timely manner the systems necessary to process Euro-denominated transactions. Moreover, any disruption of business or financial activity in European markets resulting from the conversion to the Euro may hurt the Company's business in those markets, resulting in lost revenues.

Recently Issued Accounting Standards

During 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which establishes new standards for reporting information about derivatives and hedging. FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities--Deferral of the Effective Date of FASB Statement No. 133," in 1999, which deferred the effective date of SFAS No. 133 for one year. The standard is effective for periods beginning after June 15, 2000 and will be adopted by the Company as of January 1, 2001. The Company expects that adoption of this Standard will have no material effect on its consolidated financial position or results of operations.

Forward-Looking Statements

This Management's Discussion and Analysis of Financial Condition and Results of Operations as well as other sections of this Quarterly Report on Form 10-Q contain forward-looking statements that are based on the current beliefs and expectations of the Company's management, as well as assumptions made by, and information currently available to, the Company's management. Such statements include those regarding general economic and executive search industry trends. Because such statements involve risks and uncertainties, actual actions and strategies, and the timing and expected results thereof, may differ materially from those expressed or implied by such forward-looking statements, and the Company's future results, performance or achievements could differ materially from those expressed in, or implied by, any such forward-looking statements. Future events and actual results could differ materially from those set forth in or underlying the forward-looking statements.

Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted. These potential risks and uncertainties include dependence on attracting and retaining qualified executive search consultants, portability of client relationships, maintenance of professional reputation and brand name, risks associated with global operations, ability to manage growth, restrictions imposed by off-limits agreements, competition, implementation of an acquisition strategy, reliance on information management systems and the impact of Year 2000 issues, and employment liability risk. For more information on these risks and uncertainties see "Risk Factors" in the Company's Registration Statement on Form S-1 (File No. 333-59931), as declared effective by the Securities and Exchange Commission on April 26, 1999.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time the Company has been involved in litigation incidental to its business. No further threats of litigation have arisen against the Company in connection with the April 23, 1999 letter received by the Company alleging the Company's improper use of confidential information, as more fully described in the Company's Form 10Q filed on May 17, 1999. The Company currently is not a party to any litigation the adverse resolution of which, in management's opinion, would be likely to have a material adverse effect on the Company's business, financial condition or results of operations.

Item 2. Changes in Securities and Use of Proceeds

Recent Sales of Unregistered Securities

Pursuant to the terms and conditions of the Sullivan merger, on September 1, 1999, the Company issued 964,000 shares of its common stock in exchange for all of the outstanding common stock of Sullivan. Pursuant to such merger, the Company received no proceeds from the issuance of the stock to the Sullivan shareholders. Exemption from the registration is claimed under Section 4(2) of the Securities Act.

Use of Proceeds

On April 30, 1999, the Company completed the public offering of an aggregate of 4.2 million shares of common stock at $14.00 per share, of which 3.7 million shares were offered by the Company and 500,000 shares were offered by selling stockholders. In addition, on June 1, 1999, the Company completed the offering of an additional 505,000 shares of common stock which arose from the exercise of a portion of the over-allotment option granted to certain underwriters of the initial public offering. These offerings resulted in net proceeds (after deducting the underwriting discount and estimated offering expenses) of $52.0 million to the Company and $6.5 million to the selling stockholders. The Company used approximately $19.8 million of the net proceeds to repay a portion of borrowings under its credit facilities and notes payable to former stockholders. The Company will in the near term use the net proceeds to repay notes payable to former stockholders of approximately $2.4 million. In addition, the Company spent a portion of the net proceeds for IGIS technology enhancements. The remaining net proceeds will be used for funding of LeadersOnline/TM/ and other complementary businesses, continuing IGIS technology costs, possible future acquisitions, working capital and general corporate purposes. The Company has currently invested the remaining net proceeds in short-term investment grade securities. The Company received no proceeds from the sale of the common stock in the offering by the selling stockholders.

Item 6. Exhibits and Reports on Form 8K

(a) Exhibits

Exhibit No.	Description
3(a)	Form of Amended and Restated Certificate of Incorporation of the Registrant (Incorporated by reference to Exhibit 3.02 of this Registrant's Registration Statement on Form S-4 (File No. 333-61023))
3(b)	Form of Amended and Restated By-laws of the Registrant (Incorporated by reference to Exhibit 3.03 of this Registrant's Registration Statement on Form S-4 (File No. 333-61023))
27	Financial Data

(b) Reports on Form 8K

During the first nine months of 1999, the Company filed no reports on Form 8K.

SIGNATURE

Pursuant to the requirements of the Securities Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: November 15, 1999.

Heidrick & Struggles International, Inc.
(Registrant)

By: /s/ Donald M. Kilinski

Donald M. Kilinski
Chief Financial Officer

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