

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 4 to
FORM S-1
REGISTRATION STATEMENT
Under
The Securities Act of 1933

Heidrick & Struggles International, Inc.
(Exact name of Registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation)	7361-05 (Primary Standard Industrial Classification Code Number)	36-2681268 (I.R.S. Employer Identification No.)
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233 South Wacker Drive--Suite 4200
Chicago, Illinois 60606-6303
(312) 496-1200
(Address, including zip code, and telephone number, including area code, of
Registrant's principal executive offices)

c/o Richard D. Nelson
Heidrick & Struggles, Inc.
233 South Wacker Drive--Suite 4200
Chicago, Illinois 60606-6303
(312) 496-1200
(Name, address, including zip code, and telephone number, including area code,
of agent for service)

Copies of all correspondence to:

Vincent Pagano Jr. SIMPSON THACHER & BARTLETT 425 Lexington Avenue New York, New York 10017 (212) 455-2000	C. James Levin O'MELVENY & MYERS LLP 400 South Hope Street Los Angeles, CA 90071 (213) 430-6000
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Approximate date of commencement of proposed sale to the public: As soon as
practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on
a delayed or continuous basis pursuant to Rule 415 under the Securities Act of
1933, check the following box.

If this Form is filed to register additional securities for an offering
pursuant to Rule 462(b) under the Securities Act, please check the following
box and list the Securities Act registration statement number of the earlier
effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c)
under the Securities Act, check the following box and list the Securities Act
registration statement number of the earlier effective registration statement
for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434,
please check the following box.

The Registrant hereby amends this Registration Statement on such date or
dates as may be necessary to delay its effective date until the Registrant
shall file a further amendment which specifically states that this
Registration Statement shall thereafter become effective in accordance with
Section 8(a) of the Securities Act of 1933 or until the Registration Statement

shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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HEIDRICK & STRUGGLES INTERNATIONAL, INC.
CROSS-REFERENCE SHEET

Pursuant to Item 501(b) of Regulation S-K

Form S-1 Item Number and Caption -----	Location in Prospectus -----
1. Forepart of the Registration Statement and Outside Front Cover Page of Prospectus.....	Outside Front Cover Page
2. Inside Front and Outside Back Cover Pages of Prospectus.....	Inside Front and Outside Back Cover Pages
3. Summary Information, Risk Factors and Ratio of Earnings to Fixed Charges.....	Prospectus Summary; Risk Factors
4. Use of Proceeds.....	Use of Proceeds
5. Determination of Offering Price.....	Outside Front Cover Page; Underwriting
6. Dilution.....	Dilution
7. Selling Security Holders.....	Principal and Selling Stockholders
8. Plan of Distribution.....	Outside Front Cover Page; Underwriting
9. Description of Securities to be Registered...	Description of Capital Stock
10. Interests of Named Experts and Counsel.....	Experts; Legal Matters
11. Information with Respect to the Registrant...	Prospectus Summary; The Company; Dividend Policy; Capitalization; Dilution; Selected Financial Data; Management's Discussion and Analysis of Financial Condition and Results of Operations; Business; Management; Principal and Selling Stockholders; Description of Capital Stock; Shares Eligible for Future Sale; Financial Statements
12. Disclosure of Commission Position on Indemnification for Securities Act Liabilities.....	Not applicable

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

Subject to Completion, dated April 26, 1999

PRELIMINARY PROSPECTUS

4,200,000 Shares

Common Stock

Of the 4,200,000 shares of common stock, \$0.01 par value per share (the "Common Stock"), of Heidrick & Struggles International, Inc. ("H&S" or the "Company") offered initially hereby, 3,700,000 shares are being offered by the Company and 500,000 shares are being offered by certain selling stockholders (the "Selling Stockholders," collectively the "Offering"). The Company will not receive any proceeds from the sale of shares by the Selling Stockholders. See "Principal and Selling Stockholders" and "Underwriting."

Prior to the Offering, there has been no public market for the Common Stock. It is currently anticipated that the initial public offering price per share of Common Stock will be between \$14.00 and \$16.00. See "Underwriting" for a discussion of the factors considered in determining the initial public offering price. The Common Stock has been approved for listing on the Nasdaq National Market under the proposed symbol "HSII," subject to official notice of issuance.

The Common Stock offered hereby involves a high degree of risk.

See "Risk Factors" beginning on page 9.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public	Underwriting Discounts and Commissions(1)	Proceeds to Company(2)	Proceeds to Selling Stockholders
Per Share.....	\$	\$	\$	\$
Total(3).....	\$	\$	\$	\$

- (1) The Company and the Selling Stockholders have agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended. See "Underwriting."
- (2) Before deducting expenses of the Offering payable by the Company of approximately \$5.5 million.
- (3) The Company has granted to the Underwriters a 30-day option to purchase up to an aggregate of 630,000 additional shares of Common Stock on the same terms and conditions set forth above solely to cover over-allotments, if any. If such option is exercised in full, the total Price to Public, Underwriting Discounts and Commissions and Proceeds to Company will be \$, \$, and \$, respectively. See "Underwriting."

The shares of Common Stock offered by this Prospectus are offered severally

by the Underwriters subject to prior sale, to withdrawal, cancellation or modification of the offer without notice, to delivery to and acceptance by the Underwriters and to certain further conditions. It is expected that delivery of the certificates for the shares will be made at the offices of Lehman Brothers Inc., New York, on or about , 1999.

Lehman Brothers

Goldman, Sachs & Co.

, 1999

[INSIDE FRONT COVER]

Map of world and list of the locations of the Company's offices.

IN CONNECTION WITH THE OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE COMMON STOCK OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NASDAQ NATIONAL MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial statements (including the notes thereto) appearing elsewhere in this Prospectus. Unless otherwise indicated, the information in this Prospectus assumes that the Underwriters' over-allotment option will not be exercised and all pro forma share amounts and per-share amounts have been adjusted to give retroactive effect to a 15.8217 for 1 stock split of the Common Stock (the "Stock Split"). As of February 26, 1999, Heidrick & Struggles, Inc., a Delaware company ("H&S Inc."), merged with and into Heidrick & Struggles International, Inc. (the "Merger"). Unless the context requires otherwise, all references herein to "H&S" or the "Company" or "Heidrick & Struggles International, Inc." mean Heidrick & Struggles International, Inc. after the Merger, its wholly and majority owned subsidiaries and its and their respective predecessors, collectively. All references to "HSI" refer to Heidrick & Struggles International, Inc. before the Merger.

The Company

Heidrick & Struggles International, Inc. is one of the leading global executive search firms and believes that, based on revenues, it is the largest executive search firm in the United States and the second largest in the world. With over 45 years of experience in fulfilling its clients' leadership needs, H&S offers and conducts executive search services in nearly every major business center in the world. The Company's services focus on the identification, evaluation and recommendation of qualified candidates for senior level executive positions. Through its worldwide network of approximately 750 professionals in 59 offices, H&S provides executive search services 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. The size of the Company's business has grown significantly over the past five years as evidenced by the fact that the combined worldwide revenues of H&S Inc. and HSI have grown at a compound annual rate of approximately 25%.

According to Kennedy Information LLC ("Kennedy"), worldwide executive search industry revenue has grown at a 20% compound annual growth rate from approximately \$3.5 billion in 1993 to approximately \$7.3 billion in 1997. H&S believes that a number of favorable trends are contributing to the growth of the executive search industry, including the following: (i) an increase in competition for executive talent and a resulting increase in executive compensation levels and turnover, (ii) a growing acceptance by corporate leadership of the use of executive search consultants, (iii) the increasing globalization of business driving the demand for executive talent by multinationals, (iv) an increased demand for executive search services by start-up and newly-acquired companies, (v) a greater need for managers with diverse leadership skills and (vi) a reduction of the number of layers of executive management, which limits the internal pool from which companies can draw for talent.

Key Competitive Strengths

The Company believes that it possesses several key competitive strengths which position it to capitalize on the growing demand for its services. These strengths include the following:

- . Experienced Team of Executive Search Consultants. As of December 31, 1998, the Company employed 346 executive search consultants ("consultants") who, on average, have approximately 10 years of experience in executive search and 9 years of experience in other industries. H&S believes that this depth of experience is a prerequisite to the effective performance of senior level executive searches. The Company attributes its success in attracting and retaining such high caliber consultants to its premier reputation, unique team oriented culture and performance-based compensation system. The Company believes that its attractiveness as an employer is reflected in its low turnover rate among its consultants. For the period from January 1, 1995 through December 31, 1998, an annual average of fewer than 1.5% of H&S's consultants left to work elsewhere in the executive search industry.

- . Global Presence. The Company's 59 offices are located in major business centers in 30 countries around the world. The Company's global presence enables it to serve the needs of multinational companies and local businesses worldwide, and provides it with access to an international network of candidates and referral sources. The Company's offices in North America, Europe, Asia Pacific and Latin America employed 174, 131, 26 and 15 consultants, as of December 31, 1998, respectively, and generated 1998 revenues of \$180 million, \$125 million, \$14 million and \$10 million, respectively.
- . Emphasis on Senior Level Executive Search. H&S is an industry leader in placing senior level executives within the world's largest and most complex organizations. Approximately 66% of the executive searches performed by the Company worldwide, representing approximately 73% of revenues (and approximately 81% of the searches performed in North America, representing approximately 81% of revenues) in 1998, were for chief executive officers ("CEOs"), presidents, chief financial officers ("CFOs"), chief operating officers ("COOs"), chief administrative officers ("CAOs"), chief information officers ("CIOs"), members of boards of directors and other senior management positions (such as division and department heads). These senior level executive searches generally provide a higher level of revenue per search and result in greater visibility with the Company's clients and within the executive search industry. The Company believes that performing senior level, high profile executive search assignments: (i) strengthens its brand name recognition and contacts with leading decision makers, referral sources and high caliber candidates; (ii) enhances H&S's ability to secure other senior level executive searches; and (iii) enables the Company to attract and retain highly qualified consultants.
- . Industry Practice Groups and Functional Specialties. H&S's business is organized around seven core industry practice groups, each focused on a specific industry. These core industry practice groups are international technology, industrial, consumer products, financial services, health care, professional services and higher education/not-for-profit. Certain H&S consultants also specialize in searches for functional positions such as members of boards of directors, CEOs, CFOs and CIOs. The Company believes that its operational structure provides its clients with superior executive search services by enabling its consultants to successfully build relationships with candidates and referral sources and to understand its clients' cultures, operations, business strategies and industries. Understanding these factors is critical to understanding the needs of clients and candidates and, therefore, to the successful placement of candidates. The Company's industry practice groups and functional specialties emphasize H&S's consultative approach and are designed to build and maintain long-term relationships with its clients.
- . Global Support Platform. The Company's consultants work with a team of 406 associates, all of whom have access to a sophisticated global technology infrastructure. This technology infrastructure consists of internally developed proprietary global databases containing over 840,000 candidate profiles and over 29,000 client records, coupled with a broad range of on-line services and industry reference sources. H&S also deploys advanced Internet-based technology to support the research needs of the Company's professionals. The Company believes that its global support structure enables its professionals to complete searches efficiently and effectively. Given the importance of technology to the search process, H&S is continuing to improve its information management infrastructure by implementing its Integrated Global Information System ("IGIS"), an ongoing strategic technology initiative. IGIS is designed to enhance the functionality, speed and quality of the Company's information management. See "Business--Assignment Research and Information Management."

Growth Strategy

The Company's goal is to be the leading global provider of executive search services while achieving sustainable revenue and earnings growth. The Company pursues a focused growth strategy with the following key elements:

- . **Expand and Develop Client Relationships.** The Company continually seeks to expand its relationships with existing clients and to develop new client relationships. The Company accomplishes this by continuing to (i) aggressively pursue the highest level executive search assignments, (ii) expand the breadth and depth of its industry practice groups and functional specialties, (iii) offer services across a broadening range of geographic locations by strategically opening offices in cities where H&S is not currently located and (iv) actively recruit consultants who have the demonstrated ability to expand the Company's client base. Historically, the Company has successfully expanded its client base and generated repeat business from existing clients. For example, H&S had over 1,800 clients in 1995 and over 3,100 in 1998. Of the searches performed in 1998, more than 75% were on behalf of clients or their affiliates for whom the Company had conducted multiple assignments over the last six years.
- . **Pursue Strategic Acquisitions.** The executive search industry is highly fragmented, consisting of more than 4,000 executive search firms worldwide. The industry has been consolidating in recent years as a number of smaller firms have joined with larger firms in the industry, such as H&S, in order to gain the benefits of superior managerial, financial and technological resources. The Company maintains a focused acquisition strategy designed to acquire executive search firms with complementary corporate cultures in order to increase its penetration in existing and new geographic markets and expand the depth and breadth of its industry practice groups and functional specialties. The Company has completed a number of strategic acquisitions worldwide that are consistent with its acquisition strategy and evaluates potential acquisitions on an ongoing basis. See "--Recent Strategic Acquisitions and Alliance."
- . **Enhance Executive Search Professional Productivity.** The Company believes that its consultants generate one of the highest levels of average revenue per consultant in the industry. H&S's consultants generated an average revenue per consultant of \$1.2 million in the U.S. in 1997 as compared to \$809,000 for the average of the other nine of the largest ten U.S. executive search firms. H&S believes that its infrastructure can be leveraged to allow for increases in the productivity of its executive search professionals. Specifically, the Company expects that its IGIS initiative will enable H&S's professionals to access a greater amount of information sources more quickly and to perform more sophisticated search functions to help them identify candidates more efficiently and effectively. IGIS will provide the Company with a scaleable technology infrastructure that is designed to support a significant number of additional users without significant incremental costs.
- . **Pursue New, Complementary Lines of Business.** H&S expects that it will expand the range of services it offers, including Internet-based recruiting, interim management placement, management audit and board of directors consulting services. The Company's Internet-based recruiting initiative, LeadersOnline ("LeadersOnline"), offers a comprehensive recruiting service for technology professionals through its secure Internet site. LeadersOnline utilizes proprietary software and a methodology designed to serve clients' growing demand for such professionals, especially those in critical-need positions. The service provides an integrated recruiting solution, including: candidate identification, screening, degree and job verification and recruiting progress management, which allows the Company to expedite the search process. Clients interact with LeadersOnline through a secure Internet site where they may analyze pre-screened candidates for opportunities in the \$75,000 to \$150,000 annual compensation range, a market not previously targeted by the Company.

The Merger

Prior to 1984, H&S Inc. and 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 in HSI. Between 1984 and the effective date of the Merger, HSI conducted primarily European-based operations, while H&S Inc. conducted all other operations. H&S Inc. and HSI consummated the Merger on February 26, 1999 in order to reunite the two companies in a single corporate structure.

Recent Strategic Acquisitions and Alliance

Over the past two years, the Company has successfully completed the strategic acquisition of two executive search firms and a strategic alliance with one executive search firm:

- . Fenwick. On June 26, 1998, the Company acquired Fenwick Partners, Inc. ("Fenwick"). Fenwick, a Boston-based executive search firm, employed nine consultants and had fiscal 1997 revenues of \$6.4 million. This transaction expanded the reach of H&S's international technology group into a third key technology center in the United States. Fenwick, based in the "Route 128" technology corridor in Massachusetts, complements the Company's existing offices in Menlo Park, California and Tysons Corner, Virginia which also focus on senior level recruitment for computer hardware and software, telecommunications, engineering and medical electronics companies.
- . Mulder. On October 1, 1997, the Company acquired Mulder & Partner GmbH & Co. KG ("Mulder") which employed 13 consultants. Prior to the acquisition, Mulder was the largest executive search firm in Germany, as measured by revenues, with \$21.8 million in revenues for the nine months ended September 30, 1997. This transaction immediately positioned the Company as the largest executive search firm in Germany and the second largest in Europe.
- . Redelinghuys. On August 31, 1998, the Company entered into an alliance with Redelinghuys & Partners, a senior level executive search firm with offices in Capetown and Johannesburg in the Republic of South Africa. The alliance consists of a licensing agreement as well as a transfer fee sharing agreement and allows the Company to expand its services to its clients to the African continent.

The Offering

Common Stock offered by the Company.....	3,700,000 shares
Common Stock offered by the Selling Stockholders.....	500,000 shares
Total Common Stock offered.....	4,200,000 shares(1)
Common Stock outstanding after the Offering.....	15,194,941 shares(1)(2)
Use of Proceeds.....	Proceeds to the Company will be used to fund working capital and for general corporate purposes, including repayment of debt, expenditures for the IGIS technology enhancements, funding the continuing development of LeadersOnline, the possible opening of new offices and possible acquisitions. See "Use of Proceeds."
Proposed Nasdaq National Market symbol....	HSII

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- (1) Does not include shares that may be issued to the Underwriters pursuant to their over-allotment option. If the Underwriters exercise their over-allotment option in full, the total number of shares of Common Stock offered will be 4,830,000.
 - (2) Includes 666,667 shares that may be purchased by certain employees of the Company under the Company's GlobalShare Plan (as defined herein), pursuant to a separate offering to be made contemporaneously with the Offering (the "Employee Share Purchase"), but excludes up to 735,000 shares issuable pursuant to options that may be granted pursuant to the GlobalShare Plan to such employees in connection with such purchase and approximately 855,000 shares issuable pursuant to options to be granted to employees at completion of the Offering.

SUMMARY FINANCIAL DATA

The following tables set forth summary historical financial and other data of H&S Inc. and HSI as of the dates and for the periods indicated, which have been derived from, and are qualified by reference to, H&S Inc.'s and HSI's financial statements and other records, and unaudited summary pro forma condensed consolidated financial data. See "Unaudited Pro Forma Condensed Consolidated Financial Data." The unaudited pro forma financial data are presented for informational purposes only and should not be construed to indicate (i) the results of operations or the financial position of the Company that actually would have occurred had the Merger and other matters reflected therein occurred as of the dates indicated in the related notes or (ii) the results of operations or the financial position of the Company in the future. The following table should be read in conjunction with the Consolidated Financial Statements and related Notes thereto, the Unaudited Pro Forma Condensed Consolidated Financial Data and related notes thereto included elsewhere in this Prospectus as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Unaudited Summary Pro Forma Condensed Consolidated Financial Data(1)

	Year Ended December 31, 1998
	----- (in thousands, except per share and other operating data)
Statement of Operations	
Data:	
Revenue.....	\$ 328,999
Operating income.....	3,802
Net loss.....	\$ (1,423)
	=====
Share Data:	
Basic and diluted loss per common share.....	\$ (.09)
	=====
Basic and diluted weighted average common shares outstanding.....	15,194,941
	=====
Balance Sheet Data (at end of period):	
Working capital.....	\$ (9,975)
Total assets.....	237,673
Long-term debt, less current maturities.....	5,262
Total stockholders' equity.....	82,395
Other Operating Data:	
Number of offices (at end of period).....	59
	=====
Average number of consultants during the period.....	320
	=====

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(1) See Notes to "Selected Unaudited Pro Forma Condensed Consolidated Financial Data" on page 20.

Summary Financial Data
(In thousands, except other operating data)

H&S Inc.

	Year Ended December 31,				
	1994	1995	1996	1997(1)	1998
Statement of Operations Data:					
Revenue.....	\$96,127	\$108,685	\$137,665	\$180,244	\$204,015
Operating income (loss).....	10,670	10,617	10,712	11,945	(10,392)(2)
Net income (loss).....	\$ 6,342	\$ 6,358	\$ 6,449	\$ 6,443	\$(16,254)(3)
Balance Sheet Data (at end of period):					
Working capital.....	\$13,549	\$ 17,193	\$ 20,628	\$ 24,873	\$ 8,192
Total assets.....	45,058	55,900	68,643	93,585	123,150
Long-term debt, less current maturities.....	735	1,189	993	1,636	5,150
Other Operating Data:					
Number of offices (at end of period).....	18	20	25	28	32
Average number of consultants during the period.....	108	119	137	159	197

HSI

	Year Ended December 31,				
	1994	1995	1996	1997(1)	1998
Statement of Operations Data:					
Revenue.....	\$39,634	\$52,815	\$64,558	\$82,732	\$124,984
Operating income (loss).....	5,123	3,302	3,438	3,085	(15,643)(4)
Net income (loss).....	\$ 2,649	\$ 1,800	\$ 2,141	\$ 692	\$(17,365)(5)
Balance Sheet Data (at end of period):					
Working capital.....	\$ 7,908	\$ 7,777	\$ 9,345	\$(6,607)	\$(13,844)
Total assets.....	21,998	25,756	32,851	75,560	94,997
Long-term debt, less current maturities.....	--	--	267	168	112
Other Operating Data:					
Number of offices (at end of period).....	12	13	16	23	27
Average number of consultants during the period.....	55	59	71	95	123

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- (1) Certain 1997 amounts of H&S Inc. and HSI have been restated. See Note 15 of "Heidrick & Struggles, Inc. and Subsidiaries--Notes to Consolidated Financial Statements" and Note 14 of "Heidrick & Struggles International, Inc. and Subsidiaries--Notes to Consolidated Financial Statements," respectively.
 - (2) Includes \$12.7 million of non-recurring charges comprised of (i) \$9.9 million of salaries and employee benefits expense arising from the difference between the issuance price of shares issued by the Company to certain of its directors in December 1998 and the fair market value of such shares at the date of grant and (ii) \$2.8 million of salaries and benefits expense relating to the early settlement of profit sharing arrangements upon the acquisition of certain Latin American offices.
 - (3) Includes a non-recurring \$2.5 million charge incurred in connection with the costs of the postponement of the Offering in September 1998.
 - (4) Includes \$15.7 million of non-recurring charges comprised of (i) \$5.1 million of salaries and employee benefits expense due to the amortization of deferred compensation expense resulting from the Mulder acquisition, (ii) \$4.9 million of salaries and employee benefits expense arising from the difference between the issuance price of shares issued by the Company to certain of its directors in December 1998 and the fair market value of such shares at the date of grant, and (iii) \$5.7 million of salaries and employee benefits expense arising from the termination agreement with Gerard Clery-Melin, HSI's former President and Chief Executive Officer, and the termination agreement of a non-executive HSI employee. See "Management."
 - (5) Includes a non-recurring \$1.3 million charge incurred in connection with the costs of the postponement of the Offering in September 1998.

RISK FACTORS

Purchasers of the Common Stock offered hereby should consider the specific factors set forth below as well as the other information set forth in this Prospectus. This Prospectus contains forward-looking statements. Such statements are indicated by words or phrases such as "anticipates," "estimates," "projects," "management believes," "the Company believes," "intends," "expects" and similar words and phrases. Such forward-looking statements are subject to certain risks, uncertainties or assumptions and may be affected by certain other factors, including the specific factors set forth below. Should one or more of these risks, uncertainties or other factors materialize, or should underlying assumptions prove incorrect, actual results, performance or achievements of the Company may vary materially from any future results, performance or achievements expressed or implied by such forward-looking statements. All written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the cautionary statements in this paragraph.

Dependence On Attracting and Retaining Qualified Consultants

H&S's success depends upon its ability to attract and retain consultants who possess the skills and experience necessary to fulfill its clients' executive search needs. Competition for qualified consultants is intense. H&S generally does not require its consultants to sign noncompetition agreements, and many other executive search firms have experienced high consultant turnover rates. H&S believes it has been able to attract and retain highly qualified, effective consultants as a result of its premium reputation, its unique team oriented culture and its performance-based compensation system. Consultants have the potential to earn substantial bonuses based on the amount of revenue generated by obtaining executive search assignments and executing search assignments and by assisting other consultants to obtain or complete executive search assignments. Bonuses represent a significant proportion of consultants' total compensation. Any diminution of its reputation, reduction in H&S's compensation levels or restructuring of H&S's compensation system could impair H&S's ability to retain existing or attract additional qualified consultants. In connection with the Offering, the Company has established new equity-based compensation plans which were not previously a part of its compensation structure. There can be no assurance that these plans will be as successful in attracting and retaining consultants as were the Company's prior practices. In addition, there can be no assurance that H&S will be successful in identifying and hiring consultants with the requisite experience, skills and established client relationships. Any such inability to attract and retain qualified consultants could have a material adverse effect on H&S's business, results of operations and financial condition. See "--Portable Client Relationships" and "Business--Key Competitive Strengths."

Portable Client Relationships

H&S's success depends upon the ability of its consultants to develop and maintain strong, long-term relationships with its clients. Usually, one or two consultants have primary responsibility for a client relationship. When a consultant leaves one executive search firm and joins another, clients that have established relationships with the departing consultant may move their business to the consultant's new employer. The loss of one or more clients is more likely to occur if the departing consultant enjoys widespread name recognition or has developed a reputation as a specialist in executing searches in a specific industry or management function. Although client portability historically has not caused significant problems for H&S, the failure to retain its most effective consultants or maintain the quality of service to which its clients are accustomed, and the ability of a departing consultant to move business to his or her new employer, could have a material adverse effect on H&S's business, results of operations and financial condition. See "--Dependence on Attracting and Retaining Qualified Consultants," "Business--Services" and "Business--Clients and Marketing."

Maintenance of Professional Reputation and Brand Name

The Company's ability to secure new engagements and hire qualified professionals is highly dependent upon the Company's overall reputation and brand name recognition as well as the individual reputations of its

professionals. Because the Company obtains a majority of its new engagements from existing clients, or from referrals by those clients, the dissatisfaction of any such client could have a disproportionate, adverse impact on the Company's ability to secure new engagements. Any factor that diminishes the reputation of the Company or any of its personnel, including poor performance, could make it substantially more difficult for the Company to compete successfully for both new engagements and qualified consultants, and could have an adverse effect on the Company's business, results of operations and financial condition. See "Business--Clients and Marketing."

Nonrecurring Charge

During the quarter ending March 31, 1999, the Company expects to incur a nonrecurring charge of \$12.7 million, net of income taxes. This charge is the result of the Company's agreement to modify the terms of the Mulder agreement, including the termination of all employment contingencies. This nonrecurring charge represents the write-off of \$2.9 million of deferred compensation assets as of February 26, 1999, a cash payment of \$4.3 million and the issuance of 428,452 shares of common stock (worth \$5.5 million based upon the estimated fair value of HSI) to the previous owners of Mulder. See Note 2 of "Heidrick & Struggles International, Inc. and Subsidiaries--Notes to Consolidated Financial Statements."

Restrictions Imposed By Blocking Arrangements

Either by agreement with clients or for marketing or client relationship purposes, executive search firms frequently refrain, for a specified period of time, from recruiting certain employees of a client, and possibly other entities affiliated with such client, when conducting executive searches on behalf of other clients (a "blocking" arrangement). Blocking arrangements generally remain in effect for one or two years following completion of an assignment. However, the duration and scope of the blocking arrangement or "off limits" period, including whether it covers all operations of a client and its affiliates or only certain divisions of a client, generally depends on such factors as the length of the client relationship, the frequency with which the executive search firm has been engaged to perform executive searches for the client and the number of assignments the executive search firm has generated or expects to generate from the client. Some of H&S's clients are recognized as industry leaders and/or employ a significant number of qualified executives who are potential candidates for other companies in that client's industry. Blocking arrangements with such a client or awareness by a client's competitors of such an arrangement may make it difficult for H&S to obtain executive search assignments from, or to fulfill executive search assignments for, competitors while employees of that client may not be solicited. As H&S's client base grows, particularly in its targeted business sectors, blocking arrangements increasingly may impede H&S's growth or its ability to attract and serve new clients, which could have an adverse effect on H&S's business, results of operations and financial condition. See "Business--Clients and Marketing."

Competition

The global executive search industry is extremely competitive and highly fragmented. H&S competes primarily with other large global executive search firms and with smaller boutique or specialty firms that focus on regional or functional markets or on particular industries. Some of H&S's competitors possess greater resources, greater name recognition and longer operating histories than H&S in particular markets, which may afford these firms significant advantages in obtaining future clients and attracting qualified professionals in those markets. There are limited barriers to entry into the executive search industry and new executive search firms continue to enter the market. Many executive search firms have a smaller client base than H&S and therefore may be subject to fewer blocking arrangements than H&S. See "--Restrictions Imposed By Blocking Arrangements." There can be no assurance that H&S will be able to continue to compete effectively with existing or potential competitors or that significant clients or prospective clients of H&S will not decide to perform executive search services using in-house personnel. See "Business--Competition."

Implementation of Acquisition Strategy

H&S's ability to grow and remain competitive may depend on its ability to consummate strategic acquisitions of other executive search firms. Although H&S evaluates possible acquisitions on an ongoing basis, there can be no assurance that H&S will be successful in identifying, competing for, financing and completing

such acquisitions. An acquired business may not achieve desired levels of revenue, profitability or productivity or otherwise perform as expected. Client satisfaction or performance problems at a single acquired firm could have a material adverse effect on the Company. In addition, growth through acquisition of existing firms involves risks such as diversion of management's attention, difficulties in the integration of operations, difficulties in retaining personnel, increased blocking conflicts or liabilities not known at the time of acquisition, possibly including adverse tax and accounting impacts (such as the effects on earnings resulting from increased goodwill). Some or all of such factors could have material adverse effects on H&S's business, results of operations and financial condition. The Company may finance any future acquisitions in whole or in part with Common Stock (which could result in dilution to purchasers of Common Stock offered hereby), indebtedness, or cash. The Company's ability to finance acquisitions using Common Stock may be dependent upon the market price of the Common Stock, and a drop in the market price of the Common Stock may have the effect of precluding H&S from accomplishing certain desirable acquisitions. See "Business--Key Competitive Strengths."

Ability to Achieve and Manage Growth

The Company has experienced and may continue to experience significant growth in its revenue and employee base. The Company's growth has placed, and may in the future continue to place, a significant strain on its administrative, operational and financial resources. The Company anticipates that, if successful in expanding its business, the Company will be required to recruit and hire additional consultants and certain new administrative and other personnel to support its operations. Failure to attract and retain such additional personnel could have a material adverse effect on the Company and its growth. Because newly-hired consultants require a large initial investment in signing bonuses, guaranteed bonuses and salaries and benefits for associated support staff and do not tend to immediately provide proportionately higher revenues, the Company's average revenue per consultant and overall profitability may be negatively impacted by such new hires in the short term. Moreover, the Company may open offices in new geographic locations, which would entail certain start-up and maintenance costs that could be substantial. To manage its growth successfully, the Company will also have to continue to improve and upgrade its financial, accounting and information systems, controls and infrastructure as well as hire, train and manage additional employees. In the event the Company is unable to upgrade its financial controls and accounting and reporting systems adequately to support its anticipated growth, the Company's business, results of operations and financial condition could be materially adversely affected.

Development of New Lines of Business

The Company expects to devote significant resources to developing and implementing new lines of business that it believes are complementary to the services it currently provides to its clients. In particular, the Company expects to continue to develop LeadersOnline, which is designed to serve clients' growing demand for technology professionals for positions in the \$75,000 to \$150,000 annual compensation range. Because such lines of business are new to the Company, their development and implementation may require significant attention from key management personnel who are not as experienced in these lines of business as they are in the Company's core business. No assurance can be made that any particular new line of business will generate revenues at any particular rate or over any particular period, and the historical experience of the Company is not an indication of the possible or likely performance of any new line of business. No assurance can be made that the Company will recover the research, development and start-up costs associated with any new line of business.

Reliance on Information Management Systems

H&S's success depends in large part upon its ability to store, retrieve, process and manage substantial amounts of information. To achieve its operational goals and to remain competitive, H&S believes that it must continue to improve and upgrade its information management systems, which will require the licensing of third party software or the development, either internally or through engagement of third parties, of new proprietary software and systems. See "Use of Proceeds." Any failure in the implementation of IGIS, the Company's

strategic technology initiative, including H&S's inability to license, design, develop, implement and utilize, in a cost-effective manner, improved information systems that provide the capabilities necessary for H&S to compete effectively, or any interruption or loss of H&S's information processing capabilities, for any reason, could have a material adverse effect on H&S's business, results of operations and financial condition. See "Business--Assignment Research and Information Management."

Executive Search Liability Risk

Executive search firms are exposed to potential claims with respect to the executive search process. A client could assert a claim for such matters as breach of a blocking arrangement or confidentiality agreement or for presenting a candidate who proves to be unsuitable for the position filled. In addition, a candidate could assert an action against H&S for failure to maintain the confidentiality of the candidate's employment search or for alleged discrimination or other violations of employment law by H&S or a client of H&S. The Company maintains professional liability insurance in such amounts and with such coverages and deductibles as management believes are adequate. There can be no assurance, however, that the Company's insurance will cover all such claims or that its insurance coverage will continue to be available at economically feasible rates. See "Business--Insurance."

Voting Control By Current Stockholders

The current stockholders of H&S, substantially all of whom are currently senior employees of the Company, will be the beneficial owners of 10,328,274 shares of Common Stock, not including any shares that the current stockholders may purchase in the Offering or the Employee Share Purchase, representing approximately 71.1% of the then issued and outstanding Common Stock. Such stockholders will continue to have sufficient voting power to elect the entire Board of Directors of H&S and, in general, to determine (without the consent of H&S's other stockholders) the outcome of any corporate transaction or other matter submitted to the stockholders for approval, including mergers, consolidations and the sale of all or substantially all of H&S's assets, and also the power to prevent or cause a change in control of H&S. See "Shares Eligible for Future Sale."

Social, Political and Economic Risks Affecting Multinational Operations

For 1998 and 1997, 45.9% and 40.6%, respectively, of the Company's revenues were generated from outside the United States. H&S offers its services in 30 countries from 59 offices around the world. The Company is exposed to the risk of changes in social, political and economic conditions inherent in foreign operations such as the recent economic developments in Asia and Latin America. In particular, the Company conducts business in various countries where the systems and bodies of commercial law and trade practices arising thereunder are evolving. Commercial laws in such countries are often vague, arbitrary, contradictory, inconsistently administered and retroactively applied. Under such circumstances, it is difficult for the Company to determine with certainty at all times the exact requirements of such local laws. Failure of the Company to remain in compliance with local laws could have a material adverse impact on H&S's prospects, business, results of operations and financial condition. In addition, the global nature of the Company's operations poses various challenges to the Company's management and its financial, accounting and other systems which, if not satisfactorily met, could have a material adverse impact on the Company's business, results of operations and financial condition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Antitakeover Provisions

Certain features of the Company's Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation") and Amended and Restated Bylaws (the "Bylaws") and Delaware laws may make the acquisition of control of the Company in a transaction not approved by the Company's Board of Directors more difficult or expensive. For example, the Delaware takeover statute limiting transactions with "interested

stockholders" applies to the Company and the Company's Certificate of Incorporation and Bylaws provide for a classified board of directors, limitations on the removal of directors, limitations of stockholder action and advance notification procedures. In addition, the Company's Board of Directors may authorize the issuance of one or more series of preferred stock with certain voting rights and other powers. These provisions could discourage an acquisition attempt or other transactions in which stockholders might receive a premium over the then current market price for the Common Stock. See "Description of Capital Stock--The Delaware General Corporation Law and -- Certificate of Incorporation; Bylaws."

Management Discretion Concerning Use of Proceeds

Most of the net proceeds of the Offering have not been designated for specific uses, and management will have substantial discretion in using the proceeds of the Offering. The failure of management to apply the proceeds effectively could have a material adverse effect on the Company's business, financial condition and results of operations. See "Use of Proceeds."

No Prior Market For Common Stock; Possible Volatility of Stock Price

Prior to the Offering, there has been no public market for the Common Stock, and there can be no assurance that an active market will develop or be sustained after the completion of the Offering. Consequently, the initial public offering price of the Common Stock was determined by negotiations among H&S and the Underwriters. See "Underwriting" for a description of the factors considered in determining the initial public offering price.

The market price of the Common Stock may be significantly affected by, and could be subject to significant fluctuations in response to, such factors as H&S's operating results, changes in any earnings estimates publicly announced by H&S or by securities analysts, announcements of significant business developments by H&S or its competitors, other developments affecting H&S, its clients, or its competitors, and various factors affecting the executive search industry, the financial markets or the economy in general, some of which may be unrelated to H&S's performance. In addition, the stock market has experienced a high level of price and volume volatility, and the market prices for the stock of many companies, especially companies that have recently completed initial public offerings, have experienced a high level of price and volume volatility not necessarily related to the operating performance of such companies. Because the number of shares of Common Stock offered hereby is small relative to the number of publicly traded shares of many other companies, and because all existing H&S stockholders have agreed not to sell, contract to sell or otherwise dispose of any Common Stock currently owned by them for up to two years after the Offering, the market price of the Common Stock may be more susceptible to fluctuation. See "--Shares Eligible For Future Sale."

Absence of Dividends

The Company intends to retain all of its earnings for the future operation and expansion of its business and does not anticipate paying cash dividends on its Common Stock at any time in the foreseeable future. See "Dividend Policy."

Shares Eligible For Future Sale

A substantial number of shares of Common Stock already outstanding, or issuable on exercise of stock options to be granted under the GlobalShare Plan, are or will be eligible for future sale in the public market at prescribed times pursuant to Rule 144 or Rule 701 under the Securities Act of 1933, as amended (the "Securities Act"). Sales of such shares in the public market, or the perception that such sales may occur, could adversely affect the market price of the Common Stock or impair H&S's ability to raise additional capital in the future through the sale of equity securities. Upon completion of the Offering, there will be outstanding 15,194,941 shares of Common Stock and stock options to purchase an additional 1,590,000 shares and 1,465,000 shares reserved for issuance pursuant to the Company's incentive plans. Of these shares, the 4,200,000 shares of

Common Stock sold in the Offering (4,830,000 shares if the Underwriters' over-allotment option is exercised in full) and the 666,667 shares purchased by employees of the Company pursuant to the Employee Share Purchase will be freely tradeable by persons other than "affiliates" of H&S, without restriction under the Securities Act. The remaining 10,328,274 shares of Common Stock outstanding will be "restricted" securities within the meaning of Rule 144 under the Securities Act and may not be sold in the absence of registration under the Securities Act unless an exemption from registration is available, including the exemptions contained in Rule 144. The Company and all current stockholders of the Company have agreed, for a period of 180 days after the date of this Prospectus, not to, directly or indirectly, offer, sell, or otherwise dispose of any shares of Common Stock without the prior written consent of Lehman Brothers Inc., other than, with respect to the Company, shares of Common Stock issued in the Offering, under its GlobalShare Plan, or upon exercise of stock options granted pursuant to the GlobalShare Plan. Additionally, all current stockholders of H&S have agreed not to, directly or indirectly, offer, sell, or otherwise dispose of any shares of Common Stock currently owned by them and other than shares of Common Stock issued pursuant to the GlobalShare Plan or upon exercise of stock options granted pursuant to the GlobalShare Plan, for a period of two years after the date of this Prospectus without the prior written consent of Lehman Brothers Inc., which consent will be granted or denied after consultation with the Company. See "Management--1998 Heidrick & Struggles GlobalShare Plan," "Shares Eligible for Future Sale" and "Underwriting."

Dilution

The initial public offering price is substantially higher than the book value per share of the Common Stock. Accordingly, purchasers of the Common Stock offered hereby would experience immediate and substantial dilution of \$9.70 in tangible book value per share of the Common Stock. See "Dilution."

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 Euro. The upgrade will allow the Company to utilize 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 fully comply 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 on many third parties, including banks and providers of information. If any of these systems are not appropriately upgraded to manage transactions denominated in 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.

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 failure 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 will replace systems that are not Year 2000 compliant. The IGIS systems scheduled to be deployed during the spring and summer of 1999 will be Year 2000 compliant. The Company currently has certification as to Year 2000 compliance from its key software suppliers.

MCI Systemhouse has been retained as the Company's system 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 will conduct testing during the spring of 1999 and will continue to monitor and test the systems through the end of 1999. The Company has also 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.

The Company anticipates completing the Year 2000 project not later than the third quarter of 1999. The Company has budgeted \$1,000,000 in addition to the IGIS budget to be expensed as incurred 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 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 resource 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.

THE COMPANY

The Company is one of the leading global executive search firms and believes that, based on revenues, it is the largest executive search firm in the United States and the second largest in the world. With over 45 years of experience in fulfilling its clients' leadership needs, H&S offers and conducts executive search services in nearly

every major business center in the world. The Company's services focus on the identification, evaluation and recommendation of qualified candidates for senior level executive positions. Through its worldwide network of approximately 750 professionals in 59 offices, H&S provides executive search services 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. The size of the Company's business has grown significantly over the past five years as evidenced by the fact that the combined worldwide revenues of H&S Inc. and HSI have grown at a compound annual rate of approximately 25%.

H&S Inc. was a Delaware corporation that was incorporated in 1956 as successor to a partnership formed in 1953, and HSI was a Delaware corporation that was incorporated in 1968. The principal executive office of the Company is 233 South Wacker Drive--Suite 4200, Chicago, Illinois 60606-6303, and its telephone number is (312) 496-1200.

USE OF PROCEEDS

The net proceeds to H&S from the sale of the 3,700,000 shares of Common Stock offered hereby by the Company, after deducting the underwriting discount and estimated offering expenses, are estimated to be approximately \$46.1 million (\$53.9 million if the Underwriters' over-allotment option is exercised in full). The net proceeds of the Offering will be used to fund working capital and for general corporate purposes, including repayment of debt, expenditures for the IGIS technology enhancements, funding the continuing development of LeadersOnline, the possible opening of new offices and possible acquisitions. The Company expects to use the proceeds to repay debt as follows: (i) approximately \$17.5 million will be used to repay the outstanding balance on H&S Inc.'s \$60 million line of credit expiring on December 31, 2001 which bears interest at approximately 6.8%, (ii) approximately \$3.9 million will be used to repay balances under HSI's \$10.5 million line of credit expiring on July 1, 2002 which bears interest at approximately 6.6%, and (iii) approximately \$3.7 million will be used to repay balances under HSI's line of credit expiring on May 31, 1999 and which bears interest at approximately 4.6%. The Company also intends to use \$3.8 million of the proceeds of the Offering to repay notes payable to certain former stockholders of H&S Inc. and HSI whose stock has been repurchased by H&S Inc. and HSI, respectively. The notes payable to such former stockholders are payable over four to five years and bear interest at the prime rate. The Company also expects to spend \$16.3 million of the proceeds of the Offering for the IGIS technology enhancements over the course of the year. Pending such uses, H&S intends to invest the net proceeds from the Offering in short-term, investment grade securities, certificates of deposit, or direct guaranteed obligations of the United States government. The borrowings under H&S Inc.'s and HSI's respective credit lines which are intended to be repaid were used to fund certain IGIS technology enhancements, acquisitions and the working capital needs of the Company. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources."

The Company will receive no proceeds from the sale of the Common Stock in the Offering by the Selling Stockholders.

DIVIDEND POLICY

H&S does not intend to pay any cash dividends for the foreseeable future but instead intends to retain earnings, if any, for the future operation and expansion of H&S's business. Any determination to pay dividends in the future will be at the discretion of the Company's Board of Directors and will be dependent upon H&S's results of operations, financial condition, contractual restrictions, restrictions imposed by applicable law and other factors deemed relevant by the Board of Directors. The Company's revolving credit facility prohibits the Company from declaring and paying cash dividends on the Common Stock. Future indebtedness and loan facilities also may prohibit or restrict the ability of the Company to pay dividends and make distributions to its stockholders.

CAPITALIZATION

The following table sets forth (i) the capitalization of H&S Inc. at December 31, 1998 on an actual basis, (ii) the capitalization of the combined Company on a pro forma basis to reflect, among other matters, the Merger and (iii) the capitalization of the Company on a pro forma as adjusted basis to reflect the foregoing matters as well as (a) receipt by the Company of the net proceeds from the sale of shares of Common Stock offered hereby at an assumed price of \$15.00 per share, the midpoint of the estimated range of the initial public offering price (after deducting underwriting discounts, commissions and estimated offering expenses) and (b) the application of the net proceeds therefrom as described under "Use of Proceeds." This table should be read in conjunction with the Consolidated Financial Statements of each of H&S Inc. and HSI and the Notes thereto and the Unaudited Pro Forma Condensed Consolidated Financial Data and the Notes thereto included elsewhere in the Prospectus.

	At December 31, 1998		
	H&S Inc. Actual	Company Pro Forma (1)	Company Pro Forma As Adjusted
	(in thousands)		
Cash and cash equivalents.....	\$10,428 =====	\$ 21,858 =====	\$ 26,077 =====
Total debt.....	\$29,697 -----	\$ 41,917 -----	\$ -- -----
Mandatorily redeemable common stock(2).....	44,611 -----	-- -----	-- -----
Stockholders' equity:			
Common Stock, par value \$.01 per share, 100,000,000 shares authorized, 10,828,274 shares issued and outstanding, 15,194,941 shares issued and outstanding as adjusted(3).....	--	108	152
Preferred Stock, par value \$.01 per share, 10,000,000 shares authorized, payable as adjusted, no shares issued and outstanding..	--	--	--
Additional paid-in capital.....	--	80,124	126,216
Cumulative translation adjustment.....	--	(1,089)	(1,089)
Unrealized gain on available for sale investments.....	--	1,686	1,686
Treasury stock.....	--	(16,471)	(16,471)
Retained earnings.....	--	18,037	18,037
Total stockholders' equity.....	-- -----	82,395 -----	128,531 -----
Total capitalization.....	\$74,308 =====	\$124,312 =====	\$128,531 =====

- (1) For a discussion of the pro forma adjustments, see "Unaudited Pro Forma Condensed Consolidated Balance Sheet."
- (2) H&S Inc.'s common stock and HSI's Class A common stock were subject to and the Company's Common Stock is subject to mandatory repurchase agreements which require the classification of such common stock as mandatorily redeemable common stock. The agreements relating to the Common Stock will terminate upon consummation of the Offering and the Common Stock will be reclassified as stockholders' equity.
- (3) Includes 666,667 shares that may be purchased by certain employees of the Company under the GlobalShare Plan pursuant to the Employee Share Purchase, but excludes up to 735,000 shares issuable pursuant to options that may be granted under the GlobalShare Plan to such employees in connection with the Employee Share Purchase and approximately 855,000 shares issuable pursuant to options to be issued to employees at completion of the Offering. Does not include 1,465,000 shares of Common Stock available for future issuance under the Company's incentive plans.

DILUTION

The pro forma net tangible book value of the Company as of December 31, 1998 was \$34.4 million, or \$2.99 per outstanding share of Common Stock. The net tangible book value per share of Common Stock is equal to the Company's total tangible assets (total assets less intangible assets) less its total liabilities, divided by the number of shares of Common Stock outstanding, all on a pro forma basis. After giving effect to the sale of 3,700,000 shares of Common Stock to be sold by the Company in the Offering at an assumed initial public offering price of \$15.00 per share, the midpoint of the estimated range of the initial public offering price, and the application by the Company of the estimated net proceeds therefrom as described in "Use of Proceeds," the pro forma net tangible book value of the Company at December 31, 1998 would have been \$80.5 million, or \$5.30 per share of Common Stock. This represents an immediate increase in pro forma net tangible book value of \$2.31 per share of Common Stock to the existing stockholders and an immediate dilution in pro forma net tangible book value of \$9.70 per share of Common Stock to new investors of Common Stock in the Offering. If the Underwriters' over-allotment option is exercised in full, the pro forma net tangible book value upon completion of the Offering would be \$5.60 per share.

The following table illustrates the per share dilution that would have occurred if the Offering had been consummated on December 31, 1998:

Assumed initial public offering price per share.....		\$15.00
Pro forma net tangible book value per share before the Offering.	2.99	
Increase in pro forma net tangible book value per share attributable to price paid by new investors in Common Stock in the Offering.....	2.31	

Pro forma net tangible book value per share after the Offering..		5.30

Dilution per share to new investors.....		\$ 9.70
		=====

The following table summarizes, on a pro forma basis, as of December 31, 1998, after giving effect to the Offering, the number of shares of Common Stock to be sold by the Company, the total consideration paid and the average price per share paid by the existing stockholders and by the investors purchasing shares of Common Stock in the Offering:

	Shares Purchased		Total Consideration		Average Price
	Number	Percent	Amount (in millions)	Percent	
Existing stockholders.....	11,494,941	75.6%	\$ 59.1	51.6%	\$ 5.14
New investors.....	3,700,000	24.4	55.5	48.4	15.00
	-----	-----	-----	-----	
Total.....	15,194,941	100.0%	\$114.6	100.0%	
	=====	=====	=====	=====	

The foregoing computations give effect to up to 666,667 shares that may be purchased by certain employees of the Company under the GlobalShare Plan pursuant to the Employee Share Purchase, but do not give effect to up to 735,000 shares issuable pursuant to options, that may be granted under the GlobalShare Plan to such employees in connection with the Employee Share Purchase, and approximately 855,000 shares issuable pursuant to options to be issued to employees at completion of the Offering. These calculations also exclude 1,465,000 shares of Common Stock available for future issuance under the GlobalShare Plan. To the extent that shares are issued in connection with the foregoing, there will be further dilution to new investors.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL DATA

The following unaudited pro forma condensed consolidated financial data of the Company give effect to (i) the Merger, (ii) the amendment of the Mulder acquisition agreement, (iii) the implementation of the GlobalShare Plan, (iv) the termination of the mandatory redemption feature of the common stock of each of H&S Inc. and HSI, (v) the costs of the postponement of the Company's initial public offering, (vi) the issuance of shares by the Company in December 1998 at prices below their fair market value, (vii) the termination of the employment of Gerard Clery-Melin, HSI's former President and Chief Executive Officer, and a non-executive HSI employee, and (viii) the early settlement of profit sharing arrangements relating to the acquisition of certain Latin American offices. The pro forma data is presented as if the above transactions had occurred on January 1, 1998 for the statement of operations and related data and on December 31, 1998 for balance sheet data.

The unaudited pro forma condensed consolidated statement of operations data for the year ended December 31, 1998 reflects the results of operations of HSI and H&S Inc. for the year then ended. The historical results of operations of Mulder have been included in HSI's financial statements subsequent to the date of the acquisition.

The unaudited pro forma condensed consolidated financial data assume that the Merger was effected by the exchange of 2.8249 shares of HSI Common Stock for each share of H&S Inc. common stock outstanding at December 31, 1998. This is the exchange ratio pursuant to which the Merger was consummated on February 26, 1999. The Merger is being accounted for as a reverse acquisition, as the stockholders of H&S Inc. owned a majority of the outstanding shares of the Common Stock of the Company upon completion of the transaction. Accordingly, for accounting purposes, HSI is treated as the acquired company and H&S Inc. is considered to be the acquiring company. Prior to the Merger, H&S Inc. owned 35.6823% of all outstanding HSI Common Stock. The acquisition by H&S Inc. of the remaining 64.3177% of HSI will be recorded using the purchase method of accounting. The difference between the fair value and book value of the interests in HSI being acquired, less the related deferred tax liability, (the "Excess Purchase Price") will be allocated first among identifiable tangible and intangible assets and then any residual value will be recorded as goodwill.

The purchase price of HSI is based upon (i) the ownership in the Company upon completion of the Merger of holders of HSI shares immediately prior to the Merger and (ii) the estimated fair value of the Company after the Merger.

The unaudited pro forma condensed consolidated financial data are a presentation of historical results with accounting adjustments. The unaudited pro forma condensed consolidated financial data do not reflect, except as indicated in the accompanying notes, the effects of any of the anticipated changes to be made by the Company in its operations from the historical operations, are presented for informational purposes only and should not be construed to indicate (i) the results of operations or the consolidated financial position of the Company that actually would have occurred had the transactions described above been consummated as of the dates indicated or (ii) the results of operations or the consolidated financial position of the Company in the future.

The following unaudited pro forma condensed consolidated financial data and accompanying notes are qualified in their entirety by reference to, and should be read in conjunction with, "Management's Discussion and Analysis of Financial Condition and Results of Operations," the consolidated financial statements and notes thereto of H&S Inc., HSI and Mulder and the other historical consolidated financial information included elsewhere in this Prospectus.

Selected Unaudited Pro Forma Condensed Consolidated Financial Data

	Year Ended December 31, 1998
	----- (in thousands except per share and share data)
Statement of Operations Data(1):	
Revenue.....	\$ 328,999
Operating expenses:	
Salaries and employee benefits.....	235,321
General and administrative expenses.....	89,876

Total operating expenses.....	325,197

Operating income.....	3,802

Non-operating income (expense):	
Interest income.....	1,531
Interest expense.....	--
Other.....	(3,787)

Net non-operating income (expense).....	(2,256)

Equity in net income of affiliate.....	--

Minority interest in income of consolidated subsidiaries.....	(81)

Income before income taxes.....	1,465
Provision for income taxes.....	2,888

Net loss.....	\$ (1,423)
	=====
Basic and diluted loss per common share.....	\$ (.09)
	=====
Basic and diluted weighted average common shares outstanding.....	15,194,941
	=====
Balance Sheet Data (at end of period)(2):	
Working capital.....	\$ (9,975)
Total assets.....	237,673
Long-term debt, less current maturities.....	5,262
Total stockholders' equity.....	82,395

(1) See Unaudited Pro Forma Consolidated Statement of Operations Data on page 21.

(2) See Unaudited Pro Forma Condensed Consolidated Balance Sheet on page 22.

Unaudited Pro Forma Consolidated Statement of Operations Data

	Year Ended December 31, 1998			
	Historical		Pro Forma Adjustments	Pro Forma Consolidated
	HSI	H&S Inc.		
	(in thousands)			
Revenue.....	\$124,984	\$204,015	\$ --	\$328,999
Operating expenses:				
Salaries and employee benefits.....	102,861	163,730	(31,270)(1)(2)(3)	235,321
General and administrative expenses.....	37,766	50,677	1,433 (4)	89,876
Total operating expenses.....	140,627	214,407	(29,837)	325,197
Operating income (loss).....	(15,643)	(10,392)	29,837	3,802
Non-operating income (expense):				
Interest income.....	--	1,531	--	1,531
Interest expense.....	(704)	(462)	1,166 (5)	--
Other.....	(5,412)	(2,212)	3,837 (6)	(3,787)
Net non-operating income (expense).....	(6,116)	(1,143)	5,003	(2,256)
Equity in net income of affiliate.....	--	(3,417)	3,417 (7)	--
Minority interest in income of consolidated subsidiaries.....	(81)	--	--	(81)
Income (loss) before income taxes.....	(21,840)	(14,952)	38,257	1,465
Provision for income taxes.....	(4,475)	1,302	6,061 (8)	2,888
Net income (loss).....	<u>\$(17,365)</u>	<u>\$(16,254)</u>	<u>\$32,196</u>	<u>\$ (1,423)</u>

(1) HSI acquired 100% of Mulder on October 1, 1997, for a combination of cash and 32,000 shares of HSI Class A common stock. On October 1, 1997, HSI delivered 4,000 shares of HSI Class A 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 percentage 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 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 contemplation of the Merger, the Mulder acquisition agreement was amended on July 2, 1998 such that the remaining \$5.2 million (plus interest) was required to be paid within 90 days of the completion of the Merger (\$1.1 million of this amount plus interest was paid in October of 1998) and 428,452 shares of Common Stock (which were valued, based on the estimated fair value of the Company, at \$5.5 million) issued to such Mulder partners immediately after the Merger. This non-recurring charge will be recorded during the first quarter of 1999 and has not been reflected in the pro forma statement of operations. All employment contingencies relating to the Mulder consultants have been terminated.

Amortization of deferred compensation expense of \$5.1 million relating to the acquisition of Mulder has been eliminated from salaries and employee benefits for the period ending December 31, 1998. Under the amendment to the Mulder acquisition agreement, the remaining \$13.8 million of the \$20.5 million of compensation, based upon the estimated fair value of the Company, will be expensed in the first quarter of 1999.

- (2) An adjustment of \$2.8 million has been made to eliminate from salaries and employee benefits, compensation expense representing the difference between the amount actually paid over the amount that would have been paid under the Company's GlobalShare Plan for managing partners and corporate officers had such plan been in effect beginning January 1, 1998. The plan's participants will have the same duties and responsibilities and the Company expects that the issuance of stock options in lieu of cash under the plan for a portion of their bonuses will not diminish the output of these employees resulting in additional costs being incurred. The adjustment is to reduce compensation expense to reflect the differences in compensation expense, as computed under the Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," based on the intrinsic value of the stock options granted. Under APB No. 25, the fair value of the options, as computed under Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," is not recorded as compensation expense.
- (3) Salaries and employee benefits have been adjusted by \$23.3 million to reflect the following charges recorded during the fourth quarter of 1998: (i) \$14.8 million arising from the difference between the issuance price of shares issued by the Company in the period beginning twelve months before the initial filing date of the registration statement relating to the Offering and the fair market value of the shares at the date of grant, (ii) \$2.8 million arising from the early settlement of profit sharing arrangements relating to the acquisition of certain Latin American offices and (iii) \$5.7 million arising from the termination agreement with Gerard Clery-Melin, HSI's former President and Chief Executive Officer, and the termination agreement of a non-executive HSI employee. The \$5.7 million charge is comprised of \$3.0 million for compensation and other amounts to be paid in accordance with the termination agreements and a \$2.7 million non-cash charge representing the difference between the current book value and appraised fair market value of shares retained subsequent to termination, see "Management."
- (4) Adjustments have been made to reflect the impact of allocating the Excess Purchase Price to intangible assets and goodwill of HSI, and are subject to change based upon the final determination of the respective fair values of these assets. For the year ended December 31, 1998, \$1.4 million of amortization related to acquired intangibles and goodwill has been charged to general and administrative expenses. See Note 1 to the "Unaudited Pro Forma Condensed Consolidated Balance Sheet."
- (5) The Company's net proceeds from the Offering, estimated to be \$46.1 million net of expenses and fees, will be applied as described in "Use of Proceeds". At December 31, 1998, the outstanding debt to be repaid in connection with the Offering totaled \$41.9 million, resulting in excess cash from the Offering of \$4.2 million. Interest expense associated with indebtedness assumed repaid with the proceeds from the Offering has been eliminated.
- (6) Offering expenses of \$3.8 million have been eliminated from non-operating income for the twelve month period ended December 31, 1998. As required by Staff Accounting Bulletin No. 1, Topic 5A, H&S Inc. and HSI expensed all charges incurred in connection with the postponement of the Company's planned initial public offering in September 1998.
- (7) Equity in net income of affiliate has been eliminated from H&S Inc. for all periods shown to reflect 100% ownership of HSI after the Merger.
- (8) Adjustments are made to the provision for income taxes to reflect the increased income tax liability resulting from the corresponding increase in income before income taxes because of the compensation adjustment discussed in footnotes 2 and 3 above, the elimination of tax deductible Offering expenses discussed in footnote 5 above, and the elimination of the equity in net income of affiliate as discussed in footnote 6 above. Therefore, pro forma tax expense has been adjusted as follows:

Period	Equity in Net Income of Affiliate Adjustment	Compensation Adjustment	Offering Expense Adjustment
-----	-----	-----	-----
Year ended December 31, 1998.....	\$1,435	\$3,638	\$988

Unaudited Pro Forma Condensed Consolidated Balance Sheet
At December 31, 1998

	HSI	H&S Inc.	Merger Adjustments(1)	Pro Forma Reflecting Merger	Contract Amendment Adjustments	Pro Forma Consolidated
	(in thousands)					
Current assets:						
Cash and cash equivalents.....	\$15,753	\$ 10,428	\$ --	\$ 26,181	\$ (4,323)(2)	\$ 21,858
Accounts receivable, net of allowance.....	23,250	40,816	(2,998)	61,068	--	61,068
Notes receivable from affiliates.....	--	1,900	(1,900)	--	--	--
Other current assets...	10,104	17,079	--	27,183	--	27,183
Property and equipment, net.....	14,917	24,778	--	39,695	--	39,695
Other assets:						
Cash and investments designated for nonqualified retirement plan.....	--	13,552	--	13,552	--	13,552
Investment in HSI.....	--	4,766	(4,766)	--	--	--
Goodwill and other intangibles.....	2,531	8,055	37,434	48,020	--	48,020
Deferred compensation expense.....	4,046	--	--	4,046	(4,046)(2)	--
Other non-current assets.....	24,396	1,776	125	26,297	--	26,297
Total other assets....	30,973	28,149	32,793	91,915	(4,046)	87,869
Total assets.....	\$94,997	\$123,150	\$27,895	\$246,042	\$ (8,369)	\$237,673
Current liabilities:						
Short-term debt.....	\$12,108	\$ 24,547	\$ --	\$ 36,655	\$ --	\$ 36,655
Income taxes payable...	3,286	--	--	3,286	--	3,286
Accounts payable.....	7,337	2,918	(2,998)	7,257	--	7,257
Accrued expenses						
Salaries and employee benefits.....	22,434	23,299	--	45,733	--	45,733
Other accrued expenses.....	15,886	11,267	--	27,153	--	27,153
Note payable to affiliate.....	1,900	--	(1,900)	--	--	--
Long-term debt, less current maturities....	112	5,150	--	5,262	--	5,262
Other long-term liabilities.....	18,574	11,358	--	29,932	--	29,932
Commitments and contingent liabilities.	--	--	--	--	--	--
Mandatorily redeemable common stock.....	8,578	44,611	37,575	90,764	(8,369)(2)	--
Stockholders' equity....	4,782	--	(4,782)	--	82,395 (3)	82,395
Total liabilities and stockholders' equity.	\$94,997	\$123,150	\$27,895	\$246,042	\$ (8,369)	\$237,673

(1) These pro forma adjustments reflect the impact of allocating the Excess Purchase Price to intangibles and goodwill of HSI, and are subject to change based upon the final determination of the respective fair values of the assets. The Excess Purchase Price of \$37,434 is based on an estimated fair value of the HSI assets being acquired of \$46,153 less their book value of \$8,594 and less a deferred tax liability of \$125 recorded by H&S Inc. This Excess Purchase Price has been allocated to identifiable intangible assets and goodwill as follows:

Asset Classification	Fair Value	Weighted Average Remaining Useful Life in Years
Intangible assets		
Trained workforce.....	\$ 6,496	

Non-compete agreements.....	322	
Database of executives.....	193	
Customer relationships.....	5,338	

Total intangible assets.....	12,349	17
Goodwill.....	25,085	40

Total Excess Purchase Price.....	\$37,434	
	=====	

The preliminary allocations of the Excess Purchase Price are based upon current estimates and information available to H&S Inc.

In determining the foregoing estimated useful lives, management considered the nature, competitive position of the Company, and historical and expected future operating income. The Company will continually review whether subsequent events and circumstances have occurred that indicate the intangibles or goodwill may not be recoverable. If events and circumstances indicate that intangible assets or goodwill related to the acquired business should be reviewed for possible impairment, the Company will use projections to assess whether future operating income of the business, on a non-discounted basis (before amortization), is likely to exceed the amortization over the remaining life of the intangibles or goodwill, to determine whether a write-down of intangible assets or goodwill to recoverable value is appropriate.

The ultimate allocation of the Excess Purchase Price to intangibles and goodwill acquired is subject to final determination of the fair value of the assets of HSI. The ultimate allocation of the respective values will be based upon the report of a professional appraiser that will be completed in connection with the consummation of the Merger. H&S Inc. management believes that the above preliminary allocations of the purchase price are reasonable and will not materially change.

The pro forma adjustments include the elimination of H&S Inc.'s investment in HSI. In addition, \$1,900 of intercompany debt and \$2,998 of intercompany payables were also eliminated. As of December 31, 1998, there were no other intercompany transactions that required elimination.

The reclassification of \$4,782 of stockholders' equity and the \$37,575 increase in mandatorily redeemable stock are a result of the application of reverse acquisition accounting.

- (2) The amendment of the Mulder acquisition agreement resulted in the following adjustments to HSI historical amounts:
 - (i) Cash has been adjusted by \$4,323 to reflect the cash consideration to be paid for Mulder.
 - (ii) Mandatorily redeemable common stock has been increased by \$5,476 to account for shares to be issued to Mulder partners and reduced by \$13,845 to eliminate the one-time compensation charge.
 - (iii) Deferred compensation expense has been reduced by \$4,046 to eliminate the asset due to the recording of the one-time compensation charge described in footnote 1 to the Unaudited Pro Forma Consolidated Statement of Operations Data.
- (3) Reflects reclassification of H&S Inc.'s mandatorily redeemable common stock of \$82,395 to stockholders' equity as the mandatory redemption feature of the common stock will terminate upon consummation of the Offering.

SELECTED FINANCIAL DATA

The selected financial data presented below for each of the five years in the period ended December 31, 1998 have been derived from the respective audited consolidated financial statements of H&S Inc. and HSI which in the case of HSI were audited by Barbier Frinault & Associates (Arthur Andersen) and in the case of H&S Inc. were audited by Arthur Andersen LLP, independent public accountants. The data set forth are qualified in their entirety by, and should be read in conjunction with, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements, the notes thereto and the other financial data and statistical information included in this Prospectus.

Selected Financial Data

H&S Inc.

	Year Ended December 31,				
	1994	1995	1996	1997(1)	1998
	(in thousands, except per share, share and other operating data)				
Statement of Operations Data:					
Revenue.....	\$96,127	\$108,685	\$ 137,665	\$ 180,244	\$ 204,015
Operating expenses:					
Salaries and employee benefits.....	66,379	77,215	98,272	125,308	163,730
General and administrative expenses.....	19,078	20,853	28,681	42,991	50,677
Total operating expenses.....	85,457	98,068	126,953	168,299	214,407
Operating income (loss).....	10,670	10,617	10,712	11,945	(10,392)(2)
Non-operating income (expense):					
Interest income.....	808	1,156	1,385	1,586	1,531
Interest expense.....	(180)	(207)	(180)	(150)	(462)
Other income (expense).....	89	108	(94)	486	(2,212)
Net non-operating income (expense).....	717	1,057	1,111	1,922	(1,143)
Equity in net income (loss) of affiliate...	1,252	778	775	20	(3,417)
Income (loss) before income taxes.....	12,639	12,452	12,598	13,887	(14,952)
Provision for income taxes.....	6,297	6,094	6,149	7,444	1,302
Net income (loss).....	\$ 6,342	\$ 6,358	\$ 6,449	\$ 6,443	\$ (16,254)(3)
Basic earnings (loss) per common share.....			\$ 2.50	\$ 2.41	\$ (6.10)
Weighted average common shares outstanding....			2,574,475	2,676,415	2,666,526
Diluted earnings (loss) per common share.....			\$ 2.50	\$ 2.41	\$ (6.10)
Diluted average common shares outstanding....			2,574,475	2,676,525	2,666,526
Balance Sheet Data (at end of period):					
Working capital.....	\$13,549	\$ 17,193	\$ 20,628	\$ 24,873	\$ 8,192
Total assets.....	45,058	55,900	68,643	93,585	123,150
Long-term debt, less current maturities....	735	1,189	993	1,636	5,150
Mandatorily redeemable common stock.....	25,818	31,700	39,373	47,404	44,611

Other Operating Data:

Number of offices (at end of period).....	18	20	25	28	32
Average number of consultants during the period.....	108	119	137	159	197

Selected Financial Data

HSI

Year Ended December 31,

	1994	1995	1996	1997(1)	1998
--	------	------	------	---------	------

(in thousands, except per share, share and other operating data)

Statement of Operations

	1994	1995	1996	1997(1)	1998
Revenue.....	\$39,634	\$52,815	\$64,558	\$82,732	\$124,984
Operating expenses:					
Salaries and employee benefits.....	24,299	35,249	44,020	59,080	102,861
General and administrative expenses..	10,212	14,264	17,100	20,567	37,766
Total operating expenses.....	34,511	49,513	61,120	79,647	140,627
Operating income (loss).....	5,123	3,302	3,438	3,085	(15,643)(4)
Net non-operating income (expense).....	(366)	338	133	151	(6,116)
Minority interest in income of consolidated subsidiaries.....	(222)	--	--	(26)	(81)
Income (loss) before income taxes.....	4,535	3,640	3,571	3,210	(21,840)
Provision for (benefit from) income taxes.....	1,886	1,840	1,430	2,518	(4,475)
Net income (loss).....	\$ 2,649	\$ 1,800	\$ 2,141	\$ 692	\$ (17,365)(5)
Basic earnings (loss) per Class A common share.....			\$.86	\$.25	\$ (5.96)
Basic weighted average Class A common shares outstanding.....			1,623,955	1,773,581	1,892,908
Diluted earnings per Class A common share.....			\$.86	\$.24	\$ (5.96)
Diluted weighted average Class A common shares outstanding.....			1,623,955	1,880,694	1,892,908
Basic and diluted earnings per Class B common share.....			\$.72	\$.23	\$ (5.83)
Weighted average Class B common shares outstanding.....			1,040,862	1,040,862	1,042,729
Balance Sheet Data (at end of period):					
Working capital.....	\$ 7,908	\$ 7,777	\$ 9,345	\$ (6,607)	\$ (13,844)
Total assets.....	21,998	25,756	32,851	75,560	94,997
Long-term debt, less current maturities.....	--	--	267	168	112
Mandatorily redeemable common stock.....	6,166	8,323	9,922	11,706	8,578
Total stockholders' equity.....	4,757	5,758	6,440	6,423	4,782
Other Operating Data:					
Number of offices (at end of period).....	12	13	16	23	27
Average number of consultants during the period.....	55	59	71	95	123

(1) Certain 1997 amounts for H&S Inc. and HSI have been restated. See Note 15 of "Heidrick & Struggles, Inc. and Subsidiaries--Notes to Consolidated Financial Statements" and Note 14 of "Heidrick & Struggles International, Inc. and Subsidiaries--Notes to Consolidated Financial Statements,"

respectively.

- (2) Includes \$12.7 million of non-recurring charges comprised of (i) \$9.9 million of salaries and employee benefits expense arising from the difference between the issuance price of shares issued by the Company to certain of its directors in December 1998 and the fair market value of such shares at the date of grant and (ii) \$2.8 million of salaries and benefits expense relating to the early settlement of profit sharing arrangements upon the acquisition of certain Latin American offices.
- (3) Includes a non-recurring \$2.5 million charge incurred in connection with the costs of the postponement of the Offering in September 1998.
- (4) Includes \$15.7 million of non-recurring charges comprised of (i) \$5.1 million of salaries and employee benefits expense due to the amortization of deferred compensation expense resulting from the Mulder acquisition, (ii) \$4.9 million of salaries and employee benefits expense arising from the difference between the issuance price of shares issued by the Company to certain of its directors in December 1998 and the fair market value of such shares at the date of grant, and (iii) \$5.7 million of salaries and employee benefits expense arising from the termination agreement with Gerard Clery-Melin, HSI's former President and Chief Executive Officer, and the termination agreement of a non-executive HSI employee. See "Management."
- (5) Includes a non-recurring \$1.3 million charge incurred in connection with the costs of the postponement of the Offering in September 1998.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

The following discussion of the historical results of operations and liquidity and capital resources of H&S Inc. and HSI should be read in conjunction with the selected financial data and the audited Consolidated Financial Statements of H&S Inc., HSI and Mulder and related notes thereto appearing elsewhere in this Prospectus.

General

The Company is one of the leading global executive search firms and believes that, based on revenues, it is the largest executive search firm in the United States and the second largest 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.

Throughout their history, H&S Inc. and HSI have operated as a single entity, and from the time of founding in 1953 until 1984, 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. H&S Inc. and HSI consummated the Merger on February 26, 1999 in order to reunite the two companies into a single ownership structure. The selected financial data set forth herein reflect the historical operations of each of H&S Inc. and HSI.

Pursuant to their focused growth strategies, H&S Inc. and HSI completed several acquisitions in the past two years. In June 1998, H&S Inc. acquired Fenwick, a Boston-based executive search firm focused on the technology sector. In October 1997, HSI acquired Mulder, the largest executive search firm in Germany. These acquisitions were accounted for using the purchase method of accounting, with the results of the acquired companies included in H&S Inc.'s and HSI's respective consolidated statements of income beginning on the date of each acquisition.

With 59 offices in 30 countries, 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 13 of "Heidrick & Struggles, Inc. and Subsidiaries--Notes to Consolidated Financial Statements" and Note 10 of "Heidrick & Struggles International, Inc. and Subsidiaries--Notes to Consolidated Financial Statements."

Revenue

The Company's revenue is derived from providing executive search services to its clients, and is largely a function of average revenue per consultant and the average number of consultants employed (based on number of months employed during the period). Average revenue per consultant is a function of the number of searches performed per consultant and the average fee earned per search. Revenue largely consists of executive search fees (net of value added taxes in Europe) and allocated costs. Allocated costs include charges for communication expenses, research related materials, duplicating and similar items.

Revenue from executive search services is recognized when such services are billed to clients and substantially rendered. Typically, the Company is paid an initial retainer for its services equal to approximately one-third of the estimated guaranteed first year cash compensation for the position to be filled. In addition, if the actual cash compensation of a placed candidate exceeds the retainer estimate, the Company bills the client for one-third of the excess. Allocated costs are calculated as a percentage of the expected search fee for an assignment with certain dollar caps per search. The Company generally bills its clients for its initial retainer and allocated costs in one-third increments over a 90-day period commencing in the month of the initial acceptance or confirmation of the contract by its client.

With respect to each executive search assignment, the Company and its client enter into a contract, which outlines the general terms and conditions of the assignment. These contracts generally are cancelable at the option of either party with compensation payable pro rata for the first 90 days.

Because newly-hired consultants require a large initial investment in signing bonuses, guaranteed bonuses and salaries and benefits for associated support staff and do not tend to immediately provide proportionately higher revenues, the Company's average revenue per consultant and overall profitability are typically negatively impacted by such new hires in the short term.

Operating Expenses

The Company's operating expenses are divided into two general categories: (i) salaries and employee benefits; and (ii) general and administrative expenses.

Salaries and employee benefits. The largest components of the Company's operating expenses are compensation and benefits paid to consultants, executive officers and administrative and support personnel, of which the most important constituent parts are salaries and annual bonuses. Other items included in this category are signing bonuses and guaranteed bonuses (often incurred in connection with the hiring of new consultants), payroll taxes, profit sharing and retirement benefits and employee insurance benefits. In recent quarters the Company has hired a larger than normal number of consultants, which has resulted in a higher than normal level of signing bonuses and guaranteed bonuses. A consultant's base salary represents, on average, less than one-half of the consultant's total annual compensation. Typically, a portion of the credit for a particular assignment goes to the consultants who originate the executive search assignment, and a portion goes to the consultants who perform the executive search assignment. In addition, a portion of each consultant's annual compensation is based on management's assessment of that consultant's teamwork.

General and administrative expenses. The key components of general and administrative expenses include rent, information systems costs, general office expenses and professional service costs (including legal, accounting and third party professional services). In addition, general and administrative expenses include depreciation, amortization and allowance for doubtful accounts.

Non-Operating Income (Expense)

Non-operating income (expense) consists of interest income, interest expense and other income and expenses.

Equity in Net Income (Loss) of Affiliate

Prior to the Merger, H&S Inc. held a significant interest in HSI. For H&S Inc., equity in net income (loss) of affiliate relates to the income earned or loss incurred from H&S Inc.'s investment in HSI after giving effect to currency translation adjustments.

Taxes

H&S Inc. and HSI were, and the Company is, subject to federal, state and non-U.S. income taxes. Income generated outside of the United States may be subject to higher tax rates than U.S. income. As a result, the Company's effective tax rate may be higher than prevailing U.S. tax rates. Historically, certain non-deductible expenses have increased H&S Inc.'s and HSI's effective tax rates. H&S Inc.'s and HSI's provisions for income taxes reflect their best judgment as to the likely effective tax rate for a given period.

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 will replace systems that are not Year 2000 compliant. The IGIS systems scheduled to be deployed during the spring and summer of 1999 will be Year 2000 compliant. The Company currently has certification as to Year 2000 compliance from its key software suppliers.

MCI Systemhouse has been retained as the Company's system 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 will conduct testing during the spring of 1999 and will continue to monitor and test the systems through the end of 1999. The Company has also 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.

The Company anticipates completing the Year 2000 project not later than the third quarter of 1999. The Company has budgeted \$1,000,000 in addition to the IGIS budget to be expensed as incurred, 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 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 resource 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.

Recently Issued Financial Accounting Standards

During 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 131, "Disclosures about Segments of an Enterprise and Related

Information," which establishes new standards for reporting information about operating segments in interim and annual financial statements. It is effective for annual periods beginning after December 15, 1997 and was adopted by the Company as of December 31, 1998.

During 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and for Hedging Activities," which establishes new standards for reporting information about derivatives and hedging. It is effective for periods beginning after June 15, 1999 and will be adopted by the Company as of January 1, 2000. The Company expects that adoption of this Standard will have no material effect on its consolidated financial position, results of operations or on disclosures within the financial statements.

Pro Forma Combined Results of Operations

The following table provides pro forma combined results of operations and such data as a percentage of revenue of the Company for the years ended December 31, 1997 and 1998. For a discussion of the pro forma adjustments for 1998, see the Unaudited Pro Forma Consolidated Statement of Operations Data and the notes thereto.

	Year Ended December 31,			
	1997(1)		1998	
	(dollars in thousands)			
Revenue	\$284,792	100.0%	\$328,999	100.0%
Operating expenses:				
Salaries and employee benefits.....	194,956(2)	68.5	235,321	71.5
General and administrative expenses.....	70,548(3)	24.8	89,876	27.3
Total operating expenses.....	265,504	93.3	325,197	98.8
Operating income.....	\$ 19,288	6.7%	\$ 3,802	1.2%
	=====	=====	=====	=====

(1) The December 31, 1997 statement of operations has been adjusted by the following amounts to reflect the historical operations of Mulder:

Revenue.....	\$21,816
Salaries and employee benefits.....	14,610
General and administrative expenses.....	5,557

In addition, \$1.5 million of amortization of deferred compensation relating to the acquisition has been eliminated from salaries and employee benefits. See Note 1 of the "Selected Unaudited Pro Forma Condensed Consolidated Financial Data" for further information regarding the Mulder acquisition.

- (2) An adjustment of \$2.5 million has been made to eliminate from salaries and employee benefits, compensation expense representing the difference between the amount actually paid and the amount that would have been paid in cash under the Company's GlobalShare Plan. See Note 2 of the "Selected Unaudited Pro Forma Condensed Consolidated Financial Data."
- (3) Adjustments have been made to reflect the allocation of the Excess Purchase Price to intangible assets and goodwill of HSI. The adjustments are subject to change based upon the final determination of the respective fair values of these assets. See Note 1 to the "Unaudited Pro Forma Condensed Consolidated Balance Sheet." Amortization of \$1.4 million related to acquired intangible assets and goodwill has been charged to general and administrative expenses.

Pro Forma Combined Results for 1998 Compared to 1997

Revenue. Revenue increased \$44.2 million, or 15.5%, to \$329.0 million for 1998 from \$284.8 million for 1997. This increase was due to an increase in the number of confirmed searches resulting from a 21.4% increase in the average number of consultants employed during the period and the opening of the following new offices in 1998: Geneva, Irvine, Manchester, Melbourne, New Delhi, Route 128 and Tel Aviv.

Salaries and employee benefits. Salaries and employee benefits increased \$40.3 million, or 20.7%, to \$235.3 million for 1998 from \$195.0 million for 1997. As a percentage of revenues, salaries and employee benefits increased from 68.5% to 71.5%, primarily due to signing bonuses and guaranteed bonuses associated with the

hiring of 61 new consultants in 1998, consistent with the Company's growth strategy. The Company also added 76 associates and 151 administrative personnel, in part to support these consultants.

General and administrative expenses. General and administrative expenses increased \$19.4 million, or 27.4%, to \$89.9 million for 1998 from \$70.5 million for 1997. As a percentage of revenues, general and administrative expenses increased from 24.8% to 27.3%, primarily due to the launch of an advertising campaign during the fourth quarter of 1998 and an increase in maintenance and installation expenses, technical support and equipment rentals associated with the IGIS initiative.

Results of Operations--H&S Inc.

The following table sets forth, for the periods indicated, selected statements of operations data for H&S Inc. as a percentage of revenues:

	Year Ended December 31,		
	1996	1997	1998
Revenue.....	100.0%	100.0%	100.0%
Operating expenses:			
Salaries and employee benefits.....	71.4	69.5	80.3
General and administrative expenses.....	20.8	23.9	24.8
Total operating expenses.....	92.2	93.4	105.1
Operating income (loss).....	7.8	6.6	(5.1)
Non-operating income (expense):			
Interest income.....	1.0	0.9	0.8
Interest expense.....	(0.1)	(0.1)	(0.2)
Other income (expense).....	(0.1)	0.3	(1.1)
Net non-operating income (expense).....	0.8	1.1	(0.5)
Equity in net income (loss) of affiliate.....	0.6	--	(1.7)
Income (loss) before income taxes.....	9.2	7.7	(7.3)
Provision for income taxes.....	4.5	4.1	0.6
Net income (loss).....	4.7%	3.6%	(7.9)%

1998 Compared to 1997

Revenue. H&S Inc. revenue increased \$23.8 million, or 13.2%, to \$204.0 million for 1998 from \$180.2 million for 1997. This increase was primarily due to an increase in the number of confirmed searches resulting largely from a 24.4% increase in the average number of consultants employed during the period. Average revenue per consultant was \$1.0 million in 1998, as compared to \$1.1 million in 1997, a 9% decrease due to an increase in the number of newly-hired consultants. Four new offices were opened in 1998: Melbourne, Route 128, Irvine and New Delhi, which generated approximately \$8.2 million of revenue during 1998.

Salaries and employee benefits. H&S Inc. salaries and employee benefits increased \$38.4 million, or 30.7%, to \$163.7 million for 1998 from \$125.3 million for 1997. As a percentage of revenues, salaries and employee benefits increased from 69.5% to 80.3%. Approximately \$12.7 million of this increase was due to non-recurring salary and employee benefits expense comprised of (i) \$9.9 million arising from the difference between the issuance price of shares issued by the Company in December 1998 and the fair market value of such shares at the date of grant and (ii) \$2.8 million arising from the early settlement of profit sharing arrangements relating to the acquisition of certain Latin American offices. Excluding the impact of these expenses, salaries and employee benefits were 74.0% of revenue for 1998. A majority of this percentage increase was due to signing bonuses and

guaranteed bonuses associated with the hiring of 41 new consultants in 1998, consistent with H&S Inc.'s growth strategy. H&S Inc. also added 44 associates and 79 administrative personnel, in part to support these consultants.

General and administrative expenses. H&S Inc. general and administrative expenses increased \$7.7 million, or 17.9%, to \$50.7 million for 1998 from \$43.0 million for 1997. As a percentage of revenues, general and administrative expenses increased from 23.9% to 24.8%. This percentage increase was largely due to the launch of an advertising campaign during the fourth quarter of 1998 and an increase in maintenance and installation expenses, technical support expenses and equipment rentals associated with IGIS.

Non-operating income (expense). H&S Inc. non-operating income decreased \$3.0 million to a net non-operating loss of \$1.1 million for 1998 from net non-operating gain of \$1.9 million for 1997. This decrease is primarily due to a \$2.5 million charge incurred in connection with the costs of the postponement of the Company's initial public offering in September 1998. The remaining decrease was due to a loss on the sale of certain computer equipment replaced by new computers in connection with IGIS during 1998 and an increase in interest expense due to an increase in borrowings under the Company's line of credit.

1997 Compared to 1996

Revenue. H&S Inc. revenue increased \$42.5 million, or 30.9%, to \$180.2 million for 1997 from \$137.7 million for 1996. This increase was primarily the result of a 16.1% increase in the average number of consultants employed during the year and an increase of 12.8% in the average revenue per consultant to \$1.1 million from \$1.0 million in 1996. H&S Inc. employed 26 more consultants at December 31, 1997 than at December 31, 1996. In addition, three new offices were added during 1997: Miami, Philadelphia and Sao Paulo, which generated approximately \$1.5 million of revenue.

Salaries and employee benefits. H&S Inc. salaries and employee benefits increased \$27.0 million, or 27.5%, to \$125.3 million for 1997 from \$98.3 million for 1996. As a percentage of revenues, salaries and employee benefits decreased to 69.5% from 71.4%, reflecting increased search team productivity as revenues increased relatively faster than staffing levels. This improvement occurred despite an increase of approximately \$833,000 in H&S Inc.'s contributions to the employee 401(k) plan.

General and administrative expenses. H&S Inc. general and administrative expenses increased \$14.3 million, or 49.9%, to \$43.0 million for 1997 from \$28.7 million for 1996. As a percentage of revenues, general and administrative expenses increased to 23.9% in 1997. This percentage increase principally relates to research and development in connection with the IGIS initiative.

Non-operating income (expense). H&S Inc. non-operating income increased \$800,000 to \$1.9 million for 1997 from \$1.1 million for 1996. The increase was primarily due to the absence of certain losses incurred in 1996 as a result of H&S Inc.'s relocation of corporate offices in Chicago and an increase in interest income reflecting higher cash balances during the year.

Results of Operations--HSI

The following table sets forth, for the periods indicated, selected statements of operations data for HSI as a percentage of revenues:

	Year Ended December 31,		
	1996	1997	1998
Revenue.....	100.0%	100.0%	100.0%
Operating expenses:			
Salaries and employee benefits	68.2	71.4	82.3
General and administrative expenses.....	26.5	24.9	30.2
Total operating expenses.....	94.7	96.3	112.5
Operating income (loss).	5.3	3.7	(12.5)
Non-operating income (loss).	0.2	0.2	(4.9)
Minority interest in income of consolidated subsidiaries.....	0.0	0.0	(0.1)
Income (loss) before income taxes.....	5.5	3.9	(17.5)
Provision for income taxes..	2.2	3.0	(3.6)
Net income (loss).....	3.3%	0.9%	(13.9)%

1998 Compared to 1997

Revenue. HSI revenue increased \$42.3 million, or 51.1%, to \$125.0 million for 1998 from \$82.7 million for 1997. This increase was primarily the result of the acquisition of Mulder in the fourth quarter of 1997, which contributed \$21.2 million in revenue for 1998. Excluding Mulder, revenue increased by 25.4% mainly due to an increase in the number of searches resulting from an increase in the average number of consultants from 94 for 1997 to 124 for 1998, and a 14.9% increase in average revenue per consultant. Three new offices were opened in 1998: Geneva, Manchester and Tel Aviv, but their impact on revenue during the year was insignificant.

Salaries and employee benefits. HSI salaries and employee benefits increased \$43.8 million, or 74.1%, to \$102.9 million for 1998 from \$59.1 million for 1997. As a percentage of revenues, salaries and employee benefits increased from 71.4% for 1997 to 82.3% for 1998. Approximately \$5.1 million of this increase was due to the amortization of deferred compensation expense resulting from the Mulder acquisition. In addition, approximately \$10.6 million of this increase was due to non-recurring salary and employee benefits expenses comprised of (i) \$4.9 million arising from the difference between the issuance price of shares issued by the Company in December 1998 and the fair value of such shares at the date of grant and (ii) \$5.7 million arising from a termination agreement with Gerard Clery-Melin, HSI's former President and Chief Executive Officer, and a termination agreement with a non-executive HSI employee. The \$5.7 million charge is comprised of \$3.0 million for compensation and other amounts to be paid in accordance with the termination agreements and a \$2.7 million non-cash charge representing the difference between the current book value and appraised fair market value of shares retained subsequent to termination, see "Management." Excluding the impact of these charges, salaries and employee benefits were 73.6% of revenue for 1998.

General and administrative expenses. HSI general and administrative expenses increased \$17.2 million, or 83.6% to \$37.8 million for 1998, from \$20.6 million for 1997. As a percentage of revenues, general and administrative expenses increased to 30.2% from 24.9%. This percentage increase was primarily the result of an increase in the provision for doubtful accounts, integration costs related to the Mulder acquisition, higher travel and meeting expenses related to the Merger and increased depreciation expense related to the Company's IGIS initiative.

Non-operating income (expense). HSI non-operating expense increased to a net operating loss of \$6.1 million for 1998 from a net non-operating gain of \$151,000 for 1997. This increase was primarily the result of provisions in June and December of 1998 totaling \$4.1 million for the writeoff of leasehold improvements and

accruals for non-cancelable lease commitments due to a decision to relocate the London office. Also, the Company incurred a \$1.3 million charge in connection with the costs of the Company's initial public offering due to a decision taken in September 1998 to postpone the Offering. The remaining increase is due to an increase in interest expense related to borrowings on HSI's line of credit, borrowings by HSI from H&S Inc. and lower interest income as a result of reduced cash balances, all resulting from the use of available funds for the Mulder acquisition, and purchases of certain property and equipment associated with new offices and investments in the IGIS initiative.

1997 Compared to 1996

Revenue. HSI revenue increased \$18.1 million, or 28.2%, to \$82.7 million for 1997 from \$64.6 for 1996. A significant reason for the increase was the acquisition of Mulder in the fourth quarter of 1997 which contributed revenue of \$5.7 million in 1997. Excluding Mulder, revenue increased by 19.2%, primarily as a result of a 29.2% increase in the average number of consultants employed during the period. HSI employed 26 more consultants at December 31, 1997 as compared to December 31, 1996. Excluding the impact of currency exchange rate fluctuations, the average revenue per consultant increased slightly from 1996 to 1997. In addition to Mulder, three new offices were added in 1997: Oslo, Lisbon and Prague which generated approximately \$1.9 million in revenue.

Salaries and employee benefits. HSI salaries and employee benefits increased \$15.1 million, or 34.3%, to \$59.1 million for 1997 from \$44.0 million in 1996. As a percentage of revenue, salaries and employee benefits increased to 71.4% from 68.2%. This percentage increase was primarily due to approximately \$2.4 million of additional compensation and benefits to administrative and support staff resulting from the hiring of new employees in connection with the development of enhancements to HSI's executive search system.

General and administrative expenses. HSI general and administrative expenses increased \$3.5 million, or 20.2%, to \$20.6 million for 1997 from \$17.1 million for 1996. As a percentage of revenue, general and administrative expenses declined to 24.9% from 26.5%. This decline was due primarily to a reduction in the provision for doubtful accounts and growth in revenue outpacing increases in rent, telecommunications and other costs. The provision for doubtful accounts was decreased to reflect improved collection policies and efforts.

Non-operating income (expense). HSI non-operating income increased by \$18,000 to \$151,000 from \$133,000 for 1996.

Nonrecurring Charge

During the quarter ending March 31, 1999, the Company expects to incur a nonrecurring charge of \$12.7 million, net of income taxes. This charge is the result of the Company's agreement to modify the terms of the Mulder agreement, including the termination of all employment contingencies. This nonrecurring charge represents the write-off of \$2.9 million of deferred compensation assets as of February 26, 1999, a cash payment of \$4.3 million and the issuance of 428,452 shares of common stock (worth \$5.5 million based upon the estimated fair value of HSI) to the previous owners of Mulder. See Note 2 of "Heidrick & Struggles International, Inc. and Subsidiaries--Notes to Consolidated Financial Statements."

Liquidity and Capital Resources

The Company periodically evaluates its liquidity requirements, capital needs and availability of capital resources in view of plans for expansion and other operating cash needs. H&S has historically financed its operations primarily through internally generated funds, supplemented by sales of common stock to certain key employees and periodic borrowings under their respective credit facilities. H&S Inc. and HSI have accrued employee bonuses throughout the year. H&S Inc. has paid such bonuses in December, and HSI has paid such bonuses in December and March. 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 Offering and related sales of shares to employees pursuant to the Employee Share Purchase, 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. If the Company undertakes significant acquisitions, however, it may need access to additional sources of debt or equity financing.

H&S Inc.

H&S Inc. maintained cash and cash equivalents at December 31, 1997 and 1998 totaling \$10.1 million and \$10.4 million, respectively. Towards these sums, cash flows from operating activities contributed \$6.7 million in 1997, reflecting principally the net income from operations. For 1998, operating activities used \$174,000 of cash reflecting the net loss offset by increases in non-cash expenses for stock based compensation, depreciation and amortization and equity in net loss of affiliate.

On June 26, 1998, H&S Inc. purchased selected assets and liabilities of Fenwick Partners, Inc. for approximately \$6.1 million in cash and notes. On October 1, 1998, H&S Inc. purchased selected assets of Heidrick Partners, Inc. for \$2.0 million in cash and notes. These acquisitions resulted in a use of cash of \$4.1 million.

Cash flows from financing activities were \$6.0 million and \$22.1 million for 1997 and 1998, respectively. H&S Inc.'s financing activities consisted principally of sales of its common stock to employees net of repurchase obligations, amounts due in connection with 1997 and 1998 acquisitions and borrowings under its line of credit. H&S Inc.'s long-term debt consists of amounts payable to former shareholders from whom H&S Inc. has repurchased stock and amounts due in connection with the Fenwick acquisition.

H&S Inc. 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 \$22.0 million outstanding under this line of credit at December 31, 1998. 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"). A Non-U.S. Borrowing bears interest at the then existing LIBOR plus a margin as determined by certain tests of H&S Inc.'s financial condition (the "Applicable Margin"). A U.S. Borrowing bears interest at the then existing prime rate. At December 31, 1998, the interest rate on the debt was LIBOR plus the Applicable Margin, which sum equaled 6.8%. This line of credit replaced a \$25.0 million line of credit which had been effective since October 1, 1997. There was \$3.5 million outstanding under the line of credit at December 31, 1997 and the borrowings bore interest at LIBOR plus 1% or the prime rate, at the Company's discretion. At December 31, 1997, the interest rate on the debt was fixed at approximately 8.5%. 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. See Note 5 to Consolidated Financial Statements.

Capital expenditures amounted to \$5.7 million and \$13.8 million for 1997 and 1998, respectively. These expenditures were primarily for system development costs, office furniture and fixtures, leasehold improvements and computer equipment and software. The system development costs relate primarily to H&S Inc.'s IGIS initiative. IGIS expenditures of \$1.2 million in 1997 and \$9.0 million in 1998 have been capitalized. Additional capital expenditures of \$10.2 million are expected to be made in 1999 and will begin being amortized once they are implemented.

HSI.

HSI maintained cash and cash equivalents at December 31, 1997 and 1998, amounting to \$8.1 million and \$15.8 million, respectively. Towards these sums, cash flows from operating activities contributed \$4.2 million in 1997 principally reflecting decreases in working capital and non-cash expenses for depreciation and amortization. For 1998, cash flows provided by operating activities were \$7.5 million due primarily to decreases in working capital and non-cash expenses for stock based compensation and depreciation and amortization, offset by the net loss from operations.

Cash flows from financing activities were \$9.7 million and \$10.9 million, respectively for 1997 and 1998. Borrowings during 1997 increased significantly in connection with payments required to finance the Mulder acquisition. Borrowings during 1998 principally reflect funding of employee bonuses and the purchase of certain property and equipment. HSI's financing activities include borrowings and payments on its credit facility, purchase and sales of its common stock to employees and borrowings under a loan agreement with H&S Inc.

HSI's long-term debt consists of amounts payable to former shareholders who have sold their stock back to HSI. HSI has an \$8.0 million multicurrency line of credit. This facility will reduce to \$4.9 million on March 1, 1999, \$1.1 million on May 1, 1999 and will terminate on May 31, 1999. The borrowings bear interest at the European OverNight Index Average ("EONIA") plus 100 basis points or LIBOR plus 100 basis points, depending on the currency of the borrowing. The borrowings can be drawn in Euros, ECU or British Pounds. At December 31, 1998, there was \$3.4 million outstanding under the facility and the interest rate was 4.6%. In addition, HSI has a \$10.5 million multicurrency line of credit, denominated in ECU expiring on July 1, 2002. The interest rate on this credit line is LIBOR plus 1%. The interest rate at December 31, 1997 and 1998 was 7.2% and 6.6%, respectively. The credit line has a financial requirement which requires that the ratio of total debt to tangible net worth be less than 90%. As a result of this financial requirement, retained earnings are restricted to the extent the ratio of debt to tangible net worth exceeds 90%. The total outstanding balance was \$7.6 million and \$8.3 million at December 31, 1997 and 1998, respectively. Investments greater than \$2 million and sales of significant German assets are prohibited without prior written approval of the banks. In addition, HSI has a \$1.2 million line of credit denominated in German Marks. The borrowings bear interest at a variable rate between 4.9% and 7.5% depending on the number of days the relevant borrowing is outstanding. At December 31, 1998, there was no balance outstanding.

Capital expenditures totaled \$6.0 million and \$9.7 million for 1997 and 1998, respectively. These expenditures consisted primarily of purchases of computer equipment and software and, office furniture and fixtures. Additionally, HSI made payments in connection with the Mulder acquisition of \$9.4 million in cash and stock during 1997 and \$1.3 million in cash during 1998.

Quarterly Comparisons

The following table sets forth certain quarterly financial information of H&S Inc. and HSI for each quarter of 1997 and 1998. The information is derived from the quarterly financial statements of the companies which are unaudited but which, in the opinion of management, have been prepared on the same basis as the financial statements included herein and include all adjustments, consisting only of normal recurring items, necessary for the fair presentation of the information for the periods presented. The financial data shown below should be read in conjunction with the respective Consolidated Financial Statements and Notes thereto. The operating results for any quarter are not necessarily indicative of results for any future period.

H&S Inc.	Fiscal Quarters Ended							
	1997				1998			
	March 31	June 30	Sept. 30	Dec. 31	March 31	June 30	Sept. 30	Dec. 31
	(in thousands)							
Revenue.....	\$39,973	\$46,375	\$49,961	\$43,935	\$45,937	\$52,778	\$59,261	\$ 46,039
Operating income (loss).	1,440	3,965	5,383	1,157	827	2,742	4,493	(18,454)(1)
Net income (loss).....	890	1,767	2,962	824	200	1,240	2,294	(19,988)(2)

HSI	Fiscal Quarters Ended							
	1997				1998			
	March 31	June 30	Sept. 30	Dec. 31	March 31	June 30	Sept. 30	Dec. 31
	(in thousands)							
Revenue.....	\$17,953	\$18,121	\$18,495	\$28,163	\$28,053	\$31,402	\$34,290	\$ 31,239
Operating income (loss).	1,479	629	322	655	(103)	1,195	1,149	(17,884)(3)
Net income (loss).....	724	214	14	(260)	(549)	(2,103)(4)	324	(15,037)(5)

- (1) Includes \$12.7 million of non-recurring charges comprised of (i) \$9.9 million of salaries and benefits expense arising from the difference between the issuance price of shares issued by the Company in December 1998 and the fair market value of such shares at the date of grant and (ii) \$2.8 million of salaries and benefits expense arising from the early settlement of profit sharing arrangements relating to the acquisition of certain Latin American offices.
- (2) Includes a non-recurring \$2.5 million charge incurred in connection with the costs of the postponement of the Offering in September 1998.
- (3) Includes \$11.9 million of non-recurring charges comprised of (i) \$1.3 million of salaries and benefit expense due to the amortization of deferred compensation expense resulting from the Mulder acquisition, (ii) \$4.9 million of salaries and benefits expense arising from the difference between the issuance price of shares issued by the Company in December 1998 and the fair market value of such shares at the date of grant, (ii) \$5.7 million of salaries and benefits expense arising from the termination agreement with Gerard Clery-Melin, HSI's former President and Chief Executive Officer, and the termination agreement of a non-executive HSI employee. The \$5.7 million charge is comprised of \$3.0 million for compensation and other amounts to be paid in accordance with the termination agreements and a \$2.7 million non-cash charge representing the difference between the current book value and appraised fair market value of shares retained subsequent to termination. See "Management."
- (4) Includes \$2.9 million associated with the writeoff of leasehold improvements and accruals for non-cancelable lease commitments due to a decision to relocate the London office.
- (5) Includes a non-recurring \$1.3 million charge incurred in connection with the costs of the postponement of the Offering in September 1998.

BUSINESS

General

Heidrick & Struggles International, Inc. is one of the leading global executive search firms and believes that, based on revenues, it is the largest executive search firm in the United States and the second largest in the world. With over 45 years of experience in fulfilling its clients' leadership needs, H&S offers and conducts executive search services in nearly every major business center in the world. The Company's services focus on the identification, evaluation and recommendation of qualified candidates for senior level executive positions. Through its worldwide network of approximately 750 professionals in 59 offices, H&S provides executive search services 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. The size of the Company's business has grown significantly over the past five years as evidenced by the fact that the combined worldwide revenues of H&S Inc. and HSI have grown at a compound annual rate of approximately 25%.

Executive Search Industry Overview

Executive search firms are generally separated into two broad categories: retained search firms and contingency search firms. Retained search firms fulfill their clients' senior leadership needs by working on a consultative basis with clients in identifying, evaluating, assessing and recommending qualified candidates for senior level positions, typically with annual cash compensation of \$100,000 and above. Retained firms generally are compensated for their services whether or not they are successful in placing a candidate, and are generally retained on an exclusive basis. On the other hand, contingency search firms focus primarily on mid-level positions with annual cash compensation of less than \$150,000. Contingency firms are compensated only upon successfully placing a recommended candidate, and are generally not hired on an exclusive basis or involved in the evaluation, assessment or recommendation of candidates. Both types of firms are normally paid a fee for their services equal to approximately one-third of the first year total cash compensation for the position being filled.

According to Kennedy, a leading industry source, revenue in the executive search industry historically has been divided almost evenly between retained and contingency search firms; however, retained search firms are estimated by Kennedy to employ only one-third of the consultants in the industry. Thus, the average revenue per consultant for retained firms generally is substantially higher than for contingency firms.

Worldwide executive search industry revenue has grown at a 20% compound annual growth rate from approximately \$3.5 billion in 1993 to approximately \$7.3 billion in 1997 according to Kennedy. The executive search industry is highly fragmented, consisting of more than 4,000 executive search firms worldwide. According to Kennedy's Executive Recruiter News ("ERN"), more than 80% of retained firms and approximately 90% of contingency firms generated less than \$2 million in revenues in 1997.

H&S believes that a number of favorable trends are contributing to the growth of the executive search industry, including the following:

Increased Competition for Executive Talent. Historically, it was typical for executives to spend an entire career with one or two organizations. However, in today's rapidly changing business environment, companies have been aggressively seeking outside talent and, as a result, successful executives are often recruited by a number of different organizations in various geographic locations over the course of their careers. This increase in competition for management talent and the resulting executive turnover has forced many companies to seek assistance in recruiting executives on a more frequent basis. Increased competition has also caused compensation levels for executives to increase considerably over the past several decades. Because fees for executive search firms are based on cash compensation, higher cash compensation levels have translated into higher executive search fees.

Greater Acceptance by Corporate Leadership of the Use of Executive Search Consultants. The influence of a number of factors including larger institutional shareholdings, a rise in shareholder activism and a greater concern for corporate governance have led many boards of directors and company management teams to expect that their choices of senior executives will be under greater scrutiny than was the case in the past. As a result of these trends, many boards of directors and company management teams hire outside executive search firms to advise them with respect to their selection and recruitment of executives.

Increased Globalization of Business. The increasing globalization of business has created demand, particularly from multinational enterprises, for executives in parts of the world in which such enterprises do not have significant prior operating experience. Because the process of identifying and evaluating candidates across national borders can be difficult, these enterprises have turned to executive search firms for assistance.

Increased Demand for Executive Search Services by Start-up and Newly-acquired Companies. The recent growth in the amount of capital available for investment in start-up companies and for acquisitions has created a need for talented executives to manage these entities. The activities of private equity investors and venture capital firms have been accelerating at such a pace that they often find it difficult to identify leaders for the companies in which they invest, and these investors have often sought the services of executive search firms to aid them in this task.

Greater Need for Executives with Diverse Leadership Skills. In response to a rapidly changing business environment, companies are setting more stringent hiring standards for senior executives. The process of identifying and evaluating such executives is therefore becoming more difficult and, as a result, companies are increasingly relying on executive search firms to help them meet their leadership needs.

Reduction in Number of Layers of Management. The recent trend of corporate "right-sizing" by eliminating certain layers of management at a number of companies has effectively reduced the internal pool from which such companies can draw talented managers. In lieu of the traditional practice of grooming leaders from within, companies have increasingly used executive search firms to find appropriate talent from outside their organization.

Key Competitive Strengths

The Company believes that it possesses several key competitive strengths which position it to capitalize on the growing demand for its services. These strengths include the following:

Experienced Team of Executive Search Consultants. As of December 31, 1998, the Company employed 346 consultants who, on average, have approximately 10 years of experience in executive search and 9 years of experience in other industries. H&S believes that this depth of experience is a prerequisite to the effective performance of senior level executive searches. The Company attributes its success in attracting and retaining such high caliber consultants to its premier reputation, unique team oriented culture and performance-based compensation system. The Company believes that its attractiveness as an employer is reflected in its low turnover rate among its consultants. For the period from January 1, 1995 through December 31, 1998, an annual average of fewer than 1.5% of H&S's consultants left to work elsewhere in the executive search industry. Under the Company's compensation system, a portion of the bonus for a particular assignment goes to the consultants who originate the executive search assignment, and a portion goes to the consultants who perform the executive search assignment. In addition, a portion of each consultant's annual compensation is based on management's assessment of that consultant's teamwork. This compensation component encourages the Company's consultants to work as a team and is part of the reason that 59% of the executive searches performed in 1998 by H&S were shared by two or more consultants. The incentive to utilize the differing talents of the Company's consultants means that those who originate an assignment outside of their area of expertise often bring that assignment to those with a specific industry or functional skill to execute the search.

Global Presence. The Company's 59 offices are located in major business centers in 30 countries around the world. The Company's global presence enables it to serve the needs of multinational companies and local businesses worldwide, and provides it with access to an international network of candidates and referral sources. The Company's offices in North America, Europe, Asia Pacific and Latin America employ 174, 131, 26 and 15 consultants, as of December 31, 1998, respectively, and generated 1998 revenues of \$180 million, \$125 million, \$14 million and \$10 million, respectively. The Company's global reach allows it to benefit from the increasing globalization of business and the demand, particularly from multinational enterprises, for assistance in identifying and evaluating candidates for executive positions across national borders.

Emphasis on Senior Level Executive Search. H&S is an industry leader in placing senior level executives within the world's largest and most complex organizations. Approximately 66% of the executive searches performed by the Company worldwide, representing approximately 73% of revenues (and approximately 81% of the searches performed in North America, representing approximately 81% of revenues) in 1998, were for CEOs, presidents, CFOs, COOs, CAOs, CIOs, members of boards of directors and other senior management positions (such as division and department heads). These senior level executive searches generally provide a higher level of revenue per search and result in greater visibility with the Company's clients and within the executive search industry. The Company believes that performing senior level, high profile executive search assignments: (i) strengthens its brand name recognition and contacts with leading decision makers, referral sources and high caliber candidates; (ii) enhances H&S's ability to secure other senior level executive searches; and (iii) enables the Company to attract and retain highly qualified consultants.

Industry Practice Groups and Functional Specialties. H&S's business is organized around seven core industry practice groups, each focused on a specific industry. These core industry practice groups are international technology, industrial, consumer products, financial services, health care, professional services and higher education/not-for-profit. Certain H&S consultants also specialize in searches for functional positions such as members of boards of directors, CEOs, CFOs and CIOs. The Company believes that its operational structure provides its clients with superior executive search services by enabling its consultants to successfully build relationships with candidates and referral sources and to understand its clients' cultures, operations, business strategies and industries. These factors are critical to understanding clients' and candidates' needs and ultimately to the successful placement of a candidate. The Company's industry practice groups and functional specialties emphasize H&S's consultative approach and are designed to build and maintain long-term relationships with its clients.

Global Support Platform. The Company's consultants work with a team of 406 associates (as of December 31, 1998), all of whom have access to a sophisticated global technology infrastructure. This technology infrastructure consists of internally developed proprietary global databases containing over 840,000 candidate profiles and over 29,000 client records, coupled with a broad range of on-line services and industry reference sources. H&S also deploys advanced Internet-based technology to support the research needs of the Company's professionals. The Company believes that its global support structure enables its professionals to complete searches efficiently and effectively. Given the importance of technology to the search process, H&S is continuing to improve its information management infrastructure by implementing IGIS, an ongoing strategic technology initiative. IGIS is designed to enhance the functionality, speed and quality of the Company's information management. See "--Assignment Research and Information Management."

Growth Strategy

The Company's goal is to be the leading global provider of executive search services while achieving sustainable revenue and earnings growth. The Company pursues a focused growth strategy with the following key elements:

Expand and Develop Client Relationships. The Company continually seeks to expand its relationships with existing clients and to develop new client relationships. The Company accomplishes this by continuing to (i)

aggressively pursue the highest level executive search assignments, (ii) expand the breadth and depth of its industry practice groups and functional specialties, (iii) offer services across a broadening range of geographic locations by strategically opening offices in cities where H&S is not currently located and (iv) actively recruit consultants who have the demonstrated ability to expand the Company's client base. Historically, the Company has successfully expanded its client base and generated repeat business from existing clients. For example, H&S had over 1,800 clients in 1995 and over 3,100 in 1998. Of the searches performed in 1998, more than 75% were on behalf of clients or their affiliates for whom the Company had conducted multiple assignments over the last six years. As appropriate, H&S will strategically open new offices in cities where it is not currently located in order to serve the needs of its clients and plans to open one or two offices in each of the next several years. Between 1995 and 1998, including through acquisitions, the Company added 26 offices and 178 consultants.

Pursue Strategic Acquisitions. The executive search industry is highly fragmented, consisting of more than 4,000 executive search firms worldwide. The industry has been consolidating in recent years as a number of smaller firms have joined with larger firms in the industry, such as H&S, in order to gain the benefits of superior managerial, financial and technological resources. The Company maintains a focused acquisition strategy designed to acquire executive search firms with complementary corporate cultures in order to increase its penetration in existing and new geographic markets and expand the depth and breadth of its industry practice groups and functional specialties. The Company has completed a number of strategic acquisitions worldwide that are consistent with its acquisition strategy and evaluates potential acquisitions on an ongoing basis. See "--Recent Strategic Acquisitions and Alliance."

Enhance Executive Search Professional Productivity. The Company believes that its consultants generate one of the highest levels of average revenue per consultant in the industry. H&S's consultants generated an average revenue per consultant of \$1.2 million in the U.S. in 1997 as compared to \$809,000 for the average of the other nine of the largest ten U.S. executive search firms. H&S believes that its infrastructure can be leveraged to allow for increases in the productivity of its executive search professionals. Specifically, the Company expects that its IGIS initiative will enable H&S's professionals to access a greater amount of information sources more quickly and to perform more sophisticated search functions to help them identify candidates more efficiently and effectively. IGIS will provide the Company with a scalable technology infrastructure that will support a significant number of additional users without significant incremental costs.

Pursue New, Complementary Lines of Business. H&S expects that it will expand the range of services it offers, including Internet-based recruiting, interim management placement, management audit and board of directors consulting services. LeadersOnline offers a comprehensive recruiting service for technology professionals through its secure Internet site, utilizing proprietary software and a methodology designed to serve clients' growing demand for such professionals, especially those in critical-need positions. The service provides an integrated recruiting solution, including candidate identification, screening, degree and job verification and recruiting progress management, which allows the Company to expedite the search process. Clients interact with LeadersOnline through a secure Internet site where they may analyze pre-screened candidates for opportunities in the \$75,000 to \$150,000 annual compensation range, a market not previously targeted by the Company. H&S may consider obtaining strategic partners, investors or alliances in connection with such new lines of business.

Services

H&S provides executive search services exclusively on a retained basis for 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.

The H&S executive search process typically consists of the following steps: (i) analyze the client's needs in order to (a) determine the required set of skills for the position, (b) understand its organizational structure, relationships and culture, (c) define the required experience, and (d) identify the other characteristics necessary for the successful candidate; (ii) prepare a written position specification that outlines the responsibilities of the position, qualifications required of the ideal candidate, and criteria for success; (iii) share the written specification with (a) other H&S consultants with relevant industry and functional expertise to pinpoint referral sources and candidates and (b) the research team which will identify candidates from a broad range of sources; (iv) identify

candidates; (v) interview and evaluate candidates on the basis of experience and potential cultural fit with the client organization; (vi) present confidential written reports on the candidates who most closely fit the position specification; (vii) schedule a mutually convenient meeting between the client and each candidate; (viii) collect references on the final candidate; and (ix) assist in structuring of the compensation package and supporting the successful candidate's integration into the client team.

Internet-based Recruiting Initiative. The Company began the research and development of LeadersOnline to focus upon critical-need technology professionals, approximately two years ago and launched the service in March 1999. As of January 1999, LeadersOnline had an online proprietary database of 250,000 technology candidates. Candidates register with the Company's Internet-based recruiting service by completing a simple on-line profile that takes approximately eight to ten minutes. Candidates obtain confirmation within 24 hours of submitting their profile and are notified periodically as matching positions become available. Additional candidates are proactively identified through targeted advertising and telephone recruiting. When the Company's Internet-based recruiting service receives a search assignment from a client, the Company designs a custom candidate database according to the client's specifications and skill requirements.

LeadersOnline: (i) matches position specifications against the proprietary database and produces a short-list of candidates, (ii) notifies matched candidates by electronic mail, informs them about the position and requests permission to perform verification of degrees, employment and other background information, (iii) conducts profile verification through a third party information service company, (iv) forwards a verified candidate list to the client, and (v) generates recruiting progress management reports throughout the process to track the progress of multiple searches and provide available candidate feedback. The entire system is designed to ensure confidentiality to both clients and candidates and is delivered through a secure customizable extranet for client use.

Company Organization

The Company's operational structure is designed to provide high quality executive search services to its clients worldwide. The Company organizes its team of executive search consultants by: (i) industry practice groups; (ii) functional specialties and (iii) geography, through its network of offices. On a given search assignment, the Company will generally utilize the expertise of consultants in more than one of its offices, industry practice groups and functional specialties. For example, an executive search for a CIO of a financial services company located in London may involve an executive search consultant in London with an existing relationship with the client, another executive search consultant in New York with expertise in the financial services practice group and a third executive search consultant in Menlo Park with expertise in CIO recruiting. By combining consultants with varying geographic, industry and functional expertise, the Company believes that it can best ensure the successful completion of executive search assignments for its clients.

Industry Practice Groups. The Company's business is organized around seven core industry practice groups, each focused on a particular industry. These core industry practice groups and their relative sizes, as measured by revenues, are as follows:

Industry Practice Group -----	Percentage of 1998 Revenue -----
International Technology.....	27%
Industrial.....	19
Financial Services.....	19
Consumer Products.....	17
Health Care.....	8
Professional Services.....	4
Higher Education/Not-for-Profit.....	3
Other.....	3

	100%

Consultants from each of these industry practice groups can be located in any one of the Company's offices. Certain markets have a significant concentration of companies within particular industry sectors, and the Company has staffed its offices accordingly. For example, the Company's financial services practice group has its largest concentration of consultants in New York and London, the two largest financial centers in the world. Each industry practice group is coordinated by a Practice Managing Partner who (i) establishes marketing and search strategies, (ii) identifies focused accounts and target clients and (iii) facilitates and assists the marketing activities of the consultants in the group. The Company believes that this operational structure provides its clients with superior services by enabling its consultants to successfully build relationships with candidates and referral sources within particular industries and to understand its clients' operations, business strategies and industry dynamics and company culture. H&S believes that these factors are critical to the successful placement of a candidate.

Functional Specialties. H&S recognizes that the task of searching for candidates for certain executive positions often requires specialized skills in much the same way as a search for an executive in a particular industry. As a result, certain H&S consultants specialize in searches for particular positions such as a board of directors member, CEO, CFO or CIO. Typically, a consultant in a particular industry practice group who receives an assignment for a given functional position will consult with one or more colleagues with the appropriate functional expertise throughout the search assignment. This coordination benefits the Company's clients because the best candidate for certain functional positions often will come from a different industry. For example, a client in the industrial sector seeking a new CIO may benefit from exposure to a candidate whose background is in the health care sector, even though that candidate may be less well known by the members of H&S's industrial practice group. Since the Company's functional specialists tend to have experience with appropriate candidates from many different industries, they can bring experience from a range of industry practice groups to the assignment.

Global Network. H&S is a major executive search presence through its global network of 59 offices located in 30 countries, and offers and conducts executive searches in nearly every major business center in the world. Each office is managed by an Office Managing Partner and staffed with consultants, associates, administrative assistants and other support staff. While central administrative functions are provided by the Chicago office, each region has its own regional manager as well as research and support functions.

The following listing sets forth the regions, countries and locations where the Company maintained offices and had affiliate offices as of December 31, 1998:

Region	Country	Location
North America	United States	Atlanta, GA
		Boston, MA
		Charlotte, NC
		Chicago, IL
		Cleveland, OH
		Dallas, TX
		Greenwich, CT
		Houston, TX
		Irvine, CA
		Jacksonville, FL
		Los Angeles, CA
		Menlo Park, CA
		Miami, FL
		New York, NY
		Philadelphia, PA
		Route 128, MA
		San Francisco, CA
Tysons Corner, VA		
Washington, DC		
Asia Pacific	Canada	Toronto
	Australia	Melbourne
		Sydney
	Hong Kong	Hong Kong
	India	New Delhi
Latin America	Japan	Tokyo
	Singapore	Singapore
	Argentina	Buenos Aires
	Brazil	Sao Paulo
	Chile	Santiago
	Mexico	Mexico City
	Peru	Lima
Venezuela	Caracas	

Region	Country	Location	
Europe	Belgium	Brussels	
	Czech Republic	Prague	
	Denmark	Copenhagen	
	Finland	Helsinki	
	France	Paris	
	Germany	Berlin	
		Dresden	
		Dusseldorf	
		Frankfurt	
		Hamburg	
		Munich (2 offices)	
		Milan	
		Rome	
		The Netherlands	Amsterdam
		Norway	Oslo
	Poland	Warsaw	
	Portugal	Lisbon	
	Russia	Moscow	
	Spain	Barcelona	
		Madrid	
Stockholm			
Sweden	Stockholm		
Switzerland	Geneva		
	Zurich		
United Kingdom	London		
	Manchester		
Middle East	Israel	Tel Aviv	
Africa	South Africa	Capetown*	
		Johannesburg*	

*Affiliate offices

The Company has 19 offices in the United States and one in Canada and, as of December 31, 1998, employed a total of 174 consultants in the region. Approximately 55% of the Company's worldwide revenues in 1998 were generated in the United States and Canada. The largest offices in the North American region in terms of revenues are New York, Menlo Park and Chicago. The New York office is a leader of the financial services practice, the Menlo Park office is the center of the Company's international technology practice, and the Chicago office has a diverse practice which includes a significant concentration of consultants in the industrial and health care practices.

Europe, Middle East and Africa

H&S has 26 offices in 16 European countries, one office in the Middle East, a strategic alliance with an affiliate having two offices in South Africa and, as of December 31, 1998, employed 131 consultants. Approximately 38% of the Company's worldwide revenues in 1998 were generated by these offices. The Company's offices in Germany, the United Kingdom and France generate the highest revenues of the H&S offices in these regions. The markets in Germany and the United Kingdom are the two largest executive search

markets in Europe, and the Company has a strong market position in both of these countries. In 1997, H&S believes that (with the inclusion of Mulder) it generated more revenue than any other executive search firm in Germany, and, as measured by revenues, was the fourth largest in the United Kingdom. The German practice grew significantly with H&S's 1997 acquisition of Mulder, and presently there are seven H&S offices in Germany. See "--Recent Strategic Acquisitions and Alliance." The United Kingdom office is a leader in financial services placement, largely serving the needs of multinational British financial enterprises based in the City of London.

Asia Pacific

H&S has offices in Melbourne, Sydney, Hong Kong, New Delhi, Tokyo and Singapore and, as of December 31, 1998, employed 26 consultants in the Asia Pacific region. Approximately 4% of the Company's worldwide revenues in 1998 were generated in the Asia Pacific region. The focus of the Company in the Asia Pacific region is to serve the regional needs of multinational corporations headquartered in the United States and Europe.

Latin America

H&S has six offices and, as of December 31, 1998, employed 15 consultants in Latin America. Approximately 3% of the Company's worldwide revenues in 1998 were generated in the Latin American region. Similar to the Company's focus in the Asia Pacific region, the focus of the Company in the Latin American region is to serve the regional needs of multinational corporations headquartered in the United States and Europe.

Clients and Marketing

The Company has a diverse group of clients in a variety of industries located throughout the world, 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. No single client accounted for over 2% of the Company's revenues in 1998. Historically, the Company has been successful both in adding to its client base and in generating repeat business from existing clients. For example, H&S was engaged by over 1,800 clients in 1995 and over 3,100 in 1998, and, of the searches performed in 1998, more than 75% were on behalf of clients for whom the Company had conducted multiple assignments over the last six years.

The Company's consultants market the firm's executive search services through two principal means: (i) targeted client calling and (ii) industry networking with clients and referral sources. These efforts are assisted by the Company's databases which provide all H&S consultants with up to date information as to contacts made by their colleagues with particular referral sources, candidates and clients.

In addition to its active marketing, the Company benefits from a significant number of referrals generated by its reputation for successfully completed assignments. To build on this advantage, H&S seeks to develop an enhanced awareness of the Heidrick & Struggles brand name. As a result of its efforts, H&S is more frequently invited to make presentations to prospective clients, often competing for executive search engagements with major competitors in the industry. In 1998, H&S succeeded in obtaining executive search engagements from a majority of the presentations in which it participated. The Company publishes a quarterly leadership journal, The Art of Taking Charge, which is distributed to senior executives, features interviews with business leaders and publicizes the Company's brand name.

One of the limitations of the firm's marketing is the existence or anticipated existence of blocking arrangements. Either by agreement with clients or for client relations purposes, executive search firms frequently refrain from recruiting employees of a client, and possibly other entities affiliated with that client, for a specified period of time (generally not more than one year). See "Risk Factors--Restrictions Imposed by Blocking

Arrangements." H&S actively manages its blocking arrangements and seeks to mitigate adverse effects of blocking by strengthening its long-term relationships with focused accounts. Additionally, in recent years market conditions and industry practices have resulted in blocking arrangements that are becoming narrower in scope and shorter in duration.

Assignment Research and Information Management

In addition to LeadersOnline, the Company's Internet-based recruiting service discussed above, the Company's technology infrastructure consists of internally developed global databases containing over 840,000 candidate profiles and approximately 29,000 client records, coupled with a broad range of on-line services and industry reference sources. H&S's professionals use the Company's information technology infrastructure to (i) gather business intelligence regarding clients' businesses, industries, competitors and strategies, (ii) develop and manage company and candidate profiles, (iii) identify market needs and new business opportunities and (iv) coordinate and implement marketing, communication, financial and administrative functions. The Company believes that its global support structure allows its professionals to complete searches efficiently and effectively. Given the importance of technology to the search process, H&S is continuing to improve its information management infrastructure by implementing IGIS. IGIS is designed to enhance the functionality, speed and quality of the Company's information management.

IGIS represents a long-term strategic initiative for the deployment of technology and is designed to support rapid growth of the Company. Phase I of IGIS will upgrade the Company's financial management systems and the H&S search system and such upgrades are expected to be operational in the second and third quarters of 1999, respectively. A PeopleSoft based financial management system will provide a fully integrated worldwide accounting and financial reporting system. An Oracle-based search system will allow H&S consultants to more efficiently and effectively manage complex search assignments, while keeping them informed about client and candidate contacts. The IGIS upgrades will also enhance the ease and speed of use and information processing on the Internet, one of the Company's most valuable information tools. In addition to its Internet-based search service, the Company uses Internet technology in three other primary ways: (i) as an external source of information through the broad range of online information resources, (ii) through the Company's intranet, as a tool for organizing and accessing its internally generated information, including H&S's proprietary databases and (iii) through the Company's extranet, as a means of connecting clients and candidates in its core executive search practice on a secure network where each can review information about the other. Phase II of IGIS will deploy refinements to the financial and search systems as well as new systems to provide tailored automated data reporting and financial and operating information to the Company's senior managers.

The Company's information technology infrastructure, including IGIS, is overseen by a technology management team led by H&S's Managing Partner of Global Technology. Among other services, this team provides the Company's employees with coordinated training programs. To address issues of data security associated with increasing remote database access, the Company uses password protection and conducts regular security audits. In addition, the Company currently utilizes video-conferencing technology in many of its locations. This technology facilitates candidate interviews and presentations to client search committee members in different locations. The Company intends to continue to develop its technology infrastructure as its and its clients' needs evolve.

LeadersOnline utilizes a separate information technology infrastructure consisting of a proprietary software platform and a technology management team (currently consisting largely of contract professionals) also led by H&S's Managing Partner of Global Technology.

Professional Staff and Employees

As of December 31, 1998, H&S had 1,412 full time employees, of which 346 were consultants, 406 were associates and 660 were corporate and support staff. In each of the last five years, no single consultant accounted for any material portion of the Company's revenues. H&S is not a party to any collective bargaining agreement and considers relations with its employees to be good. H&S's executive search professionals are categorized either as consultants or associates. Associates assist consultants by performing research and other functions.

Competition

The executive search industry is highly competitive. It is estimated that there are more than 4,000 executive search firms worldwide. There are relatively few barriers to entry and new competitors frequently enter the market. While H&S faces competition to some degree from all firms in the industry, the Company believes its most direct competition comes from other retained search firms. In particular, H&S competes with other large search firms specializing in senior level executive search, including: SpencerStuart & Associates, Egon Zehnder International, Russell Reynolds Associates, Inc., and Korn/Ferry International. To a lesser extent, H&S also faces competition from smaller boutique or specialty firms that specialize in certain regional markets or industry segments. Each firm with which H&S competes is also a competitor in seeking to attract the most effective consultants. In the Company's experience, the executive search business is more quality-sensitive than price-sensitive. As a result, H&S competes on the level of service it offers, reflected by its industry practice groups, functional specialties and client focus, and, ultimately, on the quality of its search results.

Recent Strategic Acquisitions and Alliance

Over the past two years, the Company has successfully completed the strategic acquisition of two executive search firms and a strategic alliance with one executive search firm:

Fenwick. On June 26, 1998, the Company acquired Fenwick, a Boston-based executive search firm which employed nine consultants and had fiscal 1997 revenues of \$6.4 million. This transaction expanded the reach of H&S's international technology group into a third key technology center in the United States. Fenwick, based in the "Route 128" technology corridor in Massachusetts, complements the Company's existing offices in Menlo Park, California and Tysons Corner, Virginia which also focus on senior level recruitment for computer hardware and software, telecommunications, engineering and medical electronics companies.

Mulder. On October 1, 1997, the Company acquired Mulder which employed 13 consultants. Prior to the acquisition, Mulder was the largest executive search firm in Germany, as measured by revenues, with \$21.8 million in revenues for the nine months ended September 30, 1997. This transaction immediately positioned the Company as the largest executive search firm in Germany and the second largest in Europe.

Redelinghuys. On August 31, 1998, the Company entered into an alliance with Redelinghuys & Partners, a senior level executive search firm with offices in Capetown and Johannesburg in the Republic of South Africa. The alliance consists of a licensing agreement as well as a transfer fee sharing agreement and allows the Company to expand its services to its clients to the African continent.

Facilities

The Company leases all of its office locations. The aggregate square footage of office space under such leases was approximately 446,904 as of December 31, 1998. The leases for these offices call for future minimum lease payments of approximately \$97 million and have terms which will expire between 1999 and 2013 (exclusive of renewal options exercisable by H&S). H&S believes that its facilities are adequate for its current needs and that it will not have difficulty leasing additional office space to satisfy anticipated future needs.

Insurance

H&S maintains insurance in such amounts and with such coverages and deductibles as management believes are adequate. The principal risks that H&S insures against are professional liability, workers' compensation, personal injury, bodily injury, property damage and fidelity losses. There can be no assurance that the Company's insurance will adequately protect it from potential losses and liabilities. See "Risk Factors--Executive Search Liability Risk."

Legal Proceedings

From time to time the Company has been involved in litigation incidental to its business. H&S 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. On April 23, 1999 the Company received a letter from an attorney representing a company for which a current H&S employee had provided consulting services. This letter threatened litigation in connection with the Company's LeadersOnline venture asserting that certain aspects of the LeadersOnline website were prepared using confidential information learned by the H&S employee while providing these consulting services. No action has yet been commenced against the Company regarding this matter. While the Company and its counsel are reviewing the assertions made in this letter, the Company currently believes that such assertions are without merit and intends to defend vigorously any litigation that may arise.

MANAGEMENT

Directors and Executive Officers

The Company's Board of Directors initially will have eight members, all of whom will be employees of the Company, and three vacancies. The Company expects to fill the three vacancies with independent directors within 90 days of the consummation of the Offering. In accordance with the Certificate of Incorporation, the members of the Board of Directors are divided into three classes whose terms of office expire at the third succeeding annual stockholders' meeting following their election to office or until a successor is duly elected and qualified. The Certificate of Incorporation also provides that such classes shall be as nearly equal in number as possible. The terms of office of the Class I, Class II, and Class III directors expire at the annual meeting of stockholders in 2000, 2001, and 2002, respectively. The following are the employee directors and executive officers of the Company:

Name	Age	Position with Company	Director Class
- - - - -	- - -	- - - - -	- - - - -
Patrick S. Pittard.....	53	President and Chief Executive Officer, Director	III
Donald M. Kilinski.....	39	Chief Financial Officer and Treasurer	--
Richard D. Nelson.....	59	Chief Administrative Officer, Counsel and Secretary	--
Gerard R. Roche.....	67	Senior Chairman, Director	III
David C. Anderson.....	56	North America Managing Partner, Director	II
Thomas J. Friel.....	51	Asia Pacific Managing Partner, Director	II
David B. Kixmiller.....	49	Director	I
Bengt Lejsved.....	54	Director	I
Dr. Jurgen B. Mulder....	61	President--Europe, Director	III
Dr. John C. Viney.....	51	Chairman--Europe, Director	II

Patrick S. Pittard has been President and Chief Executive Officer of the Company and a member of the Board of Directors of the Company since the Merger. Prior to the Merger, he had been President and Chief Executive Officer of H&S Inc. since 1997 and had been a member of the Board of Directors of H&S Inc. since 1986. Since joining H&S Inc. in 1983, Mr. Pittard has held the positions of Office Managing Partner for the Atlanta and Jacksonville offices and North America Managing Partner. Mr. Pittard is also a member of the Board of Directors of Jefferson Pilot Corporation.

Donald M. Kilinski has been Chief Financial Officer and Treasurer of the Company since the Merger. Prior to the Merger, he had been Chief Financial Officer of H&S Inc. since he joined H&S Inc. in 1997, and Chief Financial Officer and Treasurer of HSI since 1998. Prior to joining H&S Inc., Mr. Kilinski was Chief Financial Officer of BBDO Asia Pacific Ltd. from September 1995 to April 1997, and Vice President of Finance of BBDO Worldwide from July 1992 to August 1995 and from April 1997 through November 1997.

Richard D. Nelson has been Chief Administrative Officer, Counsel and Secretary of the Company since the Merger. He joined H&S Inc. in 1981, and prior to the Merger had been Chief Administrative Officer, Secretary and Counsel of H&S Inc. since 1981 and was Chief Financial Officer from 1981 until 1997. He was Treasurer of HSI from 1980 until 1989, and then became Assistant Treasurer. He was also Secretary and a member of the Board of Directors of HSI from 1980 until the time of the Merger.

Gerard R. Roche has been Senior Chairman and a member of the Board of Directors of the Company since the Merger. Mr. Roche joined H&S Inc. in 1964, and was a member of the Board of Directors of H&S Inc. from 1970 until the time of the Merger. He is also a member of the Board of Directors for Gulfstream Aerospace Corporation.

David C. Anderson has been North America Managing Partner and a member of the Board of Directors of the Company since the Merger. Mr. Anderson has been the Office Managing Partner of the Company's Dallas office since joining the firm in 1992 and the North America Managing Partner since 1998. He was a member of the Board of Directors of H&S Inc. from 1992 until the time of the Merger.

Thomas J. Friel has been Managing Partner for Asia Pacific and a member of the Board of Directors of the Company since the Merger. Since joining H&S Inc. in 1979, Mr. Friel has served, at various times, as Office Managing Partner of the Menlo Park office, Worldwide Practice Managing Partner for the International Technology Practice and, since 1992, has been Managing Partner for Asia Pacific. He was a member of the Board of Directors of H&S Inc. from 1983 until the time of the Merger.

David B. Kixmiller has been a member of the Board of Directors of the Company since the Merger. Mr. Kixmiller joined H&S Inc. in 1984 and was Office Managing Partner of the Menlo Park Office from 1991 until 1998. He was a member of the Board of Directors of H&S Inc. from 1987 until the time of the Merger and has been Worldwide Practice Managing Partner for the International Technology Practice since 1998.

Bengt Lejsved has been a member of the Board of Directors of the Company since the Merger. Mr. Lejsved joined HSI in 1990 and is currently the Area Managing Partner for the Northern European Area. He was a member of the Board of Directors of HSI from 1994 until the time of the Merger.

Dr. Jurgen B. Mulder has been President--Europe and a Director of the Company since the Merger. He was President and Chief Executive Officer of HSI from November 16, 1998 until the time of the Merger. He was Vice Chairman of HSI from October 1, 1997 until November 16, 1998. Prior to joining HSI in 1997, Dr. Mulder was a Partner in Mulder & Partner GmbH & Co. KG., the firm he founded in 1978.

Dr. John C. Viney has been Chairman--Europe since the Merger. Dr. Viney joined HSI in 1985 and previously served as Office Managing Partner for the London office. He was a member of the Board of Directors of HSI from 1987 until the time of the Merger (except for a brief period in 1998).

Committees

Audit Committee. Following the Offering, the Company will establish an Audit Committee consisting of at least two independent directors. The duties of the Audit Committee will be generally to recommend to the Board of Directors the selection of independent auditors to audit annually the books and records of the Company, to review the activities and the reports of the Company's independent auditors and to report the results of such review to the Board of Directors. The Audit Committee will also periodically review the activities of the Company's audit staff and the adequacy of the Company's internal controls.

Compensation Committee. Following the Offering, the Company will establish a Compensation Committee consisting of at least two independent directors. The duties of the Compensation Committee will be generally to review employment, development, reassignment and compensation matters involving corporate officers and such other executive level associates as may be appropriate, including, without limitation, issues relative to salary, bonus, stock options and other incentive arrangements.

Director Compensation

None of the directors who are also employees of the Company receive any compensation for their services as directors. Non-employee directors will receive an annual retainer of \$30,000 in cash, an additional annual cash payment of \$4,000 for being the chair of any committee and up to \$1,000 in cash for each meeting attended. The Company will reimburse out-of-pocket expenses incurred by all directors in attending Board of Directors and committee meetings.

Executive Compensation

The following table sets forth the compensation awarded or paid to, or earned by, the executive officers of the Company and the former Chief Executive Officers of HSI during 1998.

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation			All Other Compensation(\$)
		Salary(\$)	Bonus(\$)	Other Annual Compensation	Awards	Payouts		
					Restricted Stock Award(s)(\$)	Securities Underlying Options(#)	Long-Term Incentive Payouts(\$)	
Patrick S. Pittard, President and Chief Executive Officer.....	1998	\$600,000	\$1,200,000	--	--	--	--	\$ 16,320(1)
Donald M. Kilinski, Chief Financial Officer.....	1998	200,000	200,000	--	--	--	--	83,652(2)
Richard D. Nelson, Chief Administrative Officer....	1998	450,000	525,000	--	--	--	--	31,046(3)
Dr. Jurgen Mulder, (4) Former President and Chief Executive Officer of HSI.....	1998	512,000	1,518,000	--	--	--	--	--
Gerard Clery-Melin, (4) Former President and Chief Executive Officer of HSI.....	1998	329,000	127,000	--	--	--	--	2,268,218(5)

- (1) This amount represents compensation for expenses relating to the personal use of a vehicle (\$2,500), club dues (\$165), group term life insurance (\$4,032), employer profit sharing contributions (\$7,623) and employer 401(k) matching contributions (\$2,000).
- (2) This amount represents compensation for expenses relating to group term life insurance (\$726), relocation expenses (\$73,302), employer profit sharing contributions (\$7,623) and employer 401(k) matching contributions (\$2,000).
- (3) This amount represents compensation for expenses relating to the personal use of a vehicle (\$7,336), club dues (\$7,787), group term life insurance (\$6,300), employer profit sharing contributions (\$7,623) and employer 401(k) matching contributions (\$2,000).
- (4) Mr. Clery-Melin's employment as President and Chief Executive Officer of HSI was terminated, and Dr. Jurgen Mulder was appointed President and Chief Executive Officer of HSI on November 16, 1998.
- (5) This amount represents compensation paid in connection with the termination of Mr. Clery-Melin's employment, as further set forth below.

Mr. Pittard, Mr. Kilinski and Mr. Nelson have agreements with H&S Inc. providing for severance benefits. Mr. Pittard's agreement entitles him to 30 months of his average total cash base and bonus compensation calculated based on the three year period preceding the year of the termination of employment if his employment is terminated without cause, and 24 months of such average cash compensation if his employment is constructively terminated. Mr. Kilinski's agreement entitles him to three months of his monthly base salary if his employment is terminated without cause. Mr. Nelson's agreement entitles him to 6 months of his monthly base salary and the pro rata portion of his bonus if his employment is terminated for any reason.

In November 1998, Gerard Clery-Melin resigned as a director of HSI, and his employment as President and Chief Executive Officer of HSI was terminated. In connection with his termination, Mr. Clery-Melin was paid an aggregate of \$766,018 for contractual advance notice compensation and severance indemnity, Mr. Clery-Melin will receive an additional \$1,502,200 during 1999, subject, in part, to compliance with certain restrictive covenants relating to his employment and nonsolicitation of Company employees. In addition, in connection with the termination of his

employment, HSI expects to enter into an agreement to permit Mr. Clery-Melin to retain the 142,395 shares of Common Stock owned by him, directly and in trust, until December 31, 2000, at which time the Company will repurchase all of the shares at an agreed price per share, unless the Offering has been completed. If the Offering is completed prior to December 31, 2000, the shares may be sold (to the extent permitted by any applicable lockup agreements), but a portion of such proceeds from the sale of the shares will be held in escrow until December 31, 2000, as security for Mr. Clery-Melin's performance of the restrictive covenants.

1998 Heidrick & Struggles GlobalShare Plan

The Company has adopted the 1998 Heidrick & Struggles GlobalShare Program I (the "GlobalShare Program I") which will serve as a means to attract, reward, and retain selected key employees and directors ("Employee Participants") of the Company and its subsidiaries. The Company has also adopted the 1998 Heidrick & Struggles GlobalShare Program II (the "GlobalShare Program II" and, together with the GlobalShare Program I, the "GlobalShare Plan") which will serve as a means to attract, reward and retain independent contractors (together with the Employee Participants, the "Participants") of the Company and its subsidiaries. The terms of each of the GlobalShare Program I and the GlobalShare Program II are substantially the same in all material respects.

The maximum number of shares of Common Stock reserved for issuance under the GlobalShare Plan is 3,721,667, subject to adjustment for certain anti-dilution provisions. The maximum number of shares of Common Stock for which awards may be granted during a calendar year to any Participant is 275,000. To date, except for awards granted in connection with the Employee Share Purchase described under the caption "Employee Share Purchase" below, there have been no awards or grants made under the GlobalShare Plan.

Awards may be in the form of options, which may be Incentive Stock Options ("ISOs") or non-qualified stock options; stock appreciation rights ("SARs") granted as a means to exercise options or designated portions thereof, or as independent awards; or other awards that are valued in whole or in part by reference to, or are otherwise based on, the fair market value of shares. Awards may be paid in shares, cash or a combination thereof.

Administration. The GlobalShare Plan will be administered by the Compensation Committee of the Board of Directors (the "Committee"). The Committee will have the authority to select the participants to be granted awards under the plan, determine the size and terms of an award, and determine the time when grants of awards will be made. The Committee is authorized to interpret the plan, establish, amend and rescind any rules and regulations relating to the plan, and make any other determinations that it deems necessary or desirable for the administration of the plan.

Options. An option may be granted as an ISO, as defined in the Internal Revenue Code of 1986, as amended (the "Code"), or as a non-qualified stock option, as determined by the Committee and as set forth in any applicable award agreement. The option price per share of Common Stock will be determined by the Committee but shall not be less than 100% of the fair market value of the shares on the date of grant. Options granted under the GlobalShare Plan will be exercisable at such time and upon such terms and conditions as may be determined by the Committee, but in no event will an option be exercisable more than ten years after the date it is granted.

SARs. The Committee may grant an SAR independent of an option or in conjunction with an option or designated portion thereof at the time the related option is granted or at any time prior to the exercise or cancellation of the related option. The exercise price shall be an amount determined by the Committee, but in no event will such amount be less than the greater of (i) the fair market value of a share of Common Stock on the date the SAR is granted or, in the case of an SAR granted in conjunction with an option, or a portion thereof, the option price of the related option, and (ii) an amount permitted by applicable laws, rules, by-laws, or policies of regulatory authorities or stock exchanges.

Upon the exercise of an SAR, the Participant will be entitled to receive, with respect to each share of Common Stock to which such SAR relates, an amount in cash and/or shares of Common Stock, as the case may be, equal to the excess of (i) the fair market value of a share on the date of exercise over (ii) the exercise price of the SAR. The Committee may impose conditions upon the exercisability of SARs.

Other share-based awards. The Committee may grant, in its sole discretion, other awards of shares of Common Stock and Awards that are valued in whole or in part by reference to, or are otherwise based on the fair market value of, shares of Common Stock ("Other Share-Based Awards"). Certain of such Other Share-Based Awards ("Performance-Based Awards") may be granted on the basis of performance of the Company, stock price, market share, sales, earnings per share, return on equity, costs or other performance goals approved by the Committee. The maximum amount of a Performance-Based Award to any Participant with respect to a fiscal year of the Company shall be \$2,000,000.

Exercise of options. Except as otherwise provided in the plan or in an applicable award agreement, an award may be exercised for all, or any part, of the shares of Common Stock for which it is then exercisable. The purchase price for the shares of Common Stock as to which an award is exercised shall be paid to the Company in full at the time of exercise (i) in cash, (ii) in shares of Common Stock having a fair market value equal to the aggregate option price for the shares of Common Stock being purchased and satisfying such other requirements as may be imposed by the Committee, (iii) partly in cash and partly in such shares of Common Stock, or (iv) through the delivery of irrevocable instructions to a broker to deliver promptly to the Company an amount equal to the aggregate option price for the shares of Common Stock being purchased, in each case, at the election of the Participant.

Transferability. Except to the extent provided by the Committee, each award will be non-transferable during the lifetime of the Participant, otherwise than by will or by the laws of descent and distribution.

Termination, amendment and term. The Board of Directors may suspend, amend or terminate the plan, in whole or in part. Any amendment however, which would increase the total number of shares reserved for purposes of the plan requires the approval of the Company's stockholders. Furthermore, no amendment, suspension or termination of the Plan may, without the consent of a Participant, impair any of the rights or obligations existing under any award previously granted to such Participant under the Plan. No new awards may be granted under the GlobalShare Plan after the tenth anniversary of the plan's adoption.

Adjustments. In the event of any change in the outstanding shares of Company Stock by reason of any Company Stock dividend or split, reorganization, recapitalization, merger, consolidation, spin-off, combination or exchange of shares of Common Stock or other corporate exchange, or any distribution to stockholders of shares of Common Stock other than regular cash dividends, the Committee, in its sole discretion, may make such substitution or adjustment as it deems to be equitable to the number or kind of shares or securities issued or reserved under the plan or to any affected terms of the awards. In the event of a change in control of the Company (as defined in the plan) the Committee, in its sole discretion, may take such actions as it deems appropriate, including, without limitation, acceleration or cancellation (in return for cash payment) of awards, or issuance of substitute awards.

Employee Share Purchase. Participants who purchase shares of Common Stock from the Company pursuant to the Employee Share Purchase will receive an award of stock options and/or restricted share units or shares of restricted stock at varying levels depending upon the Participant's position within the Company and the number of shares purchased. However, the Participant's share purchase cannot exceed a fixed dollar amount established for each Participant which may or may not be determined as a percentage of that Participant's cash compensation. Stock options granted in conjunction with the Employee Share Purchase will vest upon nine years of continued employment, but may be forfeited prior to vesting, at the Committee's discretion, upon a termination of employment or other specified events. Vesting can be accelerated to as early as five years from the date of grant assuming continued employment, the achievement of pre-established stock ownership guidelines and ongoing ownership of the shares purchased pursuant to the Employee Share Purchase. The Company has guaranteed a loan of up to \$10,000,000 to Participants purchasing shares of Common Stock pursuant to the Employee Share Purchase.

Insider Participation in Compensation Decisions

Prior to the Offering, the Company did not have a compensation committee. The Company will establish a Compensation Committee no member of which will be an insider of the Company.

PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth certain information regarding the beneficial ownership of the Common Stock before and after the Offering by (i) directors of the Company, (ii) each of the named executive officers of the Company, (iii) each person known by the Company to be the beneficial owner of 5% or more of the outstanding shares of Common Stock, (iv) the Selling Stockholders and (v) all of the Company's directors and executive officers, as a group. Unless otherwise indicated, the Company believes that the beneficial owner has sole voting and investment power over such shares. The table does not reflect the potential sale of additional shares if the Underwriters' over-allotment options are exercised. The table also does not reflect the purchase of any shares pursuant to the GlobalShare Plan. All share amounts shown below give effect to the Stock Split. The percentage ownership before the Offering has been calculated based on 10,828,274 shares of Common Stock outstanding as of March 29, 1999, and the percentage ownership after the Offering has been calculated based on 14,528,274 shares of Common Stock outstanding.

Name and Address of Beneficial Owner(1)	Ownership Before Offering		Shares of Common Stock Being Sold	Ownership After Offering	
	Shares of Common Stock	Percent of Common Stock Held		Shares of Common Stock	Percent of Common Stock Held
Patrick S. Pittard.....	251,121	2.3%	--	251,121	1.7%
Donald M. Kilinski.....	44,237	*	--	44,237	*
Richard D. Nelson.....	251,121	2.3	--	251,121	1.7
Gerard R. Roche.....	396,618	3.7	--	396,618	2.7
David C. Anderson.....	110,119	1.0	--	110,119	*
Thomas J. Friel.....	251,121	2.3	--	251,121	1.7
David B. Kixmiller.....	159,182	1.5	--	159,182	1.1
Bengt Lejsved.....	36,358	*	--	36,358	*
Dr. Jurgen B. Mulder....	96,101	*	--	96,101	*
Dr. John C. Viney.....	150,449	1.4	--	150,449	1.0
Gerard Clery-Melin.....	142,395	1.3	--	142,395	1.0
All directors and executive officers of the Company as a group (11 persons).....	1,888,822	17.4	--	1,888,822	13.0
Patrick Bazil.....	32,418	*	13,137	19,281	*
Ronald Dukes.....	152,758	1.4	152,758	--	*
Kenneth L. Rattner.....	88,300	*	88,300	--	*
Michael B. Schoettle....	251,121	2.3	245,805	5,316	*
Selling Stockholders as a group (4 persons)....	524,597	4.8	500,000	24,597	*

* Represents holdings of less than one percent.

(1) Each of such person's business address is 233 South Wacker Drive--Suite 4200, Chicago, IL 60606.

DESCRIPTION OF CAPITAL STOCK

Effective upon the completion of the Offering, the Company will amend and restate its Certificate of Incorporation to provide for the Company's authorized capital stock to consist of 100,000,000 shares of common stock, par value \$.01 per share, of which 10,828,274 shares were issued and outstanding prior to completion of the Offering and 10,000,000 shares of preferred stock, par value \$.01 per share, none of which will then be outstanding. Except as otherwise expressly stated, all references in this Prospectus to the Company or its capital stock (including the Common Stock) are to such after completion of the Offering. Immediately following completion of the Offering, there are expected to be 15,194,941 shares of Common Stock (15,824,941 shares of Common Stock if the Underwriters' over-allotment options are exercised in full) and no shares of preferred stock outstanding. This amount includes 666,667 shares that may be purchased by certain employees of the Company under the GlobalShare Plan pursuant to a separate offering to be made contemporaneously with the Offering made hereby, but excludes (i) 735,000 shares issuable pursuant to options that may be granted under the GlobalShare Plan to such employees in connection with such purchase, (ii) approximately 855,000 shares issuable pursuant to options to be issued to employees at completion of the Offering and (iii) 1,465,000 shares of Common Stock available for future issuance under the Company's incentive plans. The following description of the Company's capital stock and related matters is qualified in its entirety by reference to the Certificate of Incorporation and the Company's Bylaws, copies of which have been filed as an exhibit to the Registration Statement of which this Prospectus forms a part.

Common Stock

The Certificate of Incorporation authorizes 100,000,000 shares of Common Stock, par value \$.01 per share. Stockholders are entitled to one vote per share on all matters to be voted upon by the stockholders. The holders of Common Stock do not have cumulative voting rights in the election of directors. Holders of Common Stock are entitled to receive dividends if, as and when dividends are declared from time to time by the Company's Board of Directors out of funds legally available therefor, after payment of dividends required to be paid on outstanding preferred stock (as described below), if any. In the event of liquidation, dissolution or winding up of the Company, the holders of Common Stock are entitled to share ratably in all assets remaining after payment of liabilities and accrued but unpaid dividends and liquidation preferences on any outstanding Preferred Stock of the Company. The shares of Common Stock have no preemptive or conversion rights and are not subject to further calls or assessment by the Company. There are no redemption or sinking fund provisions applicable to the Common Stock. The Common Stock being sold by the Company in the Offering, when sold to the Underwriters in the manner described in this Prospectus will be, and following the Merger all other outstanding Common Stock of the Company will be, duly authorized, validly issued, fully paid and non-assessable.

The Delaware General Corporation Law

The Company is a Delaware corporation subject to Section 203 of the DGCL. ("Section 203"). Section 203 provides in general that a stockholder acquiring more than 15% of the outstanding voting stock of a corporation subject to Section 203 (an "Interested Stockholder") but less than 85% of such stock may not engage in certain Business Combinations (as defined in Section 203) with the corporation for a period of three years subsequent to the date on which the stockholder became an Interested Stockholder unless (i) prior to such date the corporation's board of directors approved either the Business Combination or the transaction in which the stockholder became an Interested Stockholder or (ii) the Business Combination is approved by the corporation's board of directors and authorized by a vote of at least 66 2/3% of the outstanding voting stock of the corporation not owned by the Interested Stockholder. A "Business Combination" includes mergers, asset sales and other transactions resulting in financial benefit to a stockholder. Section 203 could prohibit or delay mergers or other takeover or change of control attempts with respect to the Company and, accordingly, may discourage attempts that might result in a premium over the market price for the shares held by stockholders.

Certificate of Incorporation; Bylaws

The Certificate of Incorporation and the Bylaws contain certain provisions that could make more difficult the acquisition of the Company by means of a tender offer, a proxy contest or otherwise.

Classified Board of Directors. The Certificate of Incorporation provides that the Company's Board of Directors is divided into three classes of directors, with the classes to be as nearly equal in number as possible. As a result, approximately one-third of the Board of Directors will be elected each year. The classification of directors will have the effect of making it more difficult for stockholders to change the composition of the Company's Board of Directors. The Certificate of Incorporation provides that the number of directors may be fixed from time to time exclusively pursuant to a resolution adopted by directors constituting a majority of the total number of directors that the Company would have if there were no vacancies on the Board of Directors, but must consist of not more than fifteen nor less than eight directors. In addition, the Certificate of Incorporation provides that unless the Board of Directors otherwise determines, any vacancies will be filled only by the affirmative vote of a majority of the remaining directors, though less than a quorum. The Company believes that a classified Board of Directors will help to assure the continuity and stability of the Board of Directors and the Company's business strategies and policies, since a majority of the Directors at any given time will have had prior experience as Directors of the Company. The Company believes that this in turn will permit the Board of Directors to represent more effectively the interests of stockholders.

With a classified Board of Directors, at least two annual meetings of stockholders, instead of one, will generally be required to effect a change in a majority of the members of the Board of Directors. As a result, the classification of the Board of Directors of the Company may discourage proxy contests for the election of Directors, unsolicited tender offers or purchases of a substantial block of the Common Stock because it could prevent a potential acquiror from obtaining control of the Board of Directors in a relatively short period of time.

Removal of Directors. Under the DGCL, unless otherwise provided in the Certificate of Incorporation, directors serving on a classified board may be removed by the stockholders only for cause. In addition, the Certificate of Incorporation and the Bylaws provide that directors may be removed only for cause and only upon the affirmative vote of holders of at least 75% of the voting power of all the then outstanding shares of stock entitled to vote generally in the election of directors ("Voting Stock"), voting together as a single class. This provision delays stockholders who do not agree with the policies of the Board of Directors from replacing Directors, unless they can demonstrate that the Directors should be removed for cause and obtain the requisite vote. Such a delay may help ensure that the Company's Board of Directors, if confronted with a proxy contest or an unsolicited proposal for an extraordinary corporate transaction, will have sufficient time to review the proposal and appropriate alternatives to the proposal and to act in what it believes is the best interest of the Company's stockholders.

Filling Vacancies on the Board of Directors. The Company's Certificate of Incorporation provides that, subject to the rights of holders of any shares of Preferred Stock, any vacancy in the Board of Directors that results from an increase in the number of Directors may be filled only by a majority of the Directors then in office, provided that a quorum is present, and any other vacancy may be filled by a majority of the Directors then in office, even if less than a quorum, or by the sole remaining Director. Accordingly, these provisions could temporarily prevent any stockholder from obtaining majority representation on the Board of Directors by enlarging the Board of Directors and filling the new Directorships with its own nominees.

Stockholders Action. The Certificate of Incorporation and the Bylaws provide that, subject to the rights of any holders of Preferred Stock to elect additional directors under specified circumstances, stockholder action can be taken only at an annual or special meeting of stockholders and may not be taken by written consent in lieu of a meeting. The Bylaws provide that to elect additional directors under specified circumstances, special meetings of stockholders can be called only by the Board of Directors, pursuant to a resolution adopted by a majority of the total number of directors. Stockholders are not permitted to call a special meeting or to require that the Board of Directors call a special meeting of stockholders. Moreover, the business permitted to be conducted at any special meeting of stockholders is limited to the business brought before the meeting pursuant to the notice of meeting given by the Company. The provisions of the Company's Certificate of Incorporation prohibiting action by written consent without a meeting, and the provisions of the Company's By-Laws governing the calling of and matters considered at special meetings may have the effect of delaying consideration of a stockholder

proposal until the next annual meeting. These provisions would also prevent the holders of a majority of the voting power of the outstanding shares of stock entitled to vote generally in the election of Directors from using the written consent procedure to take stockholder action and from taking action by written consent without giving all the stockholders entitled to vote on a proposed action the opportunity to participate in determining such proposed action at a meeting.

Advance Notice Procedures. The Bylaws establish an advance notice procedure for stockholders to make nominations of candidates for election as directors, or bring other business before an annual meeting of stockholders of the Company (the "Stockholders Notice Procedure"). The Stockholders Notice Procedure provides that only persons who are nominated by, or at the direction of, the Board of Directors, or by a stockholder who has given timely written notice to the Secretary of the Company prior to the meeting at which directors are to be elected, will be eligible for election as directors of the Company. The Stockholders Notice Procedure also provides that at an annual meeting only such business may be conducted as has been brought before the meeting by, or at the direction of, the Chairman of the Board of Directors or by a stockholder who has given timely written notice to the Secretary of the Company of such stockholder's intention to bring such business before such meeting. Under the Stockholders Notice Procedure, for notice of stockholder nominations to be made at an annual meeting to be timely, such notice must be received by the Company not less than 60 days nor more than 90 days prior to the first anniversary of the previous year's annual meeting (or, if the date of the annual meeting is advanced by more than 30 days or delayed by more than 60 days from such anniversary date, not earlier than the 90th day prior to such meeting and not later than the later of (x) the 60th day prior to such meeting and (y) the 10th day after public announcement of the date of such meeting is first made). Notwithstanding the foregoing, in the event that the number of directors to be elected is increased and there is no public announcement naming all of the nominees for director or specifying the size of the increased Board of Directors made by the Company at least 70 days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice will be timely, but only with respect to nominees for any new positions created by such increase, if it is received by the Company not later than the 10th day after such public announcement is first made by the Company. Under the Stockholders Notice Procedure, for notice of a stockholder nomination to be made at a special meeting at which directors are to be elected to be timely, such notice must be received by the Company not earlier than the 90th day before such meeting and not later than the later of (x) the 60th day prior to such meeting and (y) the 10th day after the public announcement of the date of such meeting is first made. In addition, under the Stockholders Notice Procedure, a stockholder's notice to the Company proposing to nominate a person for election as a director or relating to the conduct of business other than the nomination of directors must contain certain specified information. If the Chairman of the Board of Directors or other officer presiding at a meeting determines that a person was not nominated, or other business was not brought before the meeting, in accordance with the Stockholders Notice Procedure, such person will not be eligible for election as a director, or such business will not be conducted at such meeting, as the case may be. By requiring advance notice of nominations by stockholders, the Notice of Meeting Provision will afford the Board of Directors a meaningful opportunity to consider the qualifications of the proposed nominees and, to the extent deemed necessary or desirable by the Board of Directors, to inform the stockholders about such qualifications. By requiring advance notice of proposed business, the Notice of Meeting Proposal Provision will provide the Board of Directors with a meaningful opportunity to inform stockholders, prior to such meeting, of any business proposed to be conducted at such meeting, together with any recommendation or statement of the Board of Directors' position as to action to be taken with respect to such business, so as to enable stockholders better to determine whether they desire to attend such a meeting or to grant a proxy to the Board of Directors as to the disposition of any such business. Although the Company's By-Laws do not give the Board of Directors any power to approve or disapprove stockholder nominations for the election of Directors or proposals for action, they may have the effect of precluding a contest for the election of Directors or the consideration of stockholder proposals if the proper procedures are not followed, and of discouraging or deterring a third party from conducting a solicitation of proxies to elect its own slate of Directors or to approve its proposal without regard to whether consideration of such nominees or proposals might be harmful or beneficial to the Company and its stockholders.

Liability of Directors; Indemnification. The Certificate of Incorporation provides that a director will not be personally liable for monetary damages to the Company or its stockholders for breach of fiduciary duty as a

director, except for liability (i) for any breach of the director's duty of loyalty to the Company or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) for paying a dividend or approving a stock repurchase or redemption in violation of Section 174 of the DGCL, or (iv) for any transaction from which the director derived an improper personal benefit. The Certificate of Incorporation also provides that each current or former director, officer, employee or agent of the Company, or each such person who is or was serving or who had agreed to serve at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise (including the heirs, executors, administrators or estate of such person), will be indemnified by the Company to the full extent permitted by the DGCL, as the same exists or may in the future be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Company to provide broader indemnification rights than said law permitted the Company to provide prior to such amendment). The Certificate of Incorporation also specifically authorizes the Company to enter into agreements with any person providing for indemnification greater or different than that provided by the Certificate of Incorporation.

Restrictions on Amendment. The Company's Certificate of Incorporation provides that the approval of holders of at least 75% of the voting power entitled to vote generally in the election of Directors, voting together as a single class, is required to adopt any Certificate of Incorporation provision inconsistent with or to alter, amend or repeal the provisions of the Company's Certificate of Incorporation classifying the Board of Directors; governing the removal of directors; establishing the minimum and maximum number of members of the Board of Directors; eliminating the ability of stockholders to act by written consent; authorizing the Board of Directors to consider the interests of clients and other customers, creditors, employees; establishing the Board of Directors' authority to issue, without a vote or any other action of the stockholders, any or all authorized shares of stock of the Corporation, securities convertible into or exchangeable for any authorized shares of stock of the Corporation and warrants, options or rights to purchase, subscribe for or otherwise acquire shares of stock of the Corporation for any such consideration and on such terms as the Board of Directors in its discretion lawfully may determine; and authorizing that the By-Laws of the Corporation may establish procedures regulating the submission by stockholders of nominations and proposals for consideration at meetings of stockholders of the Corporation. In addition, the Company's Certificate of Incorporation provides that the approval of the Board of Directors or the affirmative vote of the holders of 75% of the voting power entitled to vote generally in the election of Directors, voting together as a single class, is required to alter, amend or repeal the above provisions of the Company's Certificate of Incorporation or to adopt any provision of the Certificate of Incorporation inconsistent with such provisions or to alter, amend or repeal certain provisions of the Company's By-Laws or to adopt any provision of the By-Laws inconsistent with such provisions.

Preferred Stock. The Certificate of Incorporation authorizes 10,000,000 shares of preferred stock, par value \$.01 per share. Subject to the Company's Certificate of Incorporation and applicable law, the authority of the Company's Board of Directors with respect to each series of Preferred Stock, includes but is not limited to the authority to generally determine the following: the designation of such series, the number of shares initially constituting such series and whether to increase or decrease such number of shares, dividend rights and rates, terms of redemption and redemption prices, liquidation preferences, voting rights, conversion rights, whether a sinking fund will be provided for the redemption of the shares of such series (and, if so, the terms and conditions thereof) and whether a purchase fund shall be provided for the shares of such series (and, if so, the terms and conditions thereof).

The Company believes that the availability of the Preferred Stock will provide increased flexibility in structuring possible future financings and acquisitions and in meeting other corporate needs that might arise. Having such authorized shares available for issuance will allow the Company to issue shares of Preferred Stock without the expense and delay of a special stockholders' meeting. The authorized shares of Preferred Stock, as well as shares of Common Stock, will be available for issuance without further action by the stockholders, unless such action is required by applicable law or the rules of any stock exchange on which the Company's securities may be listed. Although the Board of Directors has no current intention to do so, it would have the power (subject to applicable law) to issue a series of Preferred Stock that could, depending on the terms of such series, impede

the completion of a merger, tender offer or other takeover attempt. For instance, subject to applicable law, such series of Preferred Stock might impede a business combination by including class voting rights that would enable the holder to block such a transaction. The Board of Directors will make any determination to issue such shares based on its judgment as to the best interests of the Company and its stockholders. The Board of Directors, in so acting, could issue Preferred Stock having terms which could discourage an acquisition attempt or other transaction that some, or a majority of the stockholders might believe to be in their best interest or in which stockholders might receive a premium for their stock over the then market price of such stock.

The description set forth above is intended as a summary only and is qualified in its entirety by reference to the forms of the Certificate of Incorporation and the Bylaws, copies of which have been filed as exhibits to the Registration Statement of which this Prospectus is a part. See "Additional Information."

Registrar and Transfer Agent

The registrar and transfer agent for the Common Stock is ChaseMellon Shareholder Services, L.L.C.

Listing

The Common Stock has been approved for listing on the Nasdaq National Market under the proposed symbol HSII.

SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of the Offering, there will be outstanding 16,784,941 shares of Common Stock, assuming the purchase of all of the 666,667 shares that may be purchased by employees of the Company in the separate offering being made contemporaneously with the Offering (the "Employee Stock Purchase") as well as up to 735,000 shares issuable pursuant to options in connection with the Employee Stock Purchase and the issuance of 855,000 shares issuable pursuant to options to employees contemporaneously with the Offering. Of these shares, the 4,200,000 shares of Common Stock sold in the Offering (4,830,000 shares if the Underwriters' over-allotment option is exercised in full) and the shares purchased by employees of the Company pursuant to the GlobalShare Plan (and issuable pursuant to the foregoing options) will be freely tradeable by persons other than "affiliates" of H&S, without restriction under the Securities Act. Of the remaining shares, 10,328,274 shares plus any shares of Common Stock purchased by "affiliates" pursuant to the GlobalShare Plan of Common Stock will be "restricted" securities within the meaning of Rule 144 under the Securities Act and may not be sold in the absence of registration under the Securities Act unless an exemption from registration is available, including the exemptions contained in Rule 144.

In general, under Rule 144 as currently in effect, a stockholder (or stockholders whose shares are aggregated) who has beneficially owned "restricted securities" for at least one but less than two years, and any affiliate of the Company who has owned "restricted securities" for at least one year, is entitled to sell within any three-month period a number of shares that does not exceed the greater of 1% of the then-outstanding shares of Common Stock (151,949 shares upon completion of the Offering) or the average weekly trading volume in the Common Stock on all national securities exchanges and/or reported through the automated quotation system of registered securities associations during the four calendar weeks preceding such sale. Sales under Rule 144 are also subject to certain provisions regarding the manner of sale, notice requirements and the availability of current public information about the Company. A stockholder (or stockholders whose shares are aggregated) who is not an affiliate of the Company for at least 90 days prior to a proposed transaction and who has beneficially owned "restricted securities" for at least two years is entitled to sell such shares under Rule 144 without regard to the limitations described above.

The Company and all current stockholders of the Company have agreed, for a period of 180 days after the date of this Prospectus, not to, directly or indirectly, offer, sell, or otherwise dispose of any shares of Common Stock without the prior written consent of Lehman Brothers Inc., other than, with respect to the Company, shares of Common Stock issued in the Offering, under its GlobalShare Plan, or upon exercise of stock options granted pursuant to the GlobalShare Plan. Additionally, all current stockholders of H&S have agreed not to, directly or indirectly, offer, sell, or otherwise dispose of any shares of Common Stock currently owned by them for a period of two years after the date of this Prospectus without the prior written consent of Lehman Brothers Inc., which consent will be granted or denied after consultation with the Company. See "Management--1998 Heidrick & Struggles GlobalShare Plan," "Shares Eligible for Future Sale" and "Underwriting."

Prior to the date of this Prospectus, there has been no public market for the Common Stock. The Company can make no predictions as to the effect, if any, that sales of shares of Common Stock or the availability of shares for sale will have on the market price prevailing from time to time. Nevertheless, sales of substantial amounts of the Common Stock in the public market, or the perception that such sales could occur, could adversely affect the market price of the Common Stock and could impair the Company's future ability to raise capital through an offering of its equity securities. The Common Stock has been approved for listing on the Nasdaq National Market under the proposed symbol HSII.

UNDERWRITING

Under the terms of, and subject to the conditions contained in the Underwriting Agreement, the form of which is filed as an exhibit to the Registration Statement of which the Prospectus forms a part, each of the Underwriters named below, for whom Lehman Brothers Inc. and Goldman, Sachs & Co. are acting as representatives (the "Representatives"), has severally agreed to purchase from the Company and the Selling Stockholders, and the Company and the Selling Stockholders have agreed to sell to each Underwriter, the aggregate number of shares of Common Stock set forth opposite the name of each such Underwriter below:

Underwriters	Number of Shares
Lehman Brothers Inc.....	
Goldman, Sachs & Co.....	
Total.....	4,200,000
	=====

The Underwriting Agreement provides that the obligations of the several Underwriters to pay for and accept delivery of the Common Stock are subject to certain conditions precedent, including the conditions that no stop order suspending the effectiveness of the Registration Statement is in effect and no proceedings for such purpose are pending before or threatened by the Commission, and that there has been no material adverse change in the condition of the Company. The Underwriters will be obligated to purchase all of the shares of Common Stock if any are purchased.

The Company and the Selling Stockholders have been advised by the Representatives that the Underwriters propose to offer the Common Stock directly to the public initially at the public offering price set forth on the cover page of this Prospectus and to certain selected dealers (who may include the Underwriters) at such initial public offering price less a concession not in excess of \$ per share. The selected dealers may reallocate a concession not in excess of \$ per share to certain other brokers and dealers. After commencement of the public offering, the offering price and other selling terms may be changed by the Representatives.

The Company and the Selling Stockholders have agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that may be required to be made in respect thereof.

The Company has granted the Underwriters an option to purchase up to an aggregate of 630,000 additional shares of Common Stock at the initial public offering price less the underwriting discounts and commissions set forth on the cover page of this Prospectus. Such option may be exercised at any time until 30 days after the date of the Underwriting Agreement. To the extent that the Underwriters exercise such option, each of the Underwriters will have a firm commitment, subject to certain conditions, to purchase a number of additional shares of Common Stock proportionate to such Underwriter's initial commitment as indicated in the preceding table. The Company will be obligated, pursuant to such option, to sell such shares to the Underwriters to the extent such option is exercised. The Underwriters may exercise such option only to cover over-allotments made in connection with the sale of Common Stock offered hereby.

At the request of the Company, the Underwriters have reserved for sale, at the initial public offering price, up to 210,000 shares offered hereby for directors, officers, employees, business associates and related persons of

the Company. The number of shares of Common Stock available for sale to the general public will be reduced to the extent such persons purchase such reserved shares. Any reserved shares which are not so purchased will be offered by the Underwriters to the general public on the same basis as the other shares offered hereby.

Prior to the Offering, there has been no public market for the shares of Common Stock. The initial public offering price was negotiated between the Company and the Representatives. Among the factors considered in determining the initial public offering price of the shares of Common Stock, in addition to prevailing market conditions, were the Company's historical performance and capital structure, estimates of business potential and earnings prospects of the Company, an overall assessment of the Company, an assessment of the Company's management and the consideration of the above factors in relation to the market valuation of companies in the same and related businesses.

Until the distribution of the Common Stock is completed, rules of the Commissions may limit the ability of the Underwriters and certain selling group members to bid for and purchase Common Stock. As an exception to these rules, the Representatives are permitted to engage in certain transactions that stabilize the price of the Common Stock. Such transactions may consist of bids or purchases for the purposes of pegging, fixing or maintaining the price of the Common Stock.

In addition, if the Representatives over-allot (i.e., if they sell more shares of Common Stock than are set forth on the cover page of this Prospectus), and thereby create a short position in the Common Stock in connection with the Offering, the Representatives may reduce that short position by purchasing Common Stock in the open market. The Representatives also may elect to reduce any short position by exercising all or part of the over-allotment option described therein.

The Representatives also may impose a penalty bid on certain Underwriters and selling group members. This means that if the Representatives purchase shares of Common Stock in the open market to reduce the Underwriter's short position or to stabilize the price of the Common Stock, they may reclaim the amount of the selling concession from the Underwriters and selling group members who sold those shares as part of the Offering.

In general, purchases of a security for the purpose of stabilization or to reduce a syndicate short position could cause the price of the security to be higher than it might otherwise be in the absence of such purchase. The imposition of a penalty bid might have an effect on the price of a security to the extent that it were to discourage resales of the security by purchasers in the Offering.

Neither the Company nor any of the Underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Common Stock. In addition, neither the Company nor any of the Underwriters make any representation that the Representatives will engage in such transactions or that such transactions, once commenced, will not be discontinued without notice.

The Company, and all current stockholders of the Company have agreed, for a period of 180 days from the date of this Prospectus, not to directly or indirectly, offer, sell or otherwise dispose of any shares of Common Stock or any securities convertible into or exchangeable or exercisable for any such shares of Common Stock or enter into any derivative transaction with similar effect as a sale of Common Stock, without the prior written consent of Lehman Brothers, Inc. Additionally, all current stockholders of H&S have agreed not to, directly or indirectly, offer, sell or otherwise dispose of any shares of Common Stock currently owned by them for a period of two years after the date of this Prospectus without the prior written consent of Lehman Brothers Inc., which consent will be granted or denied after consultation with the Company. The restrictions described in this paragraph do not apply to (i) the sale of Common Stock to the Underwriters, (ii) shares of Common Stock issued by the Company under its GlobalShare Plan or upon the exercise of options issued under the GlobalShare Plan or (iii) transactions by any person other than the Company relating to shares of Common Stock or other securities acquired in open market transactions after the completion of the Offering.

The Representatives have informed the Company and the Selling Stockholders that the Underwriters do not intend to sell to, and therefore will not confirm sales of more than 5% of the shares of Common Stock offered hereby to, accounts over which they exercise discretionary authority.

CERTAIN UNITED STATES FEDERAL TAX CONSEQUENCES
TO NON-U.S. HOLDERS OF COMMON STOCK

The following is a general discussion of certain United States federal income and estate tax consequences of the purchase, ownership and disposition of Common Stock by a Non-U.S. Holder. As used herein the term "Non-U.S. Holder" means any person or entity that is not a United States Holder ("U.S. Holder"). A U.S. Holder is any beneficial owner of Common Stock that is (1) a citizen or resident of the United States, (2) a corporation or partnership created or organized in or under the laws of the United States or any political subdivision thereof, (3) an estate the income of which is subject to U.S. federal income taxation regardless of its source, (4) a trust, (x) that is subject to the supervision of a court within the United States and the control of one or more United States persons as described in section 7701(a)(30) of the Internal Revenue Code of 1986, as amended (the "Code") or (y) that has a valid election in effect under applicable U.S. Treasury regulations to be treated as a United States person. This discussion does not address all aspects of United States federal income and estate taxes and does not deal with foreign, state and local consequences that may be relevant to such Non-U.S. Holders in light of their personal circumstances. Furthermore, this discussion is based on provisions of the Code, existing and proposed regulations promulgated thereunder and administrative and judicial interpretations thereof, as of the date hereof, all of which are subject to change. Each prospective purchaser of Common Stock is advised to consult a tax advisor with respect to current and possible future tax consequences of acquiring, holding and disposing of Common Stock as well as any tax consequences that may arise under the laws of any U.S. state, municipality or other taxing jurisdiction.

Dividends

Dividends paid to a Non-U.S. Holder of Common Stock generally will be subject to withholding of United States federal income tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. However, dividends that are effectively connected with the conduct of a trade or business by the Non-U.S. Holder within the United States and, where a tax treaty applies, are attributable to a United States permanent establishment of the Non-U.S. Holder, are not subject to the withholding tax, but instead are subject to United States federal income tax on a net income basis at applicable graduated individual or corporate rates. Certain certification and disclosure requirements must be complied with in order for effectively connected income to be exempt from withholding. Any such effectively connected dividends received by a foreign corporation may be subject to an additional "branch profits tax" at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

Until December 31, 1999, dividends paid to an address outside the United States are presumed to be paid to a resident of such country (unless the payer has knowledge to the contrary) for purposes of the withholding tax discussed above and, under the current interpretation of United States Treasury regulations, for purposes of determining the applicability of a tax treaty rate. However, United States Treasury regulations (the "Final Regulations") provide that a Non-U.S. Holder of Common Stock who wishes to claim the benefit of an applicable treaty rate (and avoid back-up withholding as discussed below) for dividends paid after December 31, 1999, will be required to satisfy applicable certification and other requirements.

A Non-U.S. Holder of Common Stock eligible for a reduced rate of United States withholding tax pursuant to an income tax treaty may obtain a refund of any excess amounts withheld by filing an appropriate claim for refund with the Internal Revenue Service (the "IRS").

Gain on Disposition of Common Stock

A Non-U.S. Holder generally will not be subject to United States federal income tax with respect to gain recognized on a sale or other disposition of Common Stock unless (1) the gain is effectively connected with a trade or business of the Non-U.S. Holder in the United States, and, where a tax treaty applies, is attributable to a United States permanent establishment of the Non-U.S. Holder, (2) in the case of a Non-U.S. Holder who is an individual and holds the Common Stock as a capital asset, such holder is present in the United States for 183 or

more days in the taxable year of the sale or other disposition and certain other conditions are met, or (3) the Company is or has been a "U.S. real property holding corporation" for United States federal income tax purposes.

An individual Non-U.S. Holder described in clause (1) above will be subject to tax on the net gain derived from the sale under regular graduated United States federal income tax rates. An individual Non-U.S. Holder described in clause (2) above will be subject to a flat 30% tax on the gain derived from the sale, which may be offset by United States source capital losses (even though the individual is not considered a resident of the United States). If a Non-U.S. Holder that is a foreign corporation falls under clause (1) above, it will be subject to tax on its gain under regular graduated United States federal income tax rates and, in addition, may be subject to a branch profits tax equal to 30% of its effectively connected earnings and profits (within the meaning of the Code) for the taxable year, as adjusted for certain items, unless it qualifies for a lower rate or exemption under an applicable income tax treaty.

The Company believes it is not and does not anticipate becoming a "U.S. real property holding corporation" for United States federal income tax purposes.

Special rules may apply to certain Non-U.S. Holders, such as foreign insurance companies, "controlled foreign corporations", "passive foreign investment companies", "foreign personal holding companies", and companies that accumulate earnings for the purpose of avoiding tax, that are subject to special treatment under the Code. Such entities should consult their own tax advisors to determine the United States federal, state, local and other tax consequences that may be relevant to them.

Federal Estate Tax

Common Stock held by an individual Non-U.S. Holder at the time of death will be included in such holder's gross estate for United States federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

Information Reporting and Backup Withholding

The Company must report annually to the IRS and to each Non-U.S. Holder the amount of dividends paid to such holder and the tax withheld with respect to such dividends, regardless of whether withholding was required. Copies of the information returns reporting such dividends and withholding may also be made available to the tax authorities in the country in which the Non-U.S. Holder resides under the provisions of an applicable income tax treaty.

Under current law, backup withholding at the rate of 31% (as opposed to the general withholding tax rate of 30% described above) generally will not apply to dividends paid to a Non-U.S. Holder at an address outside the United States (unless the payer has knowledge that the payee is a U.S. person). Under the Final Regulations, however, a Non-U.S. Holder will be subject to backup withholding unless applicable certification requirements are met.

Payment of the proceeds of a sale of Common Stock within the United States or conducted through certain U.S. related financial intermediaries is subject to both backup withholding and information reporting unless the beneficial owner certifies under penalties of perjury that it is a Non-U.S. Holder (and the payer does not have actual knowledge that the beneficial owner is a United States person) or the holder otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against such holder's U.S. federal income tax liability provided the required information is furnished to the IRS.

LEGAL MATTERS

The validity of the issuance of the Common Stock offered hereby will be passed on for the Company by Simpson Thacher & Bartlett, New York, New York. Certain legal matters in connection with the Offering will be passed upon for the Underwriters by O'Melveny & Myers LLP, Los Angeles, California.

EXPERTS

The Consolidated Financial Statements and Schedule of H&S Inc. as of December 31, 1997 and 1998, and for each of the years in the three-year period ended December 31, 1998 included in this Registration Statement have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their report with respect thereto, and are included herein in reliance upon the reports of said firm and the authority of said firm as experts in accounting and auditing.

The Consolidated Financial Statements of HSI as of December 31, 1997 and 1998 and for each of the years in the three-year period ended December 31, 1998 included in this Registration Statement have been audited by Barbier Frinault & Associates (Arthur Andersen), independent public accountants, as indicated in their report with respect thereto, and are included herein in reliance upon the reports of said firm and the authority of said firm as experts in accounting and auditing.

The Consolidated Statements of Income and Cash Flows of Mulder for the year ended December 31, 1996 and the nine-month period ended September 30, 1997 included in this Registration Statement have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their report with respect thereto, and are included herein in reliance upon the reports of said firm and the authority of said firm as experts in accounting and auditing.

ADDITIONAL INFORMATION

The Company has filed with the Securities and Exchange Commission (the "Commission") a Registration Statement on Form S-1 (herein, together with all amendments and exhibits thereto, referred to as the "Registration Statement") under the Securities Act with respect to the registration of the Common Stock offered hereby. This Prospectus, which constitutes a part of the Registration Statement, omits certain information contained in the Registration Statement as permitted by the rules and regulations of the Commission. Statements contained herein concerning the provisions of any contract, agreement or other document are not necessarily complete, and, in each instance, reference is made to the copy of such document filed as an exhibit to the Registration Statement for a more complete description of the matter involved, and each such statement is qualified in its entirety by such reference. The Registration Statement, including the exhibits and schedules filed therewith, may be inspected at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the regional offices of the Commission located at 7 World Trade Center, Suite 1300, New York, New York 10048 and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such materials may be obtained from the Public Reference Section of the Commission, 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. The Commission maintains a Web site at <http://www.sec.gov> containing reports, proxy and information statements and other information regarding registrants that file electronically with the Commission.

The Company is not currently subject to the informational requirements of the Securities and Exchange Act of 1934 (the "Exchange Act"). As a result of the Offering, the Company will become subject to the informational requirements of the Exchange Act. The Company will fulfill its obligations with respect to such requirements by filing periodic reports with the Commission. In addition, the Company will furnish its stockholders with annual reports containing audited financial statements certified by its independent accountants and quarterly reports for the first three quarters of each fiscal year containing unaudited summary financial information.

HEIDRICK & STRUGGLES, INC. AND SUBSIDIARIES

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HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

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MULDER & PARTNER GMBH & CO. KG AND SUBSIDIARIES

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of
Heidrick & Struggles, Inc. and Subsidiaries:

We have audited the accompanying consolidated balance sheets of HEIDRICK & STRUGGLES, INC. AND SUBSIDIARIES (a Delaware corporation) as of December 31, 1997 and 1998, and the related consolidated statements of income and comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1998 (1997 as restated--see Note 15). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Heidrick & Struggles, Inc. and Subsidiaries as of December 31, 1997 and 1998, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

/s/ Arthur Andersen LLP

Chicago, Illinois
February 19, 1999
(except with respect to the matter discussed in Note 17, as to which the date is March 26, 1999)

HEIDRICK & STRUGGLES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In thousands, except share figures)

	December 31,	
	1997	1998
Current assets:		
Cash and cash equivalents.....	\$ 10,074	\$ 10,428
Accounts receivable--		
Trade, less allowances for doubtful accounts of \$3,276, and \$4,669 at December 31, 1997 and 1998, respectively.	38,349	40,816
Other.....	1,384	2,643
Notes receivable.....	193	219
Note receivable from affiliate.....	--	1,900
Prepaid expenses.....	1,265	1,771
Prepaid income taxes.....	--	3,575
Deferred income taxes.....	7,045	8,871
Total current assets.....	58,310	70,223
Property and equipment:		
Leasehold improvements.....	6,724	8,812
Office furniture and fixtures.....	9,588	12,211
Computer equipment and software.....	8,368	5,513
Automobiles.....	853	898
System development costs.....	1,243	10,244
	26,776	37,678
Less--Accumulated depreciation and amortization.....	(11,334)	(12,900)
Property and equipment, net.....	15,442	24,778
Other assets:		
Cash and investments designated for nonqualified retirement plan.....	10,439	13,552
Investment in Heidrick & Struggles International, Inc....	6,433	4,766
Goodwill and other intangibles.....	--	8,055
Deferred income taxes.....	2,961	1,776
Total other assets.....	19,833	28,149
Total assets.....	\$ 93,585	\$123,150
	=====	=====

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

HEIDRICK & STRUGGLES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In thousands, except share figures)

	December 31,	
	1997	1998
Current liabilities:		
Short-term debt.....	\$ 3,500	\$ 22,000
Current maturities of long-term debt.....	808	2,547
Accounts payable.....	2,909	2,918
Accrued expenses--		
Salaries and employee benefits.....	17,806	23,299
Profit sharing and retirement.....	2,732	3,155
Rent.....	1,817	1,817
Other.....	3,028	6,295
Income taxes payable.....	837	--
Total current liabilities.....	33,437	62,031
Long-term debt, less current maturities.....	1,636	5,150
Liability for nonqualified retirement plans.....	11,108	11,358
Commitments and contingent liabilities		
Mandatorily redeemable common stock:		
Common stock, \$1 par value, 7,910,850 shares authorized and issued at December 31, 1997 and 1998; 2,737,533 and 2,873,870 shares outstanding at December 31, 1997 and 1998, respectively, at book value.....	47,404	44,611
Total liabilities and mandatorily redeemable common stock.	\$93,585	\$123,150

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

HEIDRICK & STRUGGLES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(In thousands, except share and per share figures)

	Year Ended December 31,		
	1996	1997	1998
Revenue.....	\$ 137,665	\$ 180,244	\$ 204,015
Operating expenses:			
Salaries and employee benefits.....	98,272	125,308	163,730
General and administrative expenses.....	28,681	42,991	50,677
Total operating expenses.....	126,953	168,299	214,407
Operating income (loss).....	10,712	11,945	(10,392)
Non-operating income (expense):			
Interest income.....	1,385	1,586	1,531
Interest expense.....	(180)	(150)	(462)
Other.....	(94)	486	(2,212)
Net non-operating income (expense).....	1,111	1,922	(1,143)
Equity in net income (loss) of affiliate.....	775	20	(3,417)
Income (loss) before income taxes	12,598	13,887	(14,952)
Provision for income taxes.....	6,149	7,444	1,302
Net income (loss).....	\$ 6,449	\$ 6,443	\$ (16,254)
Basic earnings (loss) per common share.....	\$ 2.50	\$ 2.41	\$ (6.10)
Weighted average common shares outstanding....	2,574,475	2,676,415	2,666,526
Diluted earnings (loss) per common share.....	\$ 2.50	\$ 2.41	\$ (6.10)
Diluted weighted average common shares outstanding.....	2,574,475	2,676,525	2,666,526
Net income (loss).....	\$ 6,449	\$ 6,443	\$ (16,254)
Other comprehensive income (loss), before tax:			
Foreign currency translation adjustment.....	(465)	(956)	(475)
Unrealized gain on available-for-sale investments.....	188	1,110	1,626
Other comprehensive income (loss), before tax.	(277)	154	1,151
Income tax (benefit) expense related to items of other comprehensive income (loss).....	(116)	64	494
Other comprehensive income (loss), net of tax.	(161)	90	657
Comprehensive income (loss).....	\$ 6,288	\$ 6,533	\$ (15,597)

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

Unrealized gain on available-for-sale investments.....	--	--	--	--	--	--	--	933	--
Foreign currency translation adjustments.....	--	--	--	--	--	--	--	(276)	--

Other comprehensive income net of tax....	--	--	--	--	--	--	657	657	657

Comprehensive income (loss).....	--	--	--	--	--	--	--	<u>\$(15,597)</u>	--
								=====	
Retained earnings allocable to mandatorily redeemable common stock.....	--	--	--	--	--	2,794	--		2,794
								-----	-----
Balance at December 31, 1998.....	<u>7,910,850</u>	<u>\$500</u>	<u>\$28,143</u>	<u>(5,036,980)</u>	<u>\$(16,471)</u>	<u>\$(12,769)</u>	<u>\$597</u>		<u>\$ --</u>
	=====	=====	=====	=====	=====	=====	=====		=====

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

HEIDRICK & STRUGGLES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,		
	1996	1997	1998
Cash flows from operating activities			
Net income (loss).....	\$ 6,449	\$ 6,443	\$(16,254)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization.....	2,705	3,417	3,881
Loss on sale of property and equipment.....	522	50	560
Deferred income taxes.....	(1,327)	(3,539)	(1,357)
Equity in net (income) loss of affiliate.....	(775)	(20)	1,667
Accretion of discount on securities.....	(321)	--	--
Stock based compensation expense.....	--	--	9,979
Changes in assets and liabilities:			
Trade & other receivables.....	(7,301)	(12,385)	(2,823)
Prepaid expenses.....	(179)	(379)	(5,465)
Accounts payable.....	348	1,485	(144)
Accrued expenses.....	3,687	8,046	8,839
Income taxes payable.....	(737)	(370)	693
Nonqualified retirement plan liability.....	2,560	3,943	250
Net cash provided by (used in) operating activities.....	5,631	6,691	(174)
Cash flows from investing activities			
Acquisitions.....	--	--	(4,060)
Purchases of securities for nonqualified retirement plan.....	(5,603)	(3,538)	(1,488)
Purchases of property and equipment.....	(6,730)	(5,718)	(13,801)
Proceeds from sales of property and equipment...	58	65	5
Purchases of marketable securities.....	(10,303)	(8,176)	--
Proceeds from maturities of marketable securities.....	13,000	8,176	--
Net cash used in investing activities.....	(9,578)	(9,191)	(19,344)
Cash flows from financing activities			
Proceeds from long-term debt.....	--	3,500	27,148
Payments on long-term debt.....	(1,453)	(875)	(9,834)
Proceeds from sales of treasury stock.....	2,924	4,349	4,875
Purchases of treasury stock.....	(861)	(1,014)	(68)
Net cash provided by financing activities.....	610	5,960	22,121
Effect of foreign currency exchange rates on cash and cash equivalents.....	(88)	(557)	(2,249)
Net increase (decrease) in cash and cash equivalents.....	(3,425)	2,903	354
Cash and cash equivalents:			
Beginning of period.....	10,596	7,171	10,074
End of period.....	\$ 7,171	\$ 10,074	\$ 10,428
Supplemental disclosures of cash flow information			
Cash paid for--			
Interest.....	\$ 221	\$ 161	\$ 359
Income taxes.....	\$ 7,589	\$ 10,874	\$ 8,231
Supplemental schedule of noncash financing and investing activities			
Unrealized gain on available-for-sale investments.....	\$ 188	\$ 1,110	\$ 1,626
Issuance of notes payable for the purchase of treasury stock.....	\$ 680	\$ 1,836	\$ 2,081
Debt from the acquisition of net assets.....	\$ --	\$ --	\$ 4,358
Receipt of note receivable for stock sale.....	\$ --	\$ --	\$ 98
Conversion of note receivable to equity.....	\$ --	\$ --	\$ 1,750

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

HEIDRICK & STRUGGLES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share figures)

1. Nature of Business and Summary of Significant Accounting Policies

Nature of Business

Heidrick & Struggles, Inc. and Subsidiaries (the "Company") are engaged in providing management consulting and executive search services to clients on a retained basis. The Company's clients are primarily located throughout North America, South America and Asia Pacific.

Principles of Consolidation

The consolidated financial statements include Heidrick & Struggles, Inc. and its wholly owned subsidiaries. All material intercompany accounts and transactions have been eliminated in the consolidated financial statements.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Accounting Pronouncements to be Adopted in 1999

During 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and for Hedging Activities," which establishes new standards for reporting information about derivatives and hedging activities. It is effective for periods beginning after June 15, 1999 and will be adopted by the Company as of January 1, 2000. The Company expects that adoption of this Standard will have no material effect on its consolidated financial position, results of operations or on disclosures within the consolidated financial statements.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments with a purchased maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

Financial instruments that potentially expose the Company to concentration of credit risk consist primarily of accounts receivable. Concentrations of credit risk with respect to accounts receivable are limited due to the Company's large number of customers and their dispersion across many different industries. At December 31, 1998, the Company had no significant concentrations of credit risk.

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets or, for leasehold improvements, the shorter of the lease term or the estimated useful life of the asset, as follows:

Office furniture and fixtures.....	10 years
Computer equipment and software.....	3-5 years
Automobiles.....	3 years

HEIDRICK & STRUGGLES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Depreciation for financial statement purposes for the years ended December 31, 1996, 1997 and 1998 totaled \$2,705, \$3,417, and \$3,759, respectively. Depreciation is calculated for tax purposes using accelerated methods.

Goodwill and Other Intangibles

Goodwill and other intangible assets are stated at cost and amortized using the straight-line method over the estimated economic useful life. The Company continually evaluates whether subsequent events and circumstances have occurred that indicate the remaining estimated useful life of goodwill or an intangible asset may warrant revision, or that the remaining balance of goodwill or an intangible asset may not be recoverable. The Company evaluates the recoverability of goodwill and intangible assets by measuring the carrying amount of the assets against the estimated undiscounted future cash flows associated with them. At the time such evaluations indicate that the future undiscounted cash flows of such assets are not sufficient to recover the carrying value of such assets, the assets are adjusted to their fair values. Based on these evaluations, there were no adjustments to the carrying value of goodwill or intangible assets in 1998.

System Development Costs

In accordance with Statement of Position No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," development costs are capitalized. Once the software is placed in service, it will be depreciated using the straight-line method over a three to five year period.

Investments Designated for Nonqualified Retirement Plan

Investments designated for the nonqualified retirement plan are carried at the fair value of the security in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Investments designated for the nonqualified retirement plan are debt and equity securities that are classified as available-for-sale securities as more fully described in Note 2.

Investment in Heidrick & Struggles International, Inc.

The Company accounts for its investment in Heidrick & Struggles International, Inc. ("HSI") by the equity method as more fully described in Note 3. Using this method, the Company's equity in the net income of the affiliate is recognized in the Company's statement of income and comprehensive income and added to the investment account. Dividends received, if any, from the affiliate are treated as reductions in the investment account.

Revenue Recognition

Revenue from client services is recognized as clients are billed, generally over a 60 to 90 day period commencing in the month of the initial acceptance of a search. If a search is canceled within the first 90 days, the Company will pro-rate the fee up to the date of cancellation. Revenue consists of the amount billed to clients, net of sales taxes.

Income Taxes

Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities, applying enacted statutory tax rates in effect for the year in which the tax differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Earnings (Loss) per Common Share

The Company adopted SFAS No. 128, "Earnings Per Share" at December 31, 1997. Basic earnings (loss) per common share is computed by dividing net income (loss) by weighted average common shares outstanding

HEIDRICK & STRUGGLES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

for the year. Diluted earnings (loss) per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted. See Note 11 for the reconciliation of basic and diluted earnings per share.

Translation of Foreign Currencies

The translation of financial statements into U.S. dollars has been performed in accordance with SFAS No. 52, "Foreign Currency Translation." The local currency for all subsidiaries has been designated as the functional currency except for subsidiaries which operate in highly inflationary economies which use the U.S. dollar as their functional currency. Non-U.S. assets and liabilities have been translated into U.S. dollars at the current rate of exchange prevailing at the balance sheet date. Revenues and expenses have been translated at the average exchange rates for the period. Translation adjustments are reported as a component of comprehensive income.

2. Investments Designated for Nonqualified Retirement Plan

Effective January 1, 1994, the Company adopted SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities", which requires investments in debt and equity securities be classified as held-to-maturity, available-for-sale or trading securities. The Company's investments designated for the nonqualified retirement plan are classified as investments available-for-sale (see Note 9). These securities are carried at fair value based on publicly reported market quotes as of December 31, 1997 and 1998. Any unrealized gains and losses on available-for-sale securities have been excluded from earnings and have been reported as a component of comprehensive income.

The following details the cost and unrealized gain components that make up the fair value of the investments at December 31, 1997 and 1998:

	1997	1998
	-----	-----
Cost basis.....	\$ 8,835	\$10,618
Gross unrealized gain.....	1,298	2,924
	-----	-----
Fair value.....	\$10,133	\$13,542
	=====	=====

3. Investment in HSI

The Company has an investment in HSI which is accounted for under the equity method. The percentage of common stock ownership at December 31, 1997 and 1998 was 35.5%, and 35.7%, respectively. Based on an agreement between the Company and HSI, effective January 1, 1995, 65% of the net income of HSI is allocated to Class A shares and 35% of the net income of HSI is allocated to Class B shares, regardless of the exact percentage of each class holding. The Company owns all Class B shares of HSI.

4. Acquisitions

During 1996, the Company purchased selected assets of two companies in Latin America. The purchase price for each of these transactions equals the cost of the net assets as of the date of the transaction. During 1998, the Company incurred \$2,825 of salaries and employee benefits expense due to the early settlement of profit sharing arrangements related to these acquisitions.

On June 26, 1998, the Company purchased selected assets and liabilities of Fenwick Partners, Inc. The purchase price was approximately \$6,120 which is to be paid in 3 installments. The first installment of \$3,060 was paid on June 26, 1998. The remaining installments, including interest at a rate of 5%, are due in June of 1999 and June of 2000 and approximate \$321 and \$3,037, respectively. The amortization expense was \$105 for 1998.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

On October 1, 1998, the Company purchased selected assets of Heidrick Partners, Inc. The purchase price was \$2 million which is to be paid in two installments. The first installment of \$1 million was paid on October 1, 1998 and the remaining installment, including interest at the prime rate, is due on October 1, 1999. The amortization expense was \$17 for 1998.

Each acquisition was accounted for as a purchase. Goodwill is being amortized over 30 years using the straight-line method. Results of operations of the acquired companies are included in the consolidated statements of income and comprehensive income since the date of acquisition.

5. Line of Credit

The Company has a \$40,000 reducing revolving credit facility ("line of credit") which will be increased to \$60,000 upon completion of the Merger with HSI (see Note 14). This facility will terminate on December 31, 2001. The \$40,000 line of credit reduces annually by \$5,000 on December 31, 1999 and 2000 and the \$60,000 line of credit will reduce annually by \$10,000 on December 31, 1999 and 2000. There was \$22,000 outstanding under this line of credit at December 31, 1998. 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"). A Non-U.S. Borrowing bears interest at the then existing LIBOR plus a margin as determined by certain tests of H&S Inc. financial condition (the "Applicable Margin"). A U.S. Borrowing bears interest at the then existing prime rate. At December 31, 1998, the interest rate on the debt was LIBOR plus the Applicable Margin, which sum equaled 6.8%. This line of credit replaced a \$25,000 line of credit which had been effective since October 1, 1997. There was \$3,500 outstanding under this line of credit at December 31, 1997 and the borrowings bore interest at either LIBOR plus 1% or the prime rate, at the Company's discretion. At December 31, 1997, the interest rate on the debt was fixed at approximately 8.5%. 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. There are also restrictions in the line of credit limiting H&S Inc. loans to HSI. As of December 31, 1997, the Company met all of its financial covenants. For the year ended December 31, 1998, the Company was not in compliance with the debt service coverage ratio. The Company obtained a waiver from the lending institutions relating to this requirement for the year ended December 31, 1998. The Company was in compliance with all other financial covenants as of December 31, 1998. The Company is required to pay a commitment fee on the unused portion of the line of credit on a quarterly basis. Commitment fee expense for the year ended December 31, 1997 and 1998 totaled \$8 and \$21, respectively.

6. Related Party Transactions

At December 31, 1998, note receivable from affiliate was comprised of a loan to HSI of \$1,900. The interest rate on this receivable is 6.2% at December 31, 1998. Accounts receivable includes an intercompany receivable of \$776 and \$2,998 at December 31, 1997 and 1998, respectively. All transactions between the Company and HSI are recorded at cost.

7. Long-Term Debt

Long-term debt consists of amounts due to former stockholders who have sold their stock back to the Company (see Note 8). The obligations are unsecured and payable in annual installments over periods ranging from two to five years with interest payable generally at the prime commercial rate (8.50% and 7.75% at December 31, 1997 and 1998, respectively). Long-term debt also includes amounts due as a result of the Fenwick acquisition (see Note 4).

HEIDRICK & STRUGGLES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

The fair value of the debt based on current rates for similar debt is estimated to be \$8,035 at December 31, 1998.

Future principal payments on long-term debt are due as follows:

Years ending December 31--	
1999.....	\$2,547
2000.....	3,890
2001.....	834
2002.....	426
2003.....	--

	\$7,697
	=====

8. Stockholder Agreements

In accordance with the terms of stock purchase agreements between the Company and its stockholders, the Company is obligated to purchase the shares of stock owned by a stockholder if the stockholder desires to sell or transfer the shares, or upon a stockholder's termination of employment at net book value as defined in the stock purchase agreements. Payments for shares are generally made over a five year period. Redemption amounts relating to the stock purchase agreements are included in Mandatorily Redeemable Common Stock in the accompanying consolidated balance sheets. These agreements will terminate upon successful completion of an initial public offering.

9. Employee Benefit Plans

Qualified Retirement Plans

The Company has a defined contribution retirement plan for all eligible employees. The plan contains a 401(k) provision which provides for employee tax deferred contributions.

The Company matched employee contributions on a two-for-one basis up to a maximum Company contribution of \$1, \$2 and \$2 per participant for the years ended December 31, 1996, 1997 and 1998, respectively. The Company has the option of making discretionary contributions. For the years ended December 31, 1996, 1997 and 1998, the Company elected to contribute to each eligible participant a sum equal to 3.03% of the participant's total compensation (as defined) and an additional 3.03% of the participant's compensation above the Social Security taxable wage base.

The plan allows participants the option of having their account balances or portions thereof invested in the Company's common stock. At December 31, 1997 and 1998, the plan held 2,054,684 and 1,853,655 shares, respectively, of the Company's common stock. The Company sells shares of common stock to the plan and is required to repurchase the shares issued to the plan at net book value as defined in the stock purchase agreements. This requirement will be terminated upon successful completion of an initial public offering.

The plan provides that forfeitures will be used to reduce the Company's contributions. Forfeitures are created when participants terminate employment before becoming entitled to their full benefits under the plan. Company expense for the plan for the years ended December 31, 1996, 1997 and 1998 was \$1,339, \$2,174, and \$2,532, respectively.

In addition, the subsidiaries each maintain defined contribution retirement plans for their eligible employees. Retirement plan expense for these plans for the years ended December 31, 1996, 1997 and 1998 totaled \$128, \$154, and \$159, respectively.

HEIDRICK & STRUGGLES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Nonqualified Retirement Plans

The Company also has two separate nonqualified retirement plans. The first plan is for United States based employees and includes both an optional employee contribution and a discretionary employer contribution. The plan expense for the years ended December 31, 1996, 1997 and 1998 was \$1,440, \$1,350, and \$0, respectively. The liability for this retirement plan consisted of the following at December 31, 1997 and 1998:

	1997	1998
	-----	-----
Employer contributions.....	\$ 6,390	\$ 6,390
Employee deferrals.....	3,785	3,785
Earnings of designated assets.....	316	544
Distributions.....	--	(210)
	-----	-----
	\$10,491	\$10,509
	=====	=====

Investments designated for the nonqualified retirement plan are carried at fair market value based on publicly quoted prices. The Company has an accumulated unrealized gain as of December 31, 1997 and 1998 of \$1,298, and \$2,924, respectively, which is recorded as a separate component of stockholders' equity (see Note 2). The nonqualified plan was unfunded until 1996.

The fair value of the assets designated for the nonqualified retirement plan consist of the following at December 31, 1997 and 1998:

	1997	1998
	-----	-----
Cash and cash equivalents.....	\$ 306	\$ 10
Stock mutual fund.....	6,919	9,533
Bond mutual fund.....	3,214	4,009
	-----	-----
	\$10,439	\$13,552
	=====	=====

In 1995, the Company instituted a second nonqualified retirement plan for employees classified as senior associates. This plan provides for only discretionary employer contributions. The plan expense for the years ended December 31, 1996, 1997 and 1998 was \$170, \$250, and \$232, respectively. The liability for this retirement plan at December 31, 1997 and 1998 was \$617, and \$849, respectively.

HEIDRICK & STRUGGLES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

10. Income Taxes

The deferred tax assets and liabilities consist of the following components as of December 31, 1997 and 1998:

	1997	1998
	-----	-----
Deferred tax assets--		
Receivable allowances.....	\$ 1,515	\$ 2,052
Accrued vacations.....	433	772
Accrued bonuses.....	6,206	6,969
Liability for nonqualified retirement plans.....	5,035	5,569
Other accrued expenses.....	439	626
Foreign net operating loss carryforwards.....	595	1,515
Cumulative translation adjustment.....	636	1,503
	-----	-----
	14,859	19,006
Valuation allowance.....	(502)	(1,059)
	-----	-----
Net deferred tax assets.....	14,357	17,947
	-----	-----
Deferred tax liabilities--		
Leasehold improvements and equipment.....	(225)	(223)
Equity in undistributed income of affiliate.....	(2,045)	(125)
System development costs.....	(356)	(3,678)
Unrealized gain on available-for-sale investments.....	(545)	(1,228)
Other.....	(1,180)	(2,046)
	-----	-----
Net deferred tax liabilities.....	(4,351)	(7,300)
	-----	-----
Net deferred income taxes.....	\$10,006	\$10,647
	=====	=====

The deferred tax amounts mentioned above have been classified in the accompanying consolidated balance sheets as of December 31, 1997 and 1998, as follows:

	1997	1998
	-----	-----
Current deferred tax assets.....	\$ 8,593	\$10,419
Current deferred tax liabilities.....	(1,548)	(1,548)
	-----	-----
Net current deferred tax asset.....	7,045	8,871
	-----	-----
Long-term deferred tax assets.....	5,764	7,528
Long-term deferred tax liabilities.....	(2,803)	(5,752)
	-----	-----
Net long-term deferred tax asset.....	2,961	1,776
	-----	-----
	\$10,006	\$10,647
	=====	=====

The provision for income taxes for the years ended December 31, 1996, 1997 and 1998, is as follows:

	1996	1997	1998
	-----	-----	-----
Current--			
Federal.....	\$ 5,142	\$ 7,817	\$1,298
State.....	2,478	2,500	209
Foreign.....	322	540	436
Deferred.....	(1,793)	(3,413)	(641)
	-----	-----	-----
	\$ 6,149	\$ 7,444	\$1,302
	=====	=====	=====

HEIDRICK & STRUGGLES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

A reconciliation of income tax expense for the years ended December 31, 1996, 1997 and 1998, to income taxes at the statutory federal income tax rate of 35%, is as follows:

	1996	1997	1998
	-----	-----	-----
Income taxes at statutory rate.....	\$4,409	\$4,860	\$(5,233)
Increase (decrease) due to--			
State income taxes, net of federal tax			
benefit.....	1,611	1,625	136
Nondeductible expenses.....	341	357	4,985
Foreign taxes in excess of federal tax rates..	408	721	930
Other, net.....	(620)	(119)	484
	-----	-----	-----
Provision for income taxes.....	\$6,149	\$7,444	\$ 1,302
	=====	=====	=====

The accumulated undistributed earnings of HSI included in the Company's income for the years ended December 31, 1997 and 1998 totaled \$4,072 and \$655, respectively, which under existing law, will not be subject to U.S. tax until distributed as dividends. Furthermore, any taxes paid to foreign governments on those earnings may be used in whole or in part as credits against the U.S. tax on any dividends distributed from such earnings. The Company has provided a deferred tax liability for the undistributed earnings of HSI. As the earnings of the consolidated foreign subsidiaries will be permanently reinvested in the Company, no deferred tax liability has been provided.

The sources of earnings before income taxes are as follows:

	Years Ended December 31,		
	1996	1997	1998
	-----	-----	-----
United States.....	\$13,508	\$15,970	\$ (9,276)
Foreign.....	(910)	(2,083)	(5,676)
	-----	-----	-----
Total.....	\$12,598	\$13,887	\$(14,952)
	=====	=====	=====

11. Basic and Diluted Earnings (Loss) Per Common Share

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

	Year Ended December 31,		
	1996	1997	1998
	-----	-----	-----
Basic EPS			
Income (loss) available to common			
shareholders.....	\$ 6,449	\$ 6,443	\$ (16,254)
Weighted average common shares			
outstanding.....	2,574,475	2,676,415	2,666,526
	-----	-----	-----
Basic EPS.....	\$ 2.50	\$ 2.41	\$ (6.10)
	=====	=====	=====
Diluted EPS			
Income (loss) available to common			
shareholders.....	\$ 6,449	\$ 6,443	\$ (16,254)
Weighted average common shares			
outstanding.....	2,574,475	2,676,415	2,666,526
Dilutive common shares issued.....	--	110	--
	-----	-----	-----
Total diluted common shares.....	2,574,475	2,676,525	2,666,526
	-----	-----	-----

Diluted EPS.....	\$	2.50	\$	2.41	\$	(6.10)
		=====		=====		=====

HEIDRICK & STRUGGLES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

12. Commitments and Contingencies

Operating Leases

The Company leases office space in various buildings for its own use. The terms of these operating leases provide that the Company pays base rent and a share of increases in operating expenses and real estate taxes in excess of defined amounts. These leases expire at various dates through 2013. The Company also leases computer equipment which is accounted for as an operating lease.

Minimum future lease payments due in each of the next five years ending December 31 and thereafter, are as follows:

Years ending December 31--	
1999.....	\$ 8,455
2000.....	8,311
2001.....	6,868
2002.....	5,829
2003.....	4,914
Thereafter.....	8,598

	\$42,975
	=====

Rent expense under operating leases for the years ended December 31, 1996, 1997 and 1998 was \$6,976, \$8,374, and \$9,188, respectively.

Employment Agreement

The Company has an employment agreement with an officer which provides for certain payments upon retirement but requires the officer to provide services and not to compete with the Company. The payments are indexed to the Consumer Price Index and would currently approximate \$199 for each of the first five years of retirement and approximately \$99 for each of the succeeding five years. The agreement also states the payments are ratably forfeited during the period which the individual remains an active employee after having reached the age of 65. At December 31, 1998, the first thirty months of payments have been forfeited as a result of that provision. This agreement also provides for the same payments to the officer in the event of his disability while an employee of the Company except that the payments would be reduced by any amounts received from disability insurance carried by the Company. If the officer dies while an employee or during the ten years of the retirement plan, the agreement provides for payments to his widow or estate of one-half of the amounts for retirement. As future services expected to be received by the Company are commensurate with retirement payments to be made, no provision for any payment under this plan has been made in the accompanying consolidated financial statements.

Litigation

In the normal course of business, the Company is a party to various matters involving disputes and litigation. While it is not possible at this time to determine the ultimate outcome of these matters, management believes that the ultimate liability, if any, will not be material to the consolidated results of operations, financial condition or liquidity of the Company.

13. Segment Information

Management views the operations of the Company through geographic segments. For purposes of the geographic information below, Mexico is included in Latin America.

HEIDRICK & STRUGGLES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

	Years Ended December 31,		
	1996	1997	1998
Revenue:			
North America.....	\$127,901	\$158,753	\$180,288
Latin America.....	2,189	7,972	9,579
Asia Pacific.....	7,575	13,519	14,148
	-----	-----	-----
Total.....	\$137,665	\$180,244	\$204,015
	=====	=====	=====
Operating Income (Loss):			
North America.....	\$ 12,087	\$ 13,726	\$ (5,573)
Latin America.....	(751)	(1,708)	(4,988)
Asia Pacific.....	(624)	(73)	169
	-----	-----	-----
Total.....	\$ 10,712	\$ 11,945	\$(10,392)
	=====	=====	=====
Identifiable Assets:			
North America.....	\$ 60,675	\$ 80,872	\$111,199
Latin America.....	2,206	4,920	5,410
Asia Pacific.....	5,762	7,793	6,541
	-----	-----	-----
Total.....	\$ 68,643	\$ 93,585	\$123,150
	=====	=====	=====

During all years presented above, no individual customer accounted for greater than 10% of revenue.

14. Merger Agreement

On February 12, 1999, the Company's Board of Directors approved a merger agreement with HSI which details the plan to merge the Company with and into HSI prior to an initial public offering; and recommended that the merger agreement be submitted to the stockholders for approval. After completion of the merger, the corporation will be named Heidrick & Struggles International, Inc.

15. Restatement

In February 1999, an error was discovered in the HSI financial statements for the year ended December 31, 1997. HSI has restated its financial statements for the year ended December 31, 1997 accordingly. As a result, the Company has restated its financial statements for the year ended December 31, 1997 to reflect the change in the Investment in Heidrick & Struggles International, Inc. A summary of the restatements by category is as follows:

	Restatements as of December 31, 1997

Equity in net income of affiliate.....	\$(95)
Provision for income taxes.....	40

	\$(55)
	=====

16. Stock Based Compensation Expense

In the fourth quarter of 1998, the Company sold 735,809 shares to its directors, resulting in \$9,947 of salaries and employee benefits expense arising from the difference between the issuance price of the shares (book value) of \$6.76 per share and the fair market value of the shares at the date of grant of \$20.28 per share.

17. Subsequent Events

On January 20, 1999, HSI repaid its loan from the Company in the amount of \$1,900 plus interest.

On February 26, 1999, the Company merged with and into Heidrick & Struggles International, Inc.

On March 26, 1999, Heidrick & Struggles International, Inc. declared a 15.8217 for 1 stock split to become effective upon completion of its initial public offering of common stock.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of
Heidrick & Struggles International, Inc. and Subsidiaries:

We have audited the accompanying consolidated balance sheets of HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES (a Delaware corporation) as of December 31, 1997 and 1998, and the related consolidated statements of income and comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1998 (1997 as restated--see Note 14). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Heidrick & Struggles International, Inc. and Subsidiaries as of December 31, 1997 and 1998, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

/s/ Barbier Frinault & Associes
Arthur Andersen

Neuilly-sur-Seine, France

February 19, 1999

(except with respect to the matter discussed in Note 15, as to which the date is March 26, 1999)

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In thousands, except share figures)

	December 31,	
	1997	1998
	-----	-----
Current assets:		
Cash and cash equivalents.....	\$ 8,053	\$15,753
Accounts receivable--		
Trade, less allowances for doubtful accounts of \$1,416, and \$5,011 at December 31, 1997 and 1998, respectively..	23,617	23,250
Other.....	358	819
Prepaid expenses.....	1,522	1,489
Deferred income taxes.....	1,554	7,796
	-----	-----
Total current assets.....	35,104	49,107
	-----	-----
Property and equipment:		
Leasehold improvements.....	4,747	4,432
Office furniture and fixtures.....	6,573	8,921
Computer equipment and software.....	6,498	11,880
Automobiles.....	1,674	1,929
	-----	-----
	19,492	27,162
Less--Accumulated depreciation and amortization.....	(9,328)	(12,245)
	-----	-----
Property and equipment, net.....	10,164	14,917
	-----	-----
Other assets:		
Goodwill and other intangibles.....	2,289	2,531
Deferred compensation expense.....	7,876	4,046
Deferred income taxes.....	4,523	6,035
Group insurance contracts designated for pension plan.....	14,304	17,469
Other assets.....	1,300	892
	-----	-----
Total other assets.....	30,292	30,973
	-----	-----
Total assets.....	\$75,560	\$94,997
	=====	=====
Current liabilities:		
Short-term debt.....	\$ 7,639	\$11,753
Current maturities of long-term debt.....	362	355
Accounts payable.....	4,265	7,337
Accrued expenses--		
Salaries and employee benefits.....	16,436	22,434
Professional fees.....	806	2,561
VAT.....	1,855	1,537
Payroll taxes.....	1,250	7,135
Other.....	2,676	4,653
Income taxes payable.....	6,422	3,286
Note payable to affiliate.....	--	1,900
	-----	-----
Total current liabilities.....	41,711	62,951
	-----	-----
Long-term debt, less current maturities.....	168	112
	-----	-----
Pension and other long-term liabilities.....	15,552	18,574
	-----	-----
Mandatorily redeemable common stock:		
Class A common stock, no par value, 2,373,255 shares authorized, 1,931,118 and 2,286,774 shares issued and outstanding at December 31, 1997 and 1998, respectively, at book value.....	11,706	8,578
	-----	-----
Stockholders' equity:		
Class B common stock, no par value, 2,373,255 shares authorized, 1,040,862 and 1,268,663 shares issued and outstanding at December 31, 1997 and 1998, respectively, at book value.....	2,361	4,111
Retained earnings.....	4,952	1,210
Accumulated other comprehensive income (loss).....	(665)	(539)
Less--Treasury stock, at cost, 35,504, and 0 shares at December 31, 1997 and 1998, respectively.....	(225)	--
	-----	-----
Total stockholders' equity.....	6,423	4,782
	-----	-----
Total liabilities, mandatorily redeemable common stock and stockholders' equity.....	\$75,560	\$94,997

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

HEIDRICK & STRUGGLES INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(In thousands, except share and per share figures)

	Year Ended December 31,		
	1996	1997	1998
Revenue.....	\$ 64,558	\$ 82,732	\$ 124,984
Operating expenses:			
Salaries and employee benefits.....	44,020	59,080	102,861
General and administrative expenses.....	17,100	20,567	37,766
Total operating expenses.....	61,120	79,647	140,627
Operating income (loss).....	3,438	3,085	(15,643)
Non-operating income (expense).....	133	151	(6,116)
Minority interest in income of consolidated subsidiaries.....	--	(26)	(81)
Income (loss) before income taxes.....	3,571	3,210	(21,840)
Provision for (benefit from) income taxes.....	1,430	2,518	(4,475)
Net income (loss).....	\$ 2,141	\$ 692	\$ (17,365)
Basic earnings per Class A common share.....	\$.86	\$.25	\$ (5.96)
Basic weighted average Class A common shares outstanding.....	1,623,955	1,773,581	1,892,908
Diluted earnings per Class A common share.....	\$.86	\$.24	\$ (5.96)
Diluted weighted average Class A common shares outstanding.....	1,623,955	1,880,694	1,892,908
Basic and diluted earnings per Class B common share.....	\$.72	\$.23	\$ (5.83)
Weighted average Class B common shares outstanding.....	1,040,862	1,040,862	1,042,729
Net income (loss).....	\$ 2,141	\$ 692	\$ (17,365)
Other comprehensive income (loss), before tax:			
Foreign currency translation adjustment.....	(191)	(1,331)	404
Income tax (benefit) expense related to items of other comprehensive income (loss).....	(76)	(609)	278
Other comprehensive income (loss), net of tax.....	(115)	(722)	126
Comprehensive income (loss).....	\$ 2,026	\$ (30)	\$ (17,239)

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

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except share figures)

	Class B Common Stock		Treasury Stock		Retained Earnings	Accumulated Other Compre- hensive Income (Loss)	Compre- hensive Income (Loss)	Total Stock- holders' Equity
	Shares	Amount	Shares	Amount		(Loss)	(Loss)	
Balance at December 31, 1995.....	1,040,862	2,361	(10,284)	(61)	3,169	172		5,641
Treasury stock transactions--								
Stock issued.....	--	--	80,706	467	--	--		467
Stock repurchased.....	--	--	(70,422)	(406)	--	--		(406)
Comprehensive income								
Net income.....	--	--	--	--	2,141	--	2,141	2,141
Foreign currency translation adjustment.....	--	--	--	--	--	(115)	(115)	(115)
Comprehensive income....							2,026	
Retained earnings allocable to mandatorily redeemable Class A common stock...	--	--	--	--	(1,329)	--		(1,329)
Balance at December 31, 1996.....	1,040,862	2,361	--	--	3,981	57		6,399
Treasury stock transactions--								
Stock issued.....	--	--	63,287	425	--	--		425
Stock repurchased.....	--	--	(98,791)	(650)	--	--		(650)
Comprehensive income								
Net income.....	--	--	--	--	692	--	692	692
Foreign currency translation adjustment.....	--	--	--	--	--	(722)	(722)	(722)
Comprehensive income....							(30)	
Retained earnings allocable to mandatorily redeemable Class A common stock...	--	--	--	--	279	--		279
Balance at December 31, 1997.....	1,040,862	2,361	(35,504)	(225)	4,952	(665)		6,423
Treasury stock transactions--								
Stock issued.....	227,801	1,750	43,415	280	--	--		2,030
Stock repurchased.....	--	--	(7,911)	(55)	--	--		(55)
Comprehensive income (loss)								
Net loss.....	--	--	--	--	(17,365)	--	(17,365)	(17,365)
Foreign currency translation adjustment.....	--	--	--	--	--	126	126	126
Comprehensive income (loss).....							\$(17,239)	
Retained earnings allocable to mandatorily redeemable Class A common stock ..	--	--	--	--	13,623	--		13,623
Balance at December 31, 1998.....	1,268,663	\$4,111	--	\$--	\$ 1,210	\$(539)		\$ 4,782

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

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,		
	1996	1997	1998
Cash flows from operating activities			
Net income (loss).....	\$ 2,141	\$ 692	\$(17,365)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization.....	1,721	2,623	4,624
Loss on sale of property and equipment.....	162	92	1,278
Deferred income taxes.....	(398)	(1,777)	(7,438)
Stock based compensation expense.....	--	--	7,577
Changes in assets and liabilities:			
Accounts receivable.....	(1,933)	(4,480)	1,174
Prepaid expenses.....	796	(1,113)	4,270
Group insurance contracts designated for pension plan.....	--	(1,642)	(1,978)
Other assets.....	(612)	(912)	571
Accounts payable.....	(563)	2,198	2,291
Accrued expenses.....	4,617	5,275	14,072
Income taxes payable.....	394	3,063	(3,318)
Pension liability.....	--	185	1,746
Net cash provided by operating activities.	6,325	4,204	7,504
Cash flows from investing activities			
Acquisitions.....	(540)	(7,496)	(559)
Proceeds from sales of property and equipment...	72	82	274
Purchases of property and equipment.....	(2,039)	(6,014)	(9,673)
Net cash used in investing activities.....	(2,507)	(13,428)	(9,958)
Cash flows from financing activities			
Proceeds from issuance of common stock and treasury stock.....	737	2,465	4,913
Purchases of treasury stock.....	(406)	(401)	--
Proceeds from short-term debt.....	--	7,639	6,013
Payments on short-term debt.....	--	--	(55)
Net cash provided by financing activities.	331	9,703	10,871
Effect of foreign currency exchange rates on cash and cash equivalents.....	38	(628)	(717)
Net increase (decrease) in cash and cash equivalents.....	4,187	(149)	7,700
Cash and cash equivalents:			
Beginning of period.....	4,015	8,202	8,053
End of period.....	\$ 8,202	\$ 8,053	\$ 15,753
Supplemental disclosures of cash flow information			
Cash paid for--			
Interest.....	\$ 9	\$ 3	\$ 400
Income taxes.....	\$ 1,467	\$ 1,418	\$ 6,875
Supplemental schedule of noncash financing activities			
Issuance of notes payable for the purchase of treasury stock.....	\$ --	\$ 249	\$ --

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

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share and per share figures)

1. Nature of Business and Summary of Significant Accounting Policies

Nature of Business

Heidrick & Struggles International, Inc. and Subsidiaries (the "Company") are engaged in providing management consulting and executive search services to clients on a retained basis. The Company's clients are primarily located throughout Europe.

Basis of Accounting

The financial statements of the Company have been prepared in conformity with U.S. generally accepted accounting principles.

Principles of Consolidation

The consolidated financial statements include Heidrick & Struggles International, Inc. and its wholly owned subsidiaries. All material intercompany accounts and transactions have been eliminated in the consolidated financial statements.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Accounting Pronouncements to be Adopted in 1999

During 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and for Hedging Activities," which establishes new standards for reporting information about derivatives and hedging activities. It is effective for periods beginning after June 15, 1999 and will be adopted by the Company as of January 1, 2000. The Company expects that adoption of this Standard will have no material effect on its consolidated financial position, results of operations or on disclosures within the consolidated financial statements.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments with a purchased maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

Financial instruments that potentially expose the Company to concentration of credit risk consist primarily of accounts receivable. Concentrations of credit risk with respect to accounts receivable are limited due to the Company's large number of customers and their dispersion across many different industries. At December 31, 1998, the Company had no significant concentrations of credit risk.

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets or, for leasehold improvements, the shorter of the lease term or the estimated useful life of the asset, as follows:

Office furniture and fixtures.....	8-10 years
Computer equipment and software.....	3-5 years
Automobiles.....	4 years

Depreciation for financial statement purposes for the years ended December 31, 1996, 1997 and 1998 totaled \$1,594, \$2,315 and \$4,408, respectively.

During 1998, the Company incurred \$4,127 of costs for the write off of leasehold improvements and accruals for non-cancelable lease commitments due to the decision to relocate the London office.

Goodwill and Other Intangibles

Goodwill and other intangible assets are stated at cost and amortized using the straight-line method over the estimated economic useful life. The Company continually evaluates whether subsequent events and circumstances have occurred that indicate the remaining estimated useful life of goodwill or an intangible asset may warrant revision, or that the remaining balance of goodwill or an intangible asset may not be recoverable. The Company evaluates the recoverability of goodwill and intangible assets by measuring the carrying amount of the assets against the estimated undiscounted future cash flows associated with them. At the time such evaluations indicate that the future undiscounted cash flows of such assets are not sufficient to recover the carrying value of such assets, the assets are adjusted to their fair values. Based on these evaluations, there were no adjustments to the carrying value of goodwill or intangible assets in 1998, 1997 and 1996.

Revenue Recognition

Revenue from client services is recognized as clients are billed, generally over a 60 to 90 day period commencing in the month of the initial acceptance of a search. If a search is canceled within the first 90 days, the Company will pro-rate the fee up to the date of cancellation. Revenue consists of the amount billed to clients, net of sales taxes.

Income Taxes

Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities, applying enacted statutory tax rates in effect for the year in which the tax differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Pension Plan

Effective December 31, 1998, the Company adopted SFAS No. 132, "Employer's Disclosure about Pensions and Other Postretirement Benefits." The provisions of SFAS No. 132 revise employers' disclosures about pension plans. It does not change the measurement or recognition of pension plans.

Earnings (Loss) per Common Share

The Company adopted SFAS No. 128, "Earnings Per Share" at December 31, 1997. Basic earnings (loss) per common share is computed by dividing net income (loss) by weighted average common shares outstanding for the year. Diluted earnings (loss) per share reflects the potential dilution that could occur if securities or other

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

contracts to issue common stock were exercised or converted. In accordance with SFAS No. 128, the Company utilizes the two-class method of calculating earnings (loss) per share. As such, the earnings (loss) are assigned to each class according to the terms of the stock agreements and earnings (loss) per share are computed by dividing the earnings (loss) assigned to each class by the shares outstanding in that class.

Translation of Foreign Currencies

The translation of financial statements into U.S. dollars has been performed in accordance with SFAS No. 52, "Foreign Currency Translation." The local currency for all subsidiaries has been designated as the functional currency except for subsidiaries which operate in highly inflationary economies which use the U.S. dollar as their functional currency. Non-U.S. assets and liabilities have been translated into U.S. dollars at the current rate of exchange prevailing at the balance sheet date. Revenues and expenses have been translated at the average exchange rates for the period. Translation adjustments are reported as a component of comprehensive income.

2. Acquisitions

Mulder & Partner GmbH & Co. KG

Effective October 1, 1997 the Company acquired 100% of Mulder & Partner GmbH & Co. KG ("Mulder"). The Company entered into a deferred contingent payment agreement with the sellers as described below:

- . \$8,695 was paid on October 1, 1997 and \$1,066 of associated transaction costs were incurred; \$5,228 plus 4% interest will be paid in annual equal installments over a five year period ending October 1, 2002.
- . Shares of the Company will be issued over a five year period to the partners of Mulder as follows:

	Number of shares to be issued -----
October 1, 1997.....	4,000
January 1, 1999.....	8,000
January 1, 2000.....	7,000
January 1, 2001.....	7,000
January 1, 2002.....	6,000

	32,000
	=====

At October 1, 1997, consideration corresponding to the issuance of the first 4,000 shares was accounted for at a value of \$106.16 per share, representing the fair value of the shares of the Company at this date. The entire purchase price (initial cash payment, future cash installments and all shares) is contingent upon the continued employment of the selling shareholders for the five year period ending October 1, 2002. A pro rata portion of the total purchase price is forfeited in the event a selling shareholder leaves the employment of the Company prior to October 1, 2002. Due to these employment contingencies, the purchase price has been accounted for as compensation expense over the five year period of the contingency.

On July 2, 1998, the Mulder acquisition agreement was amended. The amended agreement is contingent upon the merger of the Company and H&S Inc. The amended purchase price is \$20,471, which is to be paid as follows:

- . \$8,695 was due and paid in cash, \$298 of associated transaction costs were incurred, and 4,000 shares of the Company's stock were issued to the former stockholders of Mulder on October 1, 1997.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

- . \$5,228 plus interest accrued from October 1, 1997 at a rate of 4% is due 90 days after the merger of the Company and Heidrick & Struggles, Inc. The Company paid \$1,254 of this amount in October 1998.
- . \$5,901 represented by shares in the newly merged entity is due to the former stockholders of Mulder immediately after the merger.

All employment contingencies were eliminated from the acquisition agreement.

Due to the early settlement and elimination of employment contingencies, all remaining amounts will be expensed in the first quarter of 1999 when the amendment becomes effective.

3. Line of Credit

The Company was granted a multicurrency line of credit which became effective on October 13, 1997. The \$10,548 line of credit will be reduced annually by \$2,110 on July 1, 1998, 1999, 2000 and 2001. The line of credit will expire on July 1, 2002. The interest rate on the credit line is LIBOR plus 1%. The interest rate at December 31, 1997 and 1998 was 7.2% and 6.6%, respectively. The total outstanding balance was \$7,639 and \$8,316 at December 31, 1997 and 1998, respectively. The interest expense on the debt was \$21 and \$402 for the year ended December 31, 1997 and 1998, respectively. The credit line has a financial requirement, which requires that the ratio of total debt to tangible net worth be less than 90%. As a result of this financial requirement, retained earnings are restricted to the extent the ratio of debt to tangible net worth exceeds 90%. Also, no investment greater than \$2 million is allowed without prior approval from the banks. Finally, there may be no substantial sale of German assets without the bank's prior approval.

HSI has negotiated a \$7,969 multicurrency line of credit in addition to the above line of credit. This facility will reduce to \$4,922 on March 1, 1999, \$1,055 on May 1, 1999 and will terminate on May 31, 1999. The borrowings bear interest at the Euro OverNight Index Average ("EONIA") plus 100 basis points or LIBOR plus 100 basis points, depending on the currency borrowed. The borrowings can be drawn in Euros, ECU or British Pounds. At December 31, 1998, there was \$3,437 outstanding under the facility and the interest rate was 4.6%.

HSI has a \$1,198 line of credit denominated in German Marks. The borrowings bear interest at a variable rate between 4.9% and 7.5% depending on the number of days the relevant borrowing is outstanding. There is no expiration date for this line of credit. At December 31, 1998, there was no balance outstanding.

4. Related Party Transactions

At December 31, 1998, note payable to affiliate is comprised of a loan from H&S Inc. of \$1,900. The interest rate on this loan is 6.2% at December 31, 1998. Accounts payable includes a payable of \$776 and \$2,998 to H&S Inc. at December 31, 1997 and 1998, respectively. All transactions between the Company and H&S Inc. are recorded at cost.

Based on an agreement between the Company and H&S Inc., effective January 1, 1995, 65% of the net income of the Company is allocated to Class A shares and 35% of the net income of the Company is allocated to Class B shares, regardless of the exact percentage of each class holding. H&S Inc. owns all Class B shares.

5. Long-Term Debt

Long-term debt consists of amounts due to former stockholders who have sold their stock back to the Company (see Note 6). The obligations are unsecured and payable in annual installments over a period of four years with interest payable at the prime commercial rate (8.50%, and 7.75% at December 31, 1997 and 1998, respectively).

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

The fair value of the debt based on current rates for similar debt is estimated to be \$684 at December 31, 1998.

Future principal payments on long-term debt are due as follows:

Years ending December 31--	
1999.....	\$355
2000.....	56
2001.....	56
2002.....	--
2003.....	--

	\$467
	=====

6. Stockholder Agreements

In accordance with the terms of the stock purchase agreements between the Company and its Class A stockholders, the Company is obligated to purchase the shares of stock owned by a Class A stockholder if the stockholder desires to sell or transfer the shares, or upon a stockholder's termination of employment at net book value as defined in the stock purchase agreements. Payments for shares are generally made over a four year period. Redemption amounts relating to the stock purchase agreements are included in Mandatorily Redeemable Common Stock in the accompanying consolidated balance sheets. These agreements will terminate upon successful completion of an initial public offering.

7. Income Taxes

The deferred tax assets and liabilities consist of the following components as of December 31, 1997 and 1998:

	1997	1998
	-----	-----
Deferred tax assets--		
Receivable allowances.....	\$ 584	\$ 1,605
Accrued vacations.....	222	268
Accrued bonuses.....	496	2,451
Property and equipment.....	963	1,441
Mulder purchase.....	71	1,275
Accrued severance costs.....	--	539
Pension reserve.....	2,921	3,028
Other accrued expenses.....	252	1,322
Net operating loss carryforwards.....	--	1,611
Cumulative translation adjustment.....	568	291
	-----	-----
Net deferred tax assets.....	6,077	13,831
Deferred tax liabilities	--	--
	-----	-----
Net deferred income taxes.....	\$6,077	\$13,831
	=====	=====

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

The deferred tax amounts mentioned above have been classified in the accompanying consolidated balance sheets as of December 31, 1997 and 1998, as follows:

	1997	1998
	-----	-----
Current deferred tax assets.....	\$1,554	\$ 7,796
Current deferred tax liabilities.....	--	--
	-----	-----
Net current deferred tax asset.....	1,554	7,796
	-----	-----
Long-term deferred tax asset.....	4,523	6,035
Long-term deferred tax liabilities.....	--	--
	-----	-----
Net long-term deferred tax asset.....	4,523	6,035
	-----	-----
	\$6,077	\$13,831
	=====	=====

The provision for income taxes for the years ended December 31, 1996, 1997 and 1998, is as follows:

	1996	1997	1998
	-----	-----	-----
Current--			
U.S. Federal.....	\$ 151	\$ 533	\$ 574
Foreign.....	1,677	3,046	1,264
Deferred.....	(398)	(1,061)	(6,313)
	-----	-----	-----
	\$1,430	\$ 2,518	\$(4,475)
	=====	=====	=====

The Company is a U.S. corporation, but operates entirely outside of the U.S., primarily in Europe. The Company pays foreign taxes for operations in each of the foreign countries in which it operates and pays U.S. federal taxes on its total operations after consideration of foreign tax credits.

A reconciliation of income tax expense for the years ended December 31, 1996, 1997, and 1998, to the statutory U.S. federal income tax rate of 35%, is as follows:

	1996	1997	1998
	-----	-----	-----
Income taxes at statutory rate.....	\$1,250	\$1,124	\$(7,644)
Increase (decrease) due to--			
Foreign taxes in excess of federal tax rates....	494	357	1,507
Alternative minimum tax.....	67	--	--
Stock based compensation expense adjustment.....	--	--	2,858
Other, net.....	(381)	1,037	(1,196)
	-----	-----	-----
	\$1,430	\$2,518	\$(4,475)
	=====	=====	=====

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

8. Basic and Diluted Earnings (Loss) Per Common Share

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

	Years Ended December 31,		
	1996	1997	1998
Basic EPS			
Income (loss) available to Class A common shareholders.....	\$ 1,392	\$ 450	\$ (11,287)
Weighted average Class A common shares outstanding.....	1,623,955	1,773,581	1,892,908
Basic EPS.....	=====	=====	=====
Diluted EPS			
Income (loss) available to Class A common shareholders.....	\$ 1,392	\$ 450	\$ (11,287)
Weighted average Class A common shares outstanding.....	1,623,955	1,773,581	1,892,908
Stock purchase obligations.....	--	107,113	--
Total diluted Class A common shares....	1,623,955	1,880,694	1,892,908
Diluted EPS.....	=====	=====	=====

The following is a reconciliation of the shares used in the computation of basic and diluted EPS for Class B common shares:

	Years Ended December 31,		
	1996	1997	1998
Basic EPS			
Income (loss) available to Class B common shareholders.....	\$ 749	\$ 242	\$ (6,078)
Weighted average Class B common shares outstanding.....	1,040,862	1,040,862	1,042,729
Basic and Diluted EPS.....	=====	=====	=====

9. Commitments and Contingencies

Operating Leases

The Company leases office space in various buildings for its own use. The terms of these operating leases provide that the Company pays base rent and a share of the increase in operating expenses and real estate taxes in excess of defined amounts. The leases expire at various dates through 2013. The Company also leases computer equipment which is accounted for as an operating lease.

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Minimum future lease payments due in each of the next five years ending December 31, are as follows:

Years ending December 31--	
1999.....	\$ 8,378
2000.....	7,667
2001.....	5,468
2002.....	3,722
2003.....	2,207
Thereafter.....	26,261

	\$53,703
	=====

Rent expense under operating leases for the years ended December 31, 1996, 1997 and 1998 was \$4,707, \$5,307, and \$6,897, respectively.

Litigation

In the normal course of business, the Company is a party to various matters involving disputes and litigation. While it is not possible at this time to determine the ultimate outcome of these matters, management believes that the ultimate liability, if any, will not be material to the consolidated results of operations, financial condition or liquidity of the Company.

10. Segment Information

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

	Years Ended December 31,		
	1996	1997	1998
	-----	-----	-----
Revenue:			
United Kingdom.....	\$20,565	\$27,588	\$ 30,943
Germany.....	12,614	19,900	42,097
France.....	11,211	12,253	16,180
Other.....	20,168	22,991	35,764
	-----	-----	-----
Total.....	\$64,558	\$82,732	\$124,984
	=====	=====	=====
Operating Income (Loss):			
United Kingdom.....	\$ 589	\$ 1,028	\$ (3,466)
Germany.....	1,279	1,090	(9,162)
France.....	(3)	915	(3,539)
Other.....	1,573	52	524
	-----	-----	-----
Total.....	\$ 3,438	\$ 3,085	\$(15,643)
	=====	=====	=====
Identifiable Assets:			
United Kingdom.....	\$ 6,295	\$12,288	\$ 13,411
Germany.....	4,729	39,706	41,216
France.....	6,985	9,921	15,516
Other.....	14,842	13,645	24,854
	-----	-----	-----
Total.....	\$32,851	\$75,560	\$ 94,997
	=====	=====	=====

During all years presented above, no individual customer accounted for greater than 10% of revenue.

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

11. Merger Agreement

On February 12, 1999, the Company's Board of Directors approved a merger agreement with H&S Inc. which details the plan to merge H&S Inc. with and into the Company prior to an initial public offering; and recommended that the merger agreement be submitted to the stockholders for approval. After completion of the merger, the corporation will be named Heidrick & Struggles International, Inc.

12. Pension Plan and Life Insurance Contracts

The Company maintains a pension plan for certain partners in Germany. The pensions are individually fixed DM-amounts depending on the function and the pensionable years of service of the employee. The following provides a reconciliation of the benefit obligation:

	1997	1998
	-----	-----
Change in benefit obligation:		
Benefit obligation at October 1, 1997 and January 1, 1998.....	\$15,351	\$16,010
Service cost.....	241	950
Interest cost.....	234	924
Actuarial loss.....	474	1,871
Benefits paid.....	(26)	(103)
Translation difference.....	(264)	793
	-----	-----
Benefit obligation at December 31.....	16,010	20,445
Unrecognized net loss.....	(474)	(1,871)
	-----	-----
Net amount recognized.....	\$15,536	\$18,574
	=====	=====
Unfunded status of the plan.....	\$16,010	\$20,445
Unrecognized actuarial loss.....	(474)	(1,871)
	-----	-----
Accrued benefit cost.....	\$15,536	\$18,574
	=====	=====
Assumptions as of December 31:		
Discount rate (weighted average).....	6.0%	6.0%
Rate of compensation increase.....	4.0%	4.0%
Components of net periodic benefit cost:		
Service cost.....	\$ 234	\$ 949
Interest cost.....	227	923
Expected return on plan assets.....	--	--
Amortization of prior service costs.....	--	--
Recognized net actuarial loss.....	--	--
	-----	-----
Net periodic benefit cost.....	\$ 461	\$ 1,872
	=====	=====

The pension benefits are fully reinsured within a group insurance contract with Victoria Lebensversicherung AG. The surrender values at December 1, 1997 and 1998 were \$14,304 and \$17,469, respectively. Because the reinsurance is not segregated from the Company's assets for purposes of SFAS No. 87, "Employers' Accounting for Pensions," the reinsurance is not regarded as an asset with respect to the pension plan.

13. Stock Based Compensation Expense

In the fourth quarter of 1998, the Company sold 399,071 shares to its directors, resulting in \$4,872 of salaries and employee benefits expense arising from the difference between the issuance price of the shares (book value) of \$8.07 per share and the fair market value of the shares at the date of grant of \$20.28 per share.

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Concluded)

14. Restatement and Reclassification

In February 1999, an error was discovered in the financial statements for the year ended December 31, 1997 related to the accounting for the acquisition of Mulder. The error was a result of the Company not recording a pension liability and a related insurance asset and recording an erroneous tax credit. In addition, certain entries were made to properly record the pension liability and expense in accordance with SFAS No. 87 "Employer's Accounting for Pensions." The Company has restated its financial statements for the year ended December 31, 1997. A summary of the restatements by category is as follows:

	Restatements as of December 31, 1997 -----
Salaries and employee benefits.....	\$ 59
General and administrative expenses.....	(11)
Non-operating income (expense).....	7
Provision for income taxes.....	(339)

	\$(284)
	=====

The Company has recorded the pension asset and pension liability (as described in Note 12) on the Consolidated Balance Sheet. Certain 1997 balances have been reclassified to conform with the 1998 presentation.

15. Subsequent Event

On January 20, 1999, the Company repaid its loan from H&S Inc. in the amount of \$1,900 plus interest.

On February 26, 1999, Heidrick & Struggles, Inc. merged with and into the Company.

On March 26, 1999, the Company declared a 15.8217 for 1 stock split to become effective upon completion of its initial public offering of common stock.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of
Mulder & Partner GmbH & Co. KG:

We have audited the accompanying consolidated statements of income and related consolidated statements of cash flows of MULDER & PARTNER GMBH & CO. KG AND SUBSIDIARIES (a German limited partnership) for the nine months ended September 30, 1997 and for the year ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the results of the operations of Mulder & Partner GmbH & Co. KG and Subsidiaries and their cash flows for the nine months ended September 30, 1997 and for the year ended December 31, 1996, in conformity with generally accepted accounting principles.

Arthur Andersen LLP

Chicago, Illinois
July 19, 1998

MULDER & PARTNER GMBH & CO. KG AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(In thousands, except share and per share figures)

	Twelve Months Ended December 31, 1996	Nine Months Ended September 30, 1997
	-----	-----
Revenue.....	\$32,560	\$21,816
Operating expenses:		
Salaries and employee benefits.....	24,701	14,610
General and administrative expenses.....	7,404	5,557
	-----	-----
Total operating expenses.....	32,105	20,167
	-----	-----
Operating income.....	455	1,649
	-----	-----
Non-operating income (expense):		
Interest income.....	28	36
Interest expense.....	(94)	(159)
Other income.....	2,106	529
	-----	-----
Total non-operating income (expense).....	2,040	406
	-----	-----
Income before income taxes.....	2,495	2,055
Provision for income taxes.....	2,663	1,668
	-----	-----
Net income (loss).....	\$ (168)	\$ 387
	-----	-----
Comprehensive income (loss).....	\$ (168)	\$ 387
	=====	=====

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

MULDER & PARTNER GMBH & CO. KG AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Twelve Months Ended December 31, 1996	Nine Months Ended September 30, 1997
	-----	-----
Cash flows from operating activities		
Net income (loss).....	\$ (168)	\$ 387
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization.....	356	231
Deferred income taxes.....	72	(2)
Changes in assets and liabilities:		
Trade & other receivables.....	(2,309)	1,319
Prepaid expenses.....	(173)	170
Accounts payable.....	292	(246)
Accrued expenses.....	2,152	(165)
Income taxes payable.....	2,130	1,409
	-----	-----
Net cash provided by operating activities..	2,352	3,103
	-----	-----
Cash flows from investing activities		
Purchases of property and equipment.....	(991)	(21)
Purchases of long-term investments.....	(2,212)	(455)
	-----	-----
Net cash used in investing activities.....	(3,203)	(476)
	-----	-----
Cash flows from financing activities		
Dividends paid.....	(872)	(557)
Proceeds from long-term debt.....	1,299	--
Payments on long-term debt.....	--	(1,964)
	-----	-----
Net cash provided by (used in) financing activities.....	427	(2,521)
	-----	-----
Effect of foreign currency exchange rates on cash and cash equivalents.....	(38)	(25)
	-----	-----
Net increase (decrease) in cash and cash equivalents.....	(462)	81
Cash and cash equivalents:		
Beginning of period.....	645	183
	-----	-----
End of period.....	\$ 183	\$ 264
	=====	=====
Supplemental disclosures of cash flow information		
Cash paid for--		
Interest.....	\$ 94	\$ 159
Income taxes.....	\$ 761	\$ 140
	=====	=====

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

MULDER & PARTNER GMBH & CO. KG AND SUBSIDIARIES

NOTES TO CONSOLIDATED INCOME STATEMENTS AND
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended December 31, 1996
and the nine months ended September 30, 1997

1. Nature of Business and Summary of General Accounting Principles

Nature of Business

Mulder & Partner GmbH & Co. KG and Subsidiaries (as of December 31, 1995: Mulder & Partner GmbH) (the "Company") are engaged in providing management consulting and executive search services to clients on a retained basis. The Company's clients are primarily located in Germany.

Basis of Accounting

The financial statements of the Company have been prepared in conformity with U.S. generally accepted accounting principles.

Principles of Consolidation

The consolidated financial statements include Mulder & Partner GmbH & Co., KG and its wholly and majority owned subsidiaries. All material intercompany accounts and transactions have been eliminated in the consolidated financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes. Actual results could differ from those estimates.

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization are computed using the straight-line method over the useful lives of the assets and German tax law as follows:

Office furniture and fixtures.....	4-20 years
Computer equipment and software.....	2-3 years

Depreciation for consolidated financial statement purposes for the year ended December 31, 1996 and the nine months ended September 30, 1997 totaled \$356 and \$231, respectively.

Revenue Recognition

Revenue from client services is recognized as clients are billed, generally over a 90 day period commencing in the month of the initial acceptance of a search. Revenue consists of the amount billed to clients, net of expenses and value added taxes.

Translation of Foreign Currencies

The consolidated financial statements were translated in accordance with Statement of Financial Accounting Standards ("SFAS") No. 52, "Foreign Currency Translation." The functional currency for the Company is the German Deutschmark. The consolidated financial statements have been translated into U.S. Dollars by applying the average annual exchange rates on the consolidated income statements and the consolidated statements of cash flows.

2. Income Taxes

The provision for income taxes for the year ended December 31, 1996 and the nine months ended September 30, 1997, is as follows:

	1996	Nine months ended September 30, 1997
	-----	-----
Current taxes--		
Trade taxes on income (Municipality tax).....	\$2,591	\$1,666
Deferred taxes.....	72	2
	-----	-----
	\$2,663	\$1,668
	=====	=====

A reconciliation of income tax expense for the year ended December 31, 1996 and the nine months ended September 30, 1997 to the statutory German trade tax rate of 19% is as follows:

	1996	Nine months ended September 30, 1997
	-----	-----
Income taxes at statutory rate.....	\$ 474	\$ 390
Increase due to--		
Nondeductible expenses.....	2,189	1,278
	-----	-----
	\$2,663	\$1,668
	=====	=====

Since the change of the legal status of Mulder & Partner GmbH in 1996 the Company is only subject to trade tax on income. With notarial deed dated June 13, 1996, Mulder & Partner GmbH was reorganized retroactively (effective January 1, 1996) from a limited liability corporation into Mulder & Partner GmbH & Co., KG (a limited partnership with a limited liability corporation as general partner) according to Sect. 190 following the German Reorganization Law ("Umwandlungsgesetz"). Due to the change of the legal status, the Company is no longer subject to German corporate income taxation. The income of the partnership is now taxed at the level of the individual partners.

The reorganization has been performed at book value without realizing any capital gain or loss. Accordingly the reorganization has not had any German income tax implications.

Deferred Taxes

Deferred taxes are applicable for German trade tax on income and German corporate income tax.

3. Commitments and Contingencies

Operating Leases:

The Company leases office space in various buildings for its own use. These leases expire at various dates through 2002. The Company also leases computer equipment and automobiles which are accounted for as operating leases.

Minimum future lease payments due in each of the next five years ending December 31, are as follows:

Years ending December 31	
1998.....	\$ 952
1999.....	940
2000.....	889
2001.....	427
2002.....	239

	\$3,447
	=====

Rent expense under operating leases for the year ended December 31, 1996, and the nine months ended September 30, 1997 was \$1,157 and \$789, respectively.

Litigation

In the normal course of business, the Company is a party to various matters involving disputes and/or litigation. While it is not possible at this time to determine the ultimate outcome of these matters, management believes that the ultimate liability, if any, will not be material to the results of operations, financial condition or liquidity of the Company.

4. Segment Information

The Company operates as a single business segment and in a single primary geographic location (Germany).

No dealer, salesperson or other person has been authorized to give any information or to make any representations not in connection with this offering other than those contained in this Prospectus, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Company, the Selling Stockholders or the Underwriters. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any securities other than the registered securities to which it relates in any state to any person to whom it is unlawful to make such offer or solicitation in such state. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that information contained herein is correct as of any time subsequent to its date.

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Until , 1999 (25 days after the date of this Prospectus), all dealers effecting transactions in the Common Stock, whether or not participating in this distribution, may be required to deliver a Prospectus. This is in addition to the obligation of dealers to deliver a Prospectus when acting as Underwriters and with respect to their unsold allotments or subscriptions.

4,200,000 Shares

Common Stock

PROSPECTUS
, 1999

Lehman Brothers

Goldman, Sachs & Co.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The following table sets forth the fees and expenses to be paid by the Registrant in connection with the issuance and distribution of the securities being registered hereunder. The selling stockholders will not pay for any of these fees and expenses. Except for the SEC registration fee and the NASD filing fee, all amounts are estimates.

SEC Registration Fee.....	\$	25,444
NASD Filing Fee.....		9,125
Nasdaq Filing Fee.....		90,000
Printing & Engraving Fees.....		500,000
Accounting Fees and Expenses.....	1,325,000	
Legal Fees and Expenses.....	1,000,000	
Equity Plan Design & Implementation.....	1,175,000	
Blue Sky Filing Fees and Expenses.....	15,000	
Registrar and Transfer Agent Fees.....	10,000	
Directors' and Officers' Insurance Fees and Expenses.....	284,000	
Miscellaneous.....	1,045,000	

Total.....	\$5,478,569	=====

Item 14. Indemnification of Directors and Officers.

Section 145 of the General Corporation Law of the State of Delaware (the "Delaware Law") authorizes the Registrant to indemnify the officers and directors of the Company, under certain circumstances and subject to certain conditions and limitations as stated therein, against all expenses and liabilities incurred by or imposed upon them as a result of actions, suits and proceedings, civil or criminal, brought against them as such officers and directors if they acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the Registrant and, with respect to any criminal action or proceeding, had no reasonable cause to believe their conduct was unlawful.

Reference is hereby made to the Registrant's Amended By-laws, a copy of which is filed as Exhibit 3.02, which provides for indemnification of officers and directors of the Registrant to the full extent authorized by Section 145 of the Delaware Law. The Amended By-laws authorize the Registrant to purchase and maintain insurance on behalf of any officer, director, employee, trustee or agent of the Registrant or its subsidiaries against any liability asserted against or incurred by them in such capacity or arising out of their status as such, whether or not the Registrant would have the power to indemnify such officer, director, employee, trustee or agent against such liability under the provisions of such Article or Delaware law.

The Registrant maintains a directors' and officers' insurance policy which insures the officers and directors of the Registrant from any claim arising out of an alleged wrongful act by such persons in their respective capacities as officers and directors of the Registrant.

Section 102(b)(7) of the Delaware Law permits corporations to eliminate or limit the personal liability of a director to the corporation or its stockholders for monetary damages for breach of a fiduciary duty of care as a director. Reference is made to the Registrant's Amended and Restated Certificate of Incorporation, a copy of which is filed as Exhibit 3.01, which limits a director's liability in accordance with such Section.

Reference is made to the Underwriting Agreement, which is filed as Exhibit 1.01, for information concerning indemnification arrangements among the Registrant and the Underwriters.

Item 15. Recent Sales of Unregistered Securities.

During the three years preceding the filing of this Registration Statement, the Registrant and Heidrick & Struggles, Inc. ("H&S Inc.") sold shares of their common stock to senior level employees without registration under the Securities Act of 1933 (the "Act"). Exemption from registration under the Act for these sales is claimed under Rule 701 for offers and sales pursuant to benefit plans and compensation arrangements and under Section 4(2) of the Act for transactions by an issuer not involving a public offering.

The Registrant sold shares on an annual basis in the last three years to senior employees as part of its annual stock program at a purchase price equal to the book value per share at the end of its then-applicable fiscal year: (i) during the 1996 stock program, the Registrant sold 9,693 shares to 22 Partners for an aggregate price of \$840,867.75; (ii) during the 1997 stock program, the Registrant sold 20,387 shares to 37 Partners for an aggregate price of \$2,040,330.96; and (iii) during the 1998 stock program, the Registrant sold 25,223 shares to 74 Partners for an aggregate price of \$3,220,220.41. On October 1, 1997, the Registrant issued a total of 4,000 shares to 10 new Partners in connection with the Mulder acquisition described in the Prospectus for an aggregate price of \$424,640.00.

H&S Inc. sold shares on an annual basis in the last three years to senior employees as part of its annual stock programs at a purchase price equal to the book value per share at the end of its then-applicable fiscal year: (i) during the 1996 stock program, H&S Inc. sold 12,835 shares to 63 Partners for an aggregate price of \$2,533,954.25; (ii) during the 1997 stock program, H&S Inc. sold 16,801 shares to 66 Partners for an aggregate price of \$3,958,651.62 and (iii) during the 1998 stock program, H&S Inc. sold 16,463 shares to 116 Partners for an aggregate price of \$4,974,624.71. As part of the 1996 Latin American Stock program, H&S Inc. sold 2,316 shares to 8 Partners for an aggregate price of \$538,956.36. In connection with the commencement of his employment in December 1997, H&S Inc. issued 115 shares to a new employee at a value of approximately \$30,000.

Item 16. Exhibits and Financial Statement Schedules.

(a) Exhibits:

Exhibit Number	Description
***1.01	Form of Underwriting Agreement
2.01	Agreement and Plan of Merger of Heidrick & Struggles, Inc. and Heidrick & Struggles International, Inc. (Incorporated by reference to Exhibit 2.01 of this Registrant's Registration Statement on Form S-4 (File No. 333-61023))
3.01	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))
3.03	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))
4.01	Specimen stock certificate (Incorporated by reference to Exhibit 4.01 of this Registrant's Registration Statement on Form 8-A (File No. 000-25837))
***5	Opinion of Simpson Thacher & Bartlett as to the legality of the Common Stock being registered
10.01	Employment Agreement of Richard D. Nelson (Incorporated by reference to Exhibit 10.01 of the Registrant's Registration Statement on Form S-4 (File No. 333-61023))
10.02	Employment Agreement of Patrick S. Pittard (Incorporated by reference to Exhibit 10.02 of the Registrant's Registration Statement on Form S-4 (File No. 333-61023))
10.03	Employment Agreement of Donald M. Kilinski (Incorporated by reference to Exhibit 10.03 of the Registrant's Registration Statement on Form S-4 (File No. 333-61023))
10.04	Employment Agreement of Jurgen B. Mulder (Incorporated by reference to Exhibit 10.04 of the Registrant's Registration Statement on Form S-4 (File No. 333-61023))
10.05	Employment Agreement of Gerard Clery-Melin (Incorporated by reference to Exhibit 10.05 of the Registrant's Registration Statement on Form S-4 (File No. 333-61023))
**10.06	Amended and Restated Employment Agreement of Patrick S. Pittard
***10.07	Amendment to Employment Agreement of Jurgen B. Mulder
***11	Statement re: computation of per share earnings
***21	Subsidiaries of the Registrant
23.01	Consent of Simpson Thacher & Bartlett (contained in Exhibit 5)
**23.02	Consent of Arthur Andersen LLP
**23.03	Consent of Barbier Frinault & Associates (Arthur Andersen)
**23.04	Consent of Arthur Andersen LLP
**23.05	Consent of Barbier Frinault & Associates (Arthur Andersen)
**23.06	Consent of Arthur Andersen LLP
**23.07	Consent of Barbier Frinault & Associates (Arthur Andersen)
***23.08	Consent of Arthur Andersen LLP
***23.09	Consent of Barbier Frinault & Associates (Arthur Andersen)
**24.01	Powers of Attorney
**24.02	Powers of Attorney
99.01	Consent of David C. Anderson (Incorporated by reference to Exhibit 99.01 of the Registrant's Registration Statement on Form S-4 (File No. 333-61023))

Exhibit Number	Description
-----	-----
99.02	Consent of Thomas J. Friel (Incorporated by reference to Exhibit 99.02 of the Registrant's Registration Statement on Form S-4 (File No. 333-61023))
99.03	Consent of David B. Kixmiller (Incorporated by reference to Exhibit 99.03 of the Registrant's Registration Statement on Form S-4 (File No. 333-61023))
99.04	Consent of Gerard R. Roche (Incorporated by reference to Exhibit 99.04 of the Registrant's Registration Statement on Form S-4 (File No. 333-61023))
99.05	Consent of Dr. John C. Viney (Incorporated by reference to Exhibit 99.05 of the Registrant's Registration Statement on Form S-4 (File No. 333-61023))

 * To be filed by amendment.
 **Previously filed.
 ***Filed herewith.

(b) Financial Statement Schedules:

Schedule II--H&S Inc. Allowance for doubtful accounts.

Item 17. Undertakings

The undersigned Registrant hereby undertakes to provide to the Underwriters at the closing specified in the Underwriting Agreement certificates in such denominations and registered in such names as required by the Underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the Offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Chicago, State of Illinois, on the 26th day of April, 1999.

HEIDRICK & STRUGGLES INTERNATIONAL, INC.

/s/ Donald M. Kilinski

By _____

Chief Financial Officer and
Treasurer

Title _____

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed below by the following persons in the capacities on the 26th day of April, 1999.

Signature -----	Title -----
* _____ Patrick S. Pittard (principal executive officer)	President, Chief Executive Officer and Director
Donald M. Kilinski _____ Donald M. Kilinski (principal financial and accounting officer)	Chief Financial Officer and Treasurer
* _____ Gerard R. Roche	Director
* _____ David C. Anderson	Director
* _____ Thomas J. Friel	Director
* _____ David B. Kixmiller	Director
* _____ Bengt Lejsved	Director
* _____ Dr. Jurgen B. Mulder	Director
* _____ Dr. John C. Viney	Director

*By Donald M. Kilinski, attorney-in-fact.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders and Board of Directors of Heidrick & Struggles, Inc. and Subsidiaries:

We have audited in accordance with generally accepted auditing standards, the consolidated financial statements of Heidrick & Struggles, Inc. and subsidiaries included in this registration statement and have issued our report thereon dated February 19, 1999. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule II--Heidrick & Struggles, Inc. Allowance for Doubtful Accounts is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Arthur Andersen LLP

Chicago, Illinois
February 19, 1999

SCHEDULE II

Heidrick & Struggles, Inc.

	Balance at Beginning of Year	Charged to Costs & Expenses	Deduction	Balance at End of Year
	-----	-----	-----	-----
Year Ended December 31:				
Allowance for doubtful accounts				
1998.....	\$3,276	\$5,356	\$(3,963)	\$4,669
	-----	-----	-----	-----
1997.....	\$1,925	\$3,324	\$(1,973)	\$3,276
	-----	-----	-----	-----
1996.....	\$1,617	\$2,263	\$(1,955)	\$1,925
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The accompanying notes to consolidated financial statements are an integral part of these statements.

4,200,000 Shares

HEIDRICK & STRUGGLES INTERNATIONAL, INC.

Common Stock

UNDERWRITING AGREEMENT

April __, 1999

Lehman Brothers Inc.
Goldman, Sachs & Co.,
As Representatives of the several
Underwriters named in Schedule 1,
c/o Lehman Brothers Inc.
Three World Financial Center
New York, New York 10285

Dear Sirs:

Heidrick & Struggles International, Inc., a Delaware corporation (the "Company"), and certain stockholders of the Company named in Schedule 2 hereto (the "Selling Stockholders"), propose to sell an aggregate of 4,200,000 shares (the "Firm Stock") of the Company's Common Stock, par value \$0.01 per share (the "Common Stock"). In addition, the Company proposes to grant to the Underwriters named in Schedule 1 hereto (the "Underwriters") an option to purchase up to an additional 630,000 shares of the Common Stock on the terms and for the purposes set forth in Section 3 (the "Option Stock"). The Firm Stock and the Option Stock, if purchased, are hereinafter collectively called the "Stock." This is to confirm the agreement concerning the purchase of the Stock from the Company and the Selling Stockholders by the Underwriters named in Schedule 1 hereto (the "Underwriters").

1. Representations, Warranties and Agreements of the Company. The Company represents, warrants and agrees that:

(a) A registration statement on Form S-1, including amendments thereto, with respect to the Stock has (i) been prepared by the Company in conformity with the requirements of the United States Securities Act of 1933, as amended (the "Securities Act") and the rules and regulations (the "Rule and Regulations") of the United States Securities and Exchange Commission (the "Commission") thereunder, (ii) been filed with the Commission under the Securities Act and (iii) become effective under the Securities Act. Copies of such registration statement and each amendment thereto have been delivered by

the Company to you as the representatives (the "Representatives") of the Underwriters. As used in this Agreement, "Effective Time" means the date and the time as of which such registration statement, or the most recent post-effective amendment thereto, if any, was declared effective by the Commission; "Effective Date" means the date of the Effective Time; "Preliminary Prospectus" means each prospectus included in such registration statement, or amendments thereof, before it became effective under the Securities Act and any prospectus filed with the Commission by the Company with the consent of the Representatives pursuant to Rule 424(a) of the Rules and Regulations; "Registration Statement" means such registration statement, as amended at the Effective Time, including all information contained in the final prospectus filed with the Commission pursuant to Rule 424(b) of the Rules and Regulations in accordance with Section 6(a) hereof and deemed to be a part of the registration statement as of the Effective Time pursuant to paragraph (b) of Rule 430A of the Rules and Regulations; and "Prospectus" means such final prospectus, as first filed with the Commission pursuant to paragraph (1) or (4) of Rule 424(b) of the Rules and Regulations. The Commission has not issued any order preventing or suspending the use of any Preliminary Prospectus.

(b) The Registration Statement conforms, and the Prospectus and any further amendments or supplements to the Registration Statement or the Prospectus will, when they become effective or are filed with the Commission, as the case may be, conform in all material respects to the requirements of the Securities Act and the Rules and Regulations and do not and will not, as of the applicable effective date (as to the Registration Statement and any amendment thereto) and as of the applicable filing date (as to the Prospectus and any amendment or supplement thereto) contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; provided that no representation or warranty is made as to information contained in or omitted from the Registration Statement or the Prospectus in reliance upon and in conformity with written information furnished to the Company through the Representatives by or on behalf of any Underwriter specifically for inclusion therein.

(c) The Company and each of its subsidiaries (as defined in Section 17) have been duly incorporated and are validly existing as corporations in good standing under the laws of their respective jurisdictions of incorporation, are duly qualified to do business and are in good standing as foreign corporations in each jurisdiction in which their respective ownership or lease of property or the conduct of their respective businesses requires such qualification, except where the failure to be so qualified would not reasonably be expected to have a material adverse effect on the business, financial condition, results of operations, stockholders' equity, or prospects of the Company and its subsidiaries, taken as a whole (a "Material Adverse Effect"), and have all power and authority necessary to own or hold their respective properties and to conduct the businesses in which they are engaged; and none of the subsidiaries of the Company, other than Heidrick & Struggles, Inc., a Delaware corporation ("H&S Inc."), Heidrick & Struggles Unternehmensberatung GmbH & Co. KG, a company incorporated under German law, Heidrick & Struggles Unternehmensberatung Verwaltungs GmbH, a company incorporated under German law, Heidrick & Struggles Latin America, Inc., an Illinois corporation and Heidrick & Struggles do Brasil Ltda., a

Brazilian limitada are "significant subsidiaries", as such term is defined in Rule 405 of the Rules and Regulations.

(d) The Company has an authorized capitalization as set forth in the Prospectus, and all of the issued shares of capital stock of the Company have been duly and validly authorized and issued, are fully paid and non-assessable and conform to the description thereof contained in the Prospectus; and all of the issued shares of capital stock of each active subsidiary of the Company have been duly and validly authorized and issued and are fully paid and non-assessable and (except for directors' qualifying shares) are owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equities or claims.

(e) The shares of the Stock to be issued and sold by the Company to the Underwriters hereunder have been duly and validly authorized and, when issued and delivered against payment therefor as provided herein, will be duly and validly issued, fully paid and non-assessable, and will conform to the description thereof contained in the Prospectus.

(f) This Agreement has been duly authorized, executed and delivered by the Company.

(g) The execution, delivery and performance of this Agreement by the Company, the consummation of the transactions contemplated hereby and the amendment of the Company's certificate of incorporation described in the Prospectus under the caption "Description of Capital Stock" (such action is herein called the "Recapitalization") will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to which any of the property or assets of the Company or any of its subsidiaries is subject, nor will such actions result in any violation of the provisions of the certificate of incorporation or by-laws of the Company or any of its subsidiaries or any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or any of its subsidiaries or any of their properties or assets; and except for the registration of the Stock under the Securities Act and such consents, approvals, authorizations, registrations or qualifications as may be required under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and applicable state securities laws in connection with the purchase and distribution of the Stock by the Underwriters, no consent, approval, authorization or order of, or filing or registration with, any such court or governmental agency or body is required for the execution, delivery and performance of this Agreement by the Company and the consummation of the transactions contemplated hereby and by the Recapitalization.

(h) There are no contracts, agreements or understandings between the Company and any person granting such person the right to require the Company to file a registration statement under the Securities Act with respect to any securities of the Company owned or to be owned by such person or to require the Company to include such securities in the securities registered pursuant to the Registration Statement or in any securities being

registered pursuant to any other registration statement filed by the Company under the Securities Act.

(i) Except as described in the Prospectus or the Registration Statement, the Company has not sold or issued any shares of Common Stock during the six-month period preceding the date of the Prospectus, including any sales pursuant to Rule 144A under, or Regulations D or S of, the Securities Act.

(j) Neither the Company nor any of its subsidiaries has sustained, since the date of the latest audited financial statements included in the Prospectus, any material loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, from any labor dispute or from any court or governmental action, order or decree, otherwise than as set forth or contemplated in the Prospectus; and, since such date, there has not been any change in the capital stock or long-term debt of the Company or any of its subsidiaries or any material adverse change, or any development involving a prospective material adverse change, in or affecting the general affairs, management, financial position, stockholders' equity or results of operations of the Company and its significant subsidiaries, otherwise than as set forth or contemplated in the Prospectus.

(k) The financial statements (including the related notes and supporting schedules) filed as part of the Registration Statement or included in the Prospectus present fairly the financial condition and results of operations of the entities purported to be shown thereby, at the dates and for the periods indicated, and have been prepared in conformity with generally accepted accounting principles applied on a consistent basis throughout the periods involved.

(l) Arthur Andersen LLP, who have certified certain financial statements of the Company, whose report appears in the Prospectus and who have delivered the initial letter referred to in Section 9(i) hereof, are independent public accountants as required by the Securities Act and the Rules and Regulations and Barbier, Frinault & Associates, who have delivered the initial letter referred to in Section 9(i) hereof, were independent accountants as required by the Securities Act and the Rules and Regulations during the periods covered by the financial statements on which they reported contained in the Prospectus.

(m) The Company and each of its subsidiaries have good and marketable title to all personal property owned by them, free and clear of all liens, encumbrances and defects except (i) for taxes not yet due and payable or for taxes being contested in good faith and for which adequate reserves, in accordance with generally accepted accounting principles, have been taken, or (ii) such as are described in the Prospectus or such as do not materially affect the value of such property and do not materially interfere with the use made and proposed to be made of such property by the Company and its subsidiaries, and all real property and buildings held under lease by the Company and its subsidiaries are held by them under valid, subsisting and enforceable leases, with such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and buildings by the Company and its subsidiaries.

(n) The Company and each of its subsidiaries carry, or are covered by, insurance in such amounts and covering such risks as is adequate for the conduct of their respective businesses and the value of their respective properties.

(o) The Company and each of its subsidiaries own or possess adequate rights to use all material patents, patent applications, trademarks, service marks, trade names, trademark registrations, service mark registrations, copyrights and licenses (including with respect to software currently used by the Company or any of its subsidiaries) necessary for the conduct of their respective businesses as described in the Prospectus and have no reason to believe that the conduct of their respective businesses will conflict with, and have not received any notice of any claim of conflict with, any such rights of others, except where the failure to own or possess any of the foregoing would not have a Material Adverse Effect.

(p) There are no legal or governmental proceedings pending to which the Company or any of its subsidiaries is a party or of which any property or assets of the Company or any of its subsidiaries is the subject which, if determined adversely to the Company or any of its subsidiaries, would reasonably be expected to have a Material Adverse Effect, and to the best of the Company's knowledge, no such proceedings are threatened or contemplated by governmental authorities or threatened by others.

(q) There are no contracts or other documents which are required to be described in the Prospectus or filed as exhibits to the Registration Statement by the Securities Act or by the Rules and Regulations which have not been described in the Prospectus or filed as exhibits to the Registration Statement or incorporated therein by reference as permitted by the Rules and Regulations.

(r) No relationship, direct or indirect, exists between or among the Company on the one hand, and the directors, officers, stockholders, customers or suppliers of the Company on the other hand, which is required to be described in the Prospectus which is not so described.

(s) No labor disturbance by the employees of the Company exists or, to the knowledge of the Company, is imminent which might be expected to have a Material Adverse Effect.

(t) The Company and its subsidiaries are in compliance in all material respects with all presently applicable provisions of the Employee Retirement Income Security Act of 1974, as amended, including the regulations and published interpretations thereunder ("ERISA"); no "reportable event" (as defined in ERISA) has occurred with respect to any "pension plan" (as defined in ERISA) for which the Company or any of its subsidiaries would have any liability; the Company and its subsidiaries have not incurred and does not expect to incur liability under (i) Title IV of ERISA with respect to termination of, or withdrawal from, any "pension plan" or (ii) Sections 412 or 4971 of the Internal Revenue Code of 1986, as amended, including the regulations and published interpretations thereunder (the "Code"); and each "pension plan" for which the Company or any of its

subsidiaries would have any liability that is intended to be qualified under Section 401(a) of the Code is so qualified in all material respects and nothing has occurred, whether by action or by failure to act, which would cause the loss of such qualification.

(u) The Company has filed all federal, state, local and foreign income and franchise tax returns required to be filed through the date hereof and has paid all taxes due thereon, and no tax deficiency has been determined adversely to the Company or any of its subsidiaries which has had (nor does the Company have any knowledge of any tax deficiency which, if determined adversely to the Company or any of its subsidiaries, might reasonably be expected to have) a Material Adverse Effect.

(v) Since the date as of which information is given in the Prospectus through the date hereof, and except as may otherwise be disclosed in the Prospectus or the Registration Statement, the Company and its subsidiaries have not (i) issued or granted any securities, (ii) incurred any liability or obligation, direct or contingent, other than liabilities and obligations which were incurred in the ordinary course of business, (iii) entered into any transaction not in the ordinary course of business or (iv) declared or paid any dividend on its capital stock.

(w) The Company and its subsidiaries (i) have made and kept accurate books and records and (ii) have maintained internal accounting controls which provide reasonable assurance that (A) transactions are executed in accordance with management's authorization, (B) transactions are recorded as necessary to permit preparation of their respective financial statements and to maintain accountability for their respective assets, (C) access to their respective assets have been permitted only in accordance with management's authorization and (D) the reported accountability for their assets is compared with existing assets at reasonable intervals.

(x) Neither the Company nor any of its subsidiaries (i) is in violation of its certificate of incorporation (or charter) or by-laws, (ii) is in default in any material respect, and no event has occurred which, with notice or lapse of time or both, would constitute such a default, in the due performance or observance of any term, covenant or condition contained in any material indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which it is a party or by which it is bound or to which any of its properties or assets is subject or (iii) is in violation of any law, ordinance, governmental rule, regulation or court decree to which it or its property or assets may be subject or has failed to obtain any material license, permit, certificate, franchise or other governmental authorization or permit necessary to the ownership of its property or to the conduct of its business, other than violations or failures which, individually or in the aggregate, would not have a Material Adverse Effect.

(y) Neither the Company nor any of its subsidiaries, nor any director, officer, agent, employee or other person associated with or acting on behalf of the Company or any of its subsidiaries, has used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity; made any direct or indirect unlawful payment to any foreign or domestic government official or employee from

corporate funds; violated or is in violation of any provision of the Foreign Corrupt Practices Act of 1977; or made any bribe, rebate, payoff, influence payment, kickback or other unlawful payment.

(z) Neither the Company nor any subsidiary is an "investment company" within the meaning of such term under the United States Investment Company Act of 1940 and the rules and regulations of the Commission thereunder.

2. Representations, Warranties and Agreements of the Selling Stockholders. Each Selling Stockholder severally represents, warrants and agrees that:

(a) The Selling Stockholder has, and immediately prior to the First Delivery Date (as defined in Section 5 hereof) the Selling Stockholder will have, or, for shares held for his benefit by Vanguard Fiduciary Trust Company ("Vanguard"), Vanguard will have good and valid title to the shares of Stock to be sold by the Selling Stockholder hereunder on such date, free and clear of all liens, encumbrances, equities or claims (other than the rights of the Company pursuant to the shareholder's agreement between the Company and such Selling Stockholder), and upon delivery of such shares and payment therefor pursuant hereto, good and valid title to such shares, free and clear of all liens, encumbrances, equities or claims, will pass to the several Underwriters.

(b) The Selling Stockholder has placed in custody under a custody agreement (the "Custody Agreement" and, together with all other similar agreements executed by the other Selling Stockholders, the "Custody Agreements") with Heidrick & Struggles International, Inc, as custodian (the "Custodian"), for delivery under this Agreement, certificates in negotiable form (with signature guaranteed by a commercial bank or trust company having an office or correspondent in the United States or a member firm of the New York or American Stock Exchanges) representing the shares of Stock to be sold by the Selling Stockholder hereunder.

(c) The Selling Stockholder has duly and irrevocably executed and delivered a power of attorney (the "Power of Attorney" and, together with all other similar agreements executed by the other Selling Stockholders, the "Powers of Attorney") appointing the Custodian and one or more other persons, as attorneys-in-fact, with full power of substitution, and with full authority (exercisable by any one or more of them) to execute and deliver this Agreement and to take such other action as may be necessary or desirable to carry out the provisions hereof on behalf of the Selling Stockholder.

(d) The Selling Stockholder has full right, power and authority to enter into this Agreement, the Power of Attorney and the Custody Agreement; the execution, delivery and performance of this Agreement, the Power of Attorney and the Custody Agreement by the Selling Stockholder and the consummation by the Selling Stockholder of the transactions contemplated hereby and thereby will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Selling

Stockholder is a party or by which the Selling Stockholder is bound or to which any of the property or assets of the Selling Stockholder is subject, nor will such actions result in any violation of any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Selling Stockholder or the property or assets of the Selling Stockholder; and, except for the registration of the Stock under the Securities Act and such consents, approvals, authorizations, registrations or qualifications as may be required under the Exchange Act and applicable state securities laws in connection with the purchase and distribution of the Stock by the Underwriters, no consent, approval, authorization or order of, or filing or registration with, any such court or governmental agency or body is required for the execution, delivery and performance of this Agreement, the Power of Attorney or the Custody Agreement by the Selling Stockholder and the consummation by the Selling Stockholder of the transactions contemplated hereby and thereby.

(e) The Registration Statement and the Prospectus and any further amendments or supplements to the Registration Statement or the Prospectus will, when they become effective or are filed with the Commission, as the case may be, do not and will not, as of the applicable effective date (as to the Registration Statement and any amendment thereto) and as of the applicable filing date (as to the Prospectus and any amendment or supplement thereto) contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; provided that no representation or warranty is made as to information contained in or omitted from the Registration Statement or the Prospectus other than that provided by such Selling Stockholder to the Company or to an Underwriter specifically for inclusion therein.

(f) The Selling Stockholder has not taken and will not take, directly or indirectly, any action which is designed to or which has constituted or which might reasonably be expected to cause or result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the shares of the Stock.

3. Purchase of the Stock by the Underwriters. On the basis of the representations and warranties contained in, and subject to the terms and conditions of, this Agreement, the Company agrees to sell 3,700,000 shares of the Firm Stock and each Selling Stockholder hereby agrees to sell the number of shares of the Firm Stock set opposite his or her name in Schedule 2 hereto, severally and not jointly, to the several Underwriters and each of the Underwriters, severally and not jointly, agrees to purchase the number of shares of the Firm Stock set opposite that Underwriter's name in Schedule 1 hereto. Each Underwriter shall be obligated to purchase from the Company, and from each Selling Stockholder, that number of shares of the Firm Stock which represents the same proportion of the number of shares of the Firm Stock to be sold by the Company, and by each Selling Stockholder, as the number of shares of the Firm Stock set forth opposite the name of such Underwriter in Schedule 1 represents of the total number of shares of the Firm Stock to be purchased by all of the Underwriters pursuant to this Agreement. The respective purchase obligations of the Underwriters with respect to the Firm Stock shall be rounded among the Underwriters to avoid fractional shares, as the Representatives may determine.

In addition, the Company grants to the Underwriters an option to purchase up to 630,000 shares of Option Stock. Such option is granted for the purpose of covering over-allotments in the sale of Firm Stock and is exercisable as provided in Section 5 hereof. Shares of Option Stock shall be purchased severally for the account of the Underwriters in proportion to the number of shares of Firm Stock set opposite the name of such Underwriters in Schedule 1 hereto. The respective purchase obligations of each Underwriter with respect to the Option Stock shall be adjusted by the Representatives so that no Underwriter shall be obligated to purchase Option Stock other than in 100 share amounts. The price of both the Firm Stock and any Option Stock shall be \$__ per share.

The Company and the Selling Stockholders shall not be obligated to deliver any of the Stock to be delivered on any Delivery Date (as hereinafter defined), as the case may be, except upon payment for all the Stock to be purchased on such Delivery Date as provided herein.

4. Offering of Stock by the Underwriters.

Upon authorization by the Representatives of the release of the Firm Stock, the several Underwriters propose to offer the Firm Stock for sale upon the terms and conditions set forth in the Prospectus.

It is understood that 210,000 shares of the Firm Stock will initially be reserved by the several Underwriters for offer and sale upon the terms and conditions set forth in the Prospectus and in accordance with the rules and regulations of the National Association of Securities Dealers, Inc. to directors, officers, employees, business associates and related persons of the Company and its subsidiaries who have heretofore delivered to the Representatives offers or indications of interest to purchase shares of Firm Stock in form satisfactory to the Representatives, and that any allocation of such Firm Stock among such persons will be made in accordance with timely directions received by the Representatives from the Company; provided, that under no circumstances will the Representatives or any Underwriter be liable to the Company or to any such person for any action taken or omitted in good faith in connection with such offering to employees and persons having business relationships with the Company and its subsidiaries. It is further understood that any shares of such Firm Stock which are not purchased by such persons will be offered by the Underwriters to the public upon the terms and conditions set forth in the Prospectus.

5. Delivery of and Payment for the Stock. Delivery of and payment for the Firm Stock shall be made at the office of Simpson Thacher & Bartlett, 425 Lexington Avenue, New York, New York 10017, at 10:00 A.M., New York City time, on the fourth full business day following the date of this Agreement or at such other date or place as shall be determined by agreement between the Representatives and the Company. This date and time are sometimes referred to as the "First Delivery Date." On the First Delivery Date, the Company and the Selling Stockholders shall deliver or cause to be delivered certificates representing the Firm Stock to the Representatives for the account of each Underwriter against payment to or upon the order of the Company and the Selling Stockholders of the purchase price by wire transfer in immediately available funds. Time shall be of the essence, and delivery at the time and place specified pursuant to this Agreement is a further condition of the obligation of each Underwriter hereunder. Upon delivery, the Firm Stock shall be registered in such names and in such denominations as the

Representatives shall request in writing not less than two full business days prior to the First Delivery Date. For the purpose of expediting the checking and packaging of the certificates for the Firm Stock, the Company and the Selling Stockholders shall make the certificates representing the Firm Stock available for inspection by the Representatives in New York, New York, not later than 2:00 P.M., New York City time, on the business day prior to the First Delivery Date.

The option granted in Section 3 will expire 30 days after the date of this Agreement and may be exercised in whole or in part from time to time by written notice being given to the Company by the Representatives. Such notice shall set forth the aggregate number of shares of Option Stock as to which the option is being exercised, the names in which the shares of Option Stock are to be registered, the denominations in which the shares of Option Stock are to be issued and the date and time, as determined by the Representatives, when the shares of Option Stock are to be delivered; provided, however, that this date and time shall not be earlier than the First Delivery Date nor earlier than the second business day after the date on which the option shall have been exercised nor later than the fifth business day after the date on which the option shall have been exercised. The date and time the shares of Option Stock are delivered are sometimes referred to as a "Second Delivery Date" and the First Delivery Date and any Second Delivery Date are sometimes each referred to as a "Delivery Date".

Delivery of and payment for the Option Stock shall be made at the place specified in the first sentence of the first paragraph of this Section 5 (or at such other place as shall be determined by agreement between the Representatives and the Company) at 10:00 A.M., New York City time, on such Second Delivery Date. On such Second Delivery Date, the Company shall deliver or cause to be delivered the certificates representing the Option Stock to the Representatives for the account of each Underwriter against payment to or upon the order of the Company of the purchase price by wire transfer in immediately available funds. Time shall be of the essence, and delivery at the time and place specified pursuant to this Agreement is a further condition of the obligation of each Underwriter hereunder. Upon delivery, the Option Stock shall be registered in such names and in such denominations as the Representatives shall request in the aforesaid written notice. For the purpose of expediting the checking and packaging of the certificates for the Option Stock, the Company shall make the certificates representing the Option Stock available for inspection by the Representatives in New York, New York, not later than 2:00 P.M., New York City time, on the business day prior to such Second Delivery Date.

6. Further Agreements of the Company. The Company agrees:

(a) To prepare the Prospectus in a form approved by the Representatives and to file such Prospectus pursuant to Rule 424(b) under the Securities Act not later than Commission's close of business on the second business day following the execution and delivery of this Agreement or, if applicable, such earlier time as may be required by Rule 430A(a)(3) under the Securities Act; to make no further amendment or any supplement to the Registration Statement or to the Prospectus except as permitted herein; to advise the Representatives, promptly after it receives notice thereof, of the time when any amendment to the Registration Statement has been filed or becomes effective or any supplement to the Prospectus or any amended Prospectus has been filed and to furnish the Representatives with copies thereof; to advise the Representatives, promptly after it receives notice thereof,

of the issuance by the Commission of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or the Prospectus, of the suspension of the qualification of the Stock for offering or sale in any jurisdiction, of the initiation or threatening of any proceeding for any such purpose, or of any request by the Commission for the amending or supplementing of the Registration Statement or the Prospectus or for additional information; and, in the event of the issuance of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or the Prospectus or suspending any such qualification, to use promptly its best efforts to obtain its withdrawal;

(b) To furnish promptly to each of the Representatives and to counsel for the Underwriters a signed copy of the Registration Statement as originally filed with the Commission, and each amendment thereto filed with the Commission, including all consents and exhibits filed therewith;

(c) To deliver promptly to the Representatives such number of the following documents as the Representatives shall reasonably request: (i) conformed copies of the Registration Statement as originally filed with the Commission and each amendment thereto (in each case excluding exhibits other than this Agreement and the computation of per share earnings) and (ii) each Preliminary Prospectus, the Prospectus and any amended or supplemented Prospectus; and, if the delivery of a prospectus is required at any time after the Effective Time in connection with the offering or sale of the Stock or any other securities relating thereto and if at such time any events shall have occurred as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made when such Prospectus is delivered, not misleading, provided that after the date which is one year following the completion of the issuance and delivery of shares to the Underwriters and the sale contemplated by the Prospectus, the Representatives shall bear the cost of such request, or, if for any other reason it shall be necessary to amend or supplement the Prospectus in order to comply with the Securities Act, to notify the Representatives and, upon their request, to prepare and furnish without charge to each Underwriter and to any dealer in securities as many copies as the Representatives may from time to time reasonably request of an amended or supplemented Prospectus which will correct such statement or omission or effect such compliance;

(d) To file promptly with the Commission an appropriate amendment to the Registration Statement or the Prospectus or any supplement to the Prospectus that may, in the reasonable judgment of the Company or the Representatives, be required by the Securities Act or requested by the Commission;

(e) Prior to filing with the Commission any amendment to the Registration Statement or supplement to the Prospectus or any Prospectus pursuant to Rule 424 of the Rules and Regulations, to furnish a copy thereof to the Representatives and counsel for the Underwriters, such amendment to be reasonably satisfactory to the Representatives;

(f) As soon as practicable after the Effective Date, to make generally available to the Company's security holders and to deliver to the Representatives an earnings statement of the Company and its subsidiaries (which need not be audited) complying with Section 11(a) of the Securities Act and the Rules and Regulations (including, at the option of the Company, Rule 158);

(g) For a period of three years following the Effective Date, to furnish to the Representatives copies of all materials furnished by the Company to its shareholders and all public reports and all reports and financial statements furnished by the Company to the principal national securities exchange upon which the Common Stock may be listed pursuant to requirements of or agreements with such exchange or to the Commission pursuant to the Exchange Act or any rule or regulation of the Commission thereunder;

(h) Promptly from time to time to take such action as the Representatives may reasonably request to qualify the Stock for offering and sale under the securities laws of such jurisdictions as the Representatives may request and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be necessary to complete the distribution of the Stock; provided that in connection therewith the Company shall not be required to qualify as a foreign corporation or to file a general consent to service of process in any jurisdiction;

(i) For a period of 180 days from the date of the Prospectus, not to, directly or indirectly, (1) offer for sale, sell, pledge or otherwise dispose of (or enter into any transaction or device which is designed to, or could be expected to, result in the disposition by any person at any time in the future of) any shares of Common Stock or securities convertible into or exchangeable for Common Stock (other than the Stock and shares issued pursuant to employee benefit plans, qualified stock option plans or other employee compensation plans existing on the date hereof or pursuant to currently outstanding options, warrants or rights), or sell or grant options, rights or warrants with respect to any shares of Common Stock or securities convertible into or exchangeable for Common Stock, or (2) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic benefits or risks of ownership of such shares of Common Stock, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Common Stock or other securities, in cash or otherwise, in each case without the prior written consent of Lehman Brothers Inc., and to cause each officer and director of the Company to furnish to the Representatives, prior to the First Delivery Date, a letter or letters, in form and substance satisfactory to counsel for the Underwriters, pursuant to which each such person shall agree not to, directly or indirectly, (1) offer for sale, sell, pledge or otherwise dispose of (or enter into any transaction or device which is designed to, or could be expected to, result in the disposition by any person at any time in the future of) any shares of Common Stock or securities convertible into or exchangeable for Common Stock or (2) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic benefits or risks of ownership of such shares of Common Stock, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Common Stock or other securities, in cash or otherwise, in each case for a period of 180 days from the date of the Prospectus, without the prior written consent of

Lehman Brothers Inc., other than shares of Common Stock issued in the Offering, under the Company's GlobalShare Plan, or upon the exercise of stock options granted pursuant to the GlobalShare Plan;

(j) Prior to the Effective Date, to apply for the listing of the Stock on the Nasdaq National Market and to use its best efforts to complete that listing, subject only to official notice of issuance and evidence of satisfactory distribution, prior to the First Delivery Date;

(k) Prior to filing with the Commission its first periodic report pursuant to Section 13(a) or 15(d) of the Securities Act that includes the information required pursuant to Rule 463 of the Rules and Regulations, to furnish a copy thereof to the counsel for the Underwriters and receive and consider its comments thereon, and to deliver promptly to the Representatives a copy of such report filed by it with the Commission;

(l) For a period of two years following the date hereof, to take such steps as shall be necessary to ensure that neither the Company nor any subsidiary shall become an "investment company" within the meaning of such term under the United States Investment Company Act of 1940 and the rules and regulations of the Commission thereunder; and

(m) To cause each current holder of Common Stock to execute and deliver an agreement stating that, without the prior written consent of Lehman Brothers Inc., such current stockholder will not, directly or indirectly, (1) offer for sale, sell, pledge, or otherwise dispose of (or enter into any transaction or device that is designed to, or could reasonably be expected to, result in the disposition by any person at any time in the future of) any shares of Common Stock (including, without limitation, shares of Common Stock that may be deemed to be beneficially owned by such current stockholder in accordance with the rules and regulations of the Securities and Exchange Commission and shares of Common Stock that may be issued upon exercise of any option or warrant) or securities convertible into or exchangeable for Common Stock (other than the Shares) owned by such current stockholder on the date of the completion of the offering, or (2) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic benefits or risks of ownership of such shares of Common Stock, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Common Stock or other securities, in cash or otherwise: (a) for a period of 180 days after the date of the final Prospectus relating to the Offering, and (b) with respect to shares currently owned by such current stockholder (which shall not include any shares of Common Stock purchased or acquired upon the exercise of options granted pursuant to the 1998 Heidrick & Struggles GlobalShare Program I or the 1998 Heidrick & Struggles GlobalShare Program II), for a period of two years after the date of the final prospectus.

7. Further Agreements of the Selling Stockholders. Each Selling Stockholder agrees:

(a) For a period of 180 days from the date of the Prospectus, not to, directly or indirectly, (1) offer for sale, sell, pledge or otherwise dispose of (or enter into any

transaction or device which is designed to, or could be expected to, result in the disposition by any person at any time in the future of) any shares of Common Stock or securities convertible into or exchangeable for Common Stock (other than the Stock) or (2) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic benefits or risks of ownership of such shares of Common Stock, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Common Stock or other securities, in cash or otherwise, in each without the prior written consent of Lehman Brothers Inc., which consent shall not be given without consultation by Lehman Brothers, Inc. with officers of the Company.

(b) That the Stock to be sold by the Selling Stockholder hereunder, which is represented by the certificates held in custody for the Selling Stockholder, is subject to the interest of the Underwriters and the other Selling Stockholders thereunder, that the arrangements made by the Selling Stockholder for such custody are to that extent irrevocable, and that the obligations of the Selling Stockholder hereunder shall not be terminated by any act of the Selling Stockholder, by operation of law, by the death or incapacity of any individual Selling Stockholder or, in the case of a trust, by the death or incapacity of any executor or trustee or the termination of such trust, or the occurrence of any other event.

(c) To deliver to the Representatives prior to the First Delivery Date a properly completed and executed United States Treasury Department Form W-8 (if the Selling Stockholder is a non-United States person) or Form W-9 (if the Selling Stockholder is a United States person.)

8. Expenses. The Company agrees to pay (a) the costs incident to the authorization, issuance, sale and delivery of the Stock and any taxes payable in that connection; (b) the costs incident to the preparation, printing and filing under the Securities Act of the Registration Statement and any amendments and exhibits thereto; (c) the costs of distributing the Registration Statement as originally filed and each amendment thereto and any post-effective amendments thereof (including, in each case, exhibits), any Preliminary Prospectus and any amendment or supplement to the Prospectus, all as provided in this Agreement; (d) the costs of producing and distributing this Agreement and any other related documents in connection with the offering, purchase, sale and delivery of the stock; (e) the costs of delivering and distributing the Custody Agreements and the Powers of Attorney; (f) the filing fees incident to securing any required review by the National Association of Securities Dealers, Inc. of the terms of sale of the Stock; (g) any applicable listing or other fees; (h) the fees and expenses of qualifying the Stock under the securities laws of the several jurisdictions as provided in Section 6(h) and of preparing, printing and distributing a Blue Sky Memorandum; (h) all costs and expenses of the Underwriters, including the fees and disbursements of counsel for the Underwriters, incident to the offer and sale of shares of the Stock by the Underwriters to employees and persons having business relationships with the Company and its subsidiaries, as described in Section 4; and (i) all other costs and expenses incident to the performance of the obligations of the Company and the Selling Stockholders under this Agreement; provided that, except as provided in this Section 8 and in Section 13, the Underwriters shall pay their own costs and expenses, including the costs and expenses of their counsel, any transfer taxes on the Stock which they may sell and the expenses of

advertising any offering of the Stock made by the Underwriters. As set forth in a side letter hereto, the Underwriters have agreed to pay for certain expenses associated with travel by officers of the Company undertaken in connection with the marketing of the Stock.

9. Conditions of Underwriters' Obligations. The respective obligations of the Underwriters hereunder are subject to the accuracy, when made and on each Delivery Date, of the representations and warranties of the Company and the Selling Stockholders contained herein, to the performance by the Company and the Selling Stockholders of their respective obligations hereunder, and to each of the following additional terms and conditions:

(a) The Prospectus shall have been timely filed with the Commission in accordance with Section 6(a); no stop order suspending the effectiveness of the Registration Statement or any part thereof shall have been issued and no proceeding for that purpose shall have been initiated or threatened by the Commission; and any request of the Commission for inclusion of additional information in the Registration Statement or the Prospectus or otherwise shall have been complied with.

(b) No Underwriter shall have discovered and disclosed to the Company on or prior to such Delivery Date that the Registration Statement or the Prospectus or any amendment or supplement thereto contains an untrue statement of a fact which, in the opinion of O'Melveny & Myers LLP, counsel for the Underwriters, is material or omits to state a fact which, in the opinion of such counsel, is material and is required to be stated therein or is necessary to make the statements therein not misleading.

(c) All corporate proceedings and other legal matters incident to the authorization, form and validity of this Agreement, the Custody Agreements, the Powers of Attorney, the Stock, the Registration Statement and the Prospectus, and all other legal matters relating to this Agreement and the transactions contemplated hereby shall be reasonably satisfactory in all material respects to counsel for the Underwriters, and the Company and the Selling Stockholders shall have furnished to such counsel all documents and information that they may reasonably request to enable them to pass upon such matters.

(d) Simpson Thacher & Bartlett shall have furnished to the Representatives their written opinion, as counsel to the Company, addressed to the Underwriters and dated such Delivery Date, in form and substance reasonably satisfactory to the Representatives, to the effect that:

(i) The Company and H&S Inc. have been duly incorporated and are validly existing as corporations in good standing under the laws of Delaware and have all corporate power and authority necessary to own or hold their respective properties and conduct their respective businesses in which they are engaged;

(ii) The Company has an authorized capitalization as set forth in the Prospectus, and all of the issued shares of the Company's Common Stock (including the shares of Stock being delivered on such Delivery Date) have been duly authorized and outstanding shares of the Company's Common Stock have been and,

upon delivery in accordance with this Agreement, the shares of Common Stock being delivered on such Delivery Date will be validly issued, are fully paid and non-assessable and conform to the description thereof contained in the Prospectus, and all of the issued shares of capital stock of H&S Inc. and any other subsidiary of the Company incorporated in Delaware have been duly authorized and validly issued and are fully paid, non-assessable and (except for directors' qualifying shares) are owned of record by the Company;

(iii) There are no preemptive rights under federal law or the General Corporation Law of the State of Delaware to subscribe for or purchase, or any restriction upon the voting or transfer of, any shares of the Stock pursuant to the Company's certificate of incorporation or by-laws or any agreement or other instrument identified on a schedule delivered by Company to such counsel and attached hereto as Schedule 3;

(iv) The Registration Statement has become effective under the Securities Act and the Prospectus was filed with the Commission pursuant to the subparagraph of Rule 424(b) of the Rules and Regulations specified in such opinion on the date specified therein and to the knowledge of such counsel, no stop order suspending the effectiveness of the Registration Statement has been issued and no proceeding for that purpose is pending or threatened by the Commission;

(v) The statements made in the Prospectus under the caption "Certain United States Federal Income Tax Consequences to Non-U.S. Holders of Common Stock," insofar as they purport to constitute summaries of matters of United States federal income tax law and regulations or legal conclusions with respect thereto, constitute accurate summaries of the matters described therein in all material respects.

(vi) The statements made in the Prospectus under the caption "Description of Capital Stock", insofar as they purport to constitute a summary of the terms of such capital stock, constitute an accurate summary thereof in all material respects;

(vii) To such counsel's knowledge, there are no contracts or other documents which are required to be described in the Prospectus or filed as exhibits to the Registration Statement by the Securities Act or by the Rules and Regulations which have not been described or filed as required by the Securities Act or the Rules and Regulations;

(viii) This Agreement has been duly authorized, executed and delivered by the Company;

(ix) The issue and sale of the shares of Stock being delivered on such Delivery Date by the Company and the compliance by the Company with all of the provisions of this Agreement and the purchase and distribution of the Stock by the

Underwriters will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument filed as an exhibit to the Registration Statement, nor will such actions violate the certificate of incorporation or by-laws of the Company or the charter or by-laws of any of its significant subsidiaries incorporated in Delaware or New York or any federal or New York statute or the Delaware General Corporation Law or any rule or regulation that has been issued pursuant to any federal or New York statute or the Delaware General Corporation Law or any order known to such counsel of any court or governmental agency or body having jurisdiction over the Company or any of its subsidiaries or any of their properties or assets; and, except for the registration of the Stock under the Securities Act and such consents, approvals, authorizations, registrations or qualifications as may be required under the Exchange Act and applicable state securities laws in connection with the purchase and distribution of the Stock by the Underwriters, no consent, approval, authorization or order of, or filing or registration with, any federal or New York court or any Delaware Court acting pursuant to the General Corporation Law or any such governmental agency or body is required for the execution, delivery and performance of this Agreement by the Company, the issuance and delivery of shares to the Underwriters, the sale contemplated by the Prospectus, or the Recapitalization; and

(x) To such counsel's knowledge, there are no contracts, agreements or understandings between the Company and any person granting such person the right to require the Company to file a registration statement under the Securities Act with respect to any securities of the Company owned or to be owned by such person or to require the Company to include such securities in the securities registered pursuant to the Registration Statement or in any securities being registered pursuant to any other registration statement filed by the Company under the Securities Act.

In rendering such opinion, such counsel may state that their opinion is limited to matters governed by the Federal laws of the United States of America, the laws of the State of New York and the General Corporation Law of the State of Delaware. Such counsel shall also have furnished to the Representatives a written statement, addressed to the Underwriters and dated such Delivery Date, in form and substance satisfactory to the Representatives, to the effect that (x) such counsel has acted as counsel to the Company in connection with the preparation of the Registration Statement, (y) based on the foregoing, such counsel has no reason to believe that the Registration Statement, as of the Effective Date, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading, or that the Prospectus contains, as of its date or the Delivery Date, any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, and (z) the Registration Statement and the Prospectus and any further amendments or supplements thereto made by the Company prior to such Delivery Date (other than the financial statements and related schedules therein, as to which such counsel need express no opinion) comply as to form in all material respects with the

requirements of the Securities Act and the Rules and Regulations. The foregoing opinion and statement may be qualified by a statement to the effect that such counsel does not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Registration Statement or the Prospectus except for the statements made in the Prospectus under the captions "Description of Capital Stock" and "Certain United States Federal Tax Consequences To Non-U.S. Holders of Common Stock" insofar as such statements relate to the Stock and concern legal matters and that such counsel expresses no belief with respect to the financial statements or other financial information contained in the Prospectus or the Registration Statement.

(e) Lang & Rahman, Rechtsanwälte shall have furnished to the Representatives their written opinion, as German counsel to the Company, addressed to the Underwriters and dated the First Delivery Date, in form and substance reasonably satisfactory to the Representatives, to the effect that:

(i) Heidrick & Struggles Unternehmensberatung GmbH & Co. KG, a company incorporated under German law and Heidrick & Struggles Unternehmensberatung Verwaltungs GmbH, a company incorporated under German law are in good standing under the laws of their respective jurisdictions of incorporation, are duly qualified to do business and are in good standing as foreign corporations in each jurisdiction in which their respective ownership or lease of property or the conduct of their respective businesses requires such qualification;

(ii) All of the issued shares of capital stock of Heidrick & Struggles Unternehmensberatung GmbH & Co. KG and Heidrick & Struggles Unternehmensberatung Verwaltungs GmbH have been duly authorized and validly issued and are fully paid, non-assessable and (except for directors' qualifying shares) are owned of record by the Company; and

(iii) The issue and sale of the shares of Stock being delivered on such Delivery Date by the Company and the compliance by the Company with all of the provisions of this Agreement and the consummation of the transactions contemplated hereby will not violate the provisions of the charter or by-laws of Heidrick & Struggles Unternehmensberatung GmbH & Co. KG or Heidrick & Struggles Unternehmensberatung Verwaltungs GmbH or any statute or any order, rule or regulation known to such counsel of any court or governmental agency or body having jurisdiction over Heidrick & Struggles Unternehmensberatung GmbH & Co. KG or Heidrick & Struggles Unternehmensberatung Verwaltungs GmbH or any of their properties or assets.

(f) Richard D. Nelson, General Counsel for the Company, shall have furnished to the Representatives his written opinion, as counsel to the Company, addressed to the Underwriters and dated such Delivery Date, in form and substance reasonably satisfactory to the Representatives, to the effect that:

(i) [The Company and each of its significant subsidiaries are in good standing under the laws of their respective jurisdictions of incorporation, are duly qualified to do business and are in good standing as foreign corporations in each jurisdiction in which their respective ownership or lease of property or the conduct of their respective businesses requires such qualification;]

(ii) All of the issued shares of capital stock of each subsidiary of the Company have been duly authorized and validly issued and are fully paid, non-assessable and (except for directors' qualifying shares) are owned of record by the Company;

(iii) To the best of such counsel's knowledge and other than as set forth in the Prospectus, there are no legal or governmental proceedings pending to which the Company or any of its subsidiaries is a party or of which any property or assets of the Company or any of its subsidiaries is the subject which, if determined adversely to the Company or any of its subsidiaries, might have a Material Adverse Effect; and, to the best of such counsel's knowledge, no such proceedings are threatened or contemplated by governmental authorities or threatened by others; and

(iv) The issue and sale of the shares of Stock being delivered on such Delivery Date by the Company and the compliance by the Company with all of the provisions of this Agreement and the consummation of the transactions contemplated hereby will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument known to such counsel to which the Company or any of its significant subsidiaries is a party or by which the Company or any of its significant subsidiaries is bound or to which any of the property or assets of the Company or any of its significant subsidiaries is subject.

(g) Simpson Thacher & Bartlett, counsel for the Selling Stockholders, shall have furnished to the Representatives their written opinion, as counsel to each of the Selling Stockholders, addressed to the Underwriters and dated the First Delivery Date, in form and substance reasonably satisfactory to the Representatives, to the effect that:

(i) The execution, delivery and performance of this Agreement, the related Custody Agreement and the related Power of Attorney by each Selling Stockholder and the sale to and distribution of the Stock by the Underwriters by each Selling Stockholder will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument identified on a schedule provided to such counsel to which any Selling Stockholder is a party or by which any Selling Stockholder is bound, nor will such actions result in any violation of the provisions of any federal or New York statute or the Delaware General Corporation Law or any rule or regulation that has been issued pursuant to any federal or New York statute or the Delaware General Corporation Law or any order known to such counsel and, except for the registration of the Stock under the

Securities Act and such consents, approvals, authorizations, registrations or qualifications as may be required under the Exchange Act and applicable state securities laws in connection with the purchase and distribution of the Stock by the Underwriters, no consent, approval, authorization, order, registration or qualification of or with, any such court or governmental agency or body is required for the execution, delivery and performance of this Agreement the related Custody Agreement or the related Power of Attorney by any Selling Stockholder and the sale to and distribution of the Stock by the Underwriters;

(ii) This Agreement has been duly executed and delivered by or on behalf of each Selling Stockholder;

(iii) A Custody Agreement and Power-of-Attorney have been duly executed and delivered by each Selling Stockholder and constitute valid and binding agreements of each Selling Stockholder, enforceable in accordance with their respective terms;

(iv) Each Selling Stockholder is the sole registered owner of the Stocks to be sold by such Selling Stockholder, and upon payment for and delivery of the Stock in accordance with the Underwriting Agreement, the Underwriters will acquire all the rights of each Selling Stockholder in the Stock and will also acquire all the interest of such Selling Stockholders in such Stock free of any adverse claim.

In rendering such opinion, such counsel may (i) state that their opinion is limited to matters governed by the Federal laws of the United States of America, the laws of the State of New York and the General Corporation Law of the State of Delaware, (ii) in rendering the opinion in Section 9(g)(i) above, rely upon a certificate of each Selling Stockholder identifying any agreements material to such opinion and (iii) in rendering the opinion in Section 9(g)(iv) above, may include Vanguard in its definition of Selling Stockholders and may rely upon a certificate of each Selling Stockholder in respect of matters of fact as to ownership of and liens, encumbrances, equities or claims on the shares of Stock sold by such Selling Stockholder, provided that such counsel shall furnish copies thereof to the Representatives.

(h) The Representatives shall have received from O'Melveny & Myers LLP, counsel for the Underwriters, such opinion or opinions, dated such Delivery Date, with respect to the issuance and sale of the Stock, the Registration Statement, the Prospectus and other related matters as the Representatives may reasonably require, and the Company shall have furnished to such counsel such documents as they reasonably request for the purpose of enabling them to pass upon such matters.

(i) At the time of execution of this Agreement, the Representatives shall have received from Arthur Andersen a letter, in form and substance satisfactory to the Representatives, addressed to the Underwriters and dated the date hereof (i) confirming that they are independent public accountants within the meaning of the Securities Act and are in compliance with the applicable requirements relating to the qualification of accountants

under Rule 2-01 of Regulation S-X of the Commission, (ii) stating, as of the date hereof (or, with respect to matters involving changes or developments since the respective dates as of which specified financial information is given in the Prospectus, as of a date not more than five days prior to the date hereof), the conclusions and findings of such firm with respect to the financial information and other matters ordinarily covered by accountants' "comfort letters" to underwriters in connection with registered public offerings.

(j) With respect to the letter of Arthur Andersen referred to in the preceding paragraph and delivered to the Representatives concurrently with the execution of this Agreement (the "initial letter"), the Company shall have furnished to the Representatives a letter (the "bring-down letter") of such accountants, addressed to the Underwriters and dated such Delivery Date (i) confirming that they are independent public accountants within the meaning of the Securities Act and are in compliance with the applicable requirements relating to the qualification of accountants under Rule 2-01 of Regulation S-X of the Commission, (ii) stating, as of the date of the bring-down letter (or, with respect to matters involving changes or developments since the respective dates as of which specified financial information is given in the Prospectus, as of a date not more than five days prior to the date of the bring-down letter), the conclusions and findings of such firm with respect to the financial information and other matters covered by the initial letter and (iii) confirming in all material respects the conclusions and findings set forth in the initial letter.

(k) The Company shall have furnished to the Representatives a certificate, dated such Delivery Date, of its Chairman of the Board, its President, its Chief Administrative Officer or a Vice President and its chief financial officer stating that:

(i) The representations, warranties and agreements of the Company in Section 1 are true and correct as of such Delivery Date; the Company has complied with all its agreements contained herein; and the conditions set forth in Sections 9(a) and 9(o) have been fulfilled; and

(ii) They have examined the Registration Statement and the Prospectus and, in their opinion (A) as of the Effective Date, the Registration Statement and Prospectus did not include any untrue statement of a material fact and did not omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and (B) since the Effective Date no event has occurred which should have been set forth in a supplement or amendment to the Registration Statement or the Prospectus but was not so set forth.

(l) Each Selling Stockholder (or the Custodian or one or more attorneys-in-fact on behalf of the Selling Stockholders) shall have furnished to the Representatives on the First Delivery Date a certificate, dated the First Delivery Date, signed by, or on behalf of, the Selling Stockholder (or the Custodian or one or more attorneys-in-fact) stating that the representations, warranties and agreements of the Selling Stockholder contained herein are true and correct as of the First Delivery Date and that the Selling Stockholder has complied with all agreements contained herein to be performed by the Selling Stockholder at or prior to the First Delivery Date.

(m) (i) Neither the Company nor any of its subsidiaries shall have sustained since the date of the latest audited financial statements included in the Prospectus any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth or contemplated in the Prospectus or (ii) since such date there shall not have been any change in the capital stock or long-term debt of the Company or any of its subsidiaries or any change, or any development involving a prospective change, in or affecting the general affairs, management, financial position, stockholders' equity or results of operations of the Company and its subsidiaries, otherwise than as set forth or contemplated in the Prospectus, the effect of which, in any such case described in clause (i) or (ii), is, in the reasonable judgment of the Representatives, so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Stock being delivered on such Delivery Date on the terms and in the manner contemplated in the Prospectus.

(n) Subsequent to the execution and delivery of this Agreement there shall not have occurred any of the following: (i) trading in securities generally on the New York Stock Exchange or the American Stock Exchange or in the over-the-counter market, or trading in any securities of the Company on any exchange or in the over-the-counter market, shall have been suspended or minimum prices shall have been established on any such exchange or such market by the Commission, by such exchange or by any other regulatory body or governmental authority having jurisdiction, (ii) a banking moratorium shall have been declared by Federal or state authorities, (iii) the United States shall have become engaged in hostilities, there shall have been an escalation in hostilities involving the United States or there shall have been a declaration of a national emergency or war by the United States or (iv) there shall have occurred such a material adverse change in general economic, political or financial conditions (or the effect of international conditions on the financial markets in the United States shall be such) as to make it, in the judgment of a majority in interest of the several Underwriters, impracticable or inadvisable to proceed with the public offering or delivery of the Stock being delivered on such Delivery Date on the terms and in the manner contemplated in the Prospectus.

(o) Nasdaq National Market shall have approved the Stock for listing, subject only to official notice of issuance and evidence of satisfactory distribution.

(p) The Company shall have furnished to the Representatives Certificates of Good Standing or Foreign Qualification (or equivalent documents) from the Secretaries of State or relevant authorities (and tax good standing certificates, where applicable, from the tax authorities) in the States of California, Illinois, New York, Texas, and Connecticut and in Germany, France, and the United Kingdom for each subsidiary for which their respective ownership or lease of property or the conduct of their respective businesses requires such qualification in such jurisdiction.

All opinions, letters, evidence and certificates mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof only if they are in form and substance reasonably satisfactory to counsel for the Underwriters.

10. Indemnification and Contribution.

(a) The Company shall indemnify and hold harmless each Underwriter, its officers and employees, each person, if any, who controls any Underwriter within the meaning of the Securities Act, and the Selling Stockholders from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof (including, but not limited to, any loss, claim, damage, liability or action relating to purchases and sales of Stock), to which that Underwriter, officer, employee or controlling person may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Registration Statement or the Prospectus or in any amendment or supplement thereto, (ii) the omission or alleged omission to state in any Preliminary Prospectus, the Registration Statement or the Prospectus, or in any amendment or supplement thereto, or in any Blue Sky Application any material fact required to be stated therein or necessary to make the statements therein not misleading, (iii) any act or failure to act or any alleged act or failure to act by Lehman Brothers Inc. in connection with, or relating in any manner to, the granting or denial of consent to any sale, pledge, disposition or other transaction for which consent may be required under any agreement restricting such dispositions entered into by and between any current stockholder of the Company and Lehman Brothers Inc.; or (iv) any act or failure to act or any alleged act or failure to act by any Underwriter in connection with, or relating in any manner to, the Stock or the offering contemplated hereby, and which is included as part of or referred to in any loss, claim, damage, liability or action arising out of or based upon matters covered by clause (i) or (ii) above (provided that the Company shall not be liable under this clause (iv) to the extent that it is determined in a final judgment by a court of competent jurisdiction that such loss, claim, damage, liability or action resulted directly from any such acts or failures to act undertaken or omitted to be taken by such Underwriter through its gross negligence or willful misconduct), and shall reimburse each Underwriter and each such officer, employee or controlling person promptly upon demand for any legal or other expenses reasonably incurred by that Underwriter, officer, employee or controlling person in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action as such expenses are incurred; provided, however, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage, liability or action arises out of, or is based upon, any untrue statement or alleged untrue statement or omission or alleged omission made in any Preliminary Prospectus, the Registration Statement or the Prospectus, or in any such amendment or supplement, in reliance upon and in conformity with written information concerning such Underwriter furnished to the Company through the Representatives by or on behalf of any Underwriter specifically for inclusion therein which information consists solely of the information specified in Section 10(f); provided further, that the foregoing indemnity agreement with respect to any preliminary prospectus shall not inure to the benefit of any Underwriter who it shall be established failed to deliver a Prospectus (as then amended or supplemented, provided by the Company to the several Underwriters in the requisite quantity and on a timely basis to permit proper deliver on or prior to the Closing Date) to the person asserting any losses, claims, damages, liabilities, and judgments caused by any untrue statement or

alleged untrue statement of a material fact contained in any preliminary prospectus, or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, if such material misstatement or omission or alleged material misstatement or omission was cured in such Prospectus and such Prospectus was required by law to be delivered at or prior to the written confirmation of such sale to such person. The foregoing indemnity agreement is in addition to any liability which the Company may otherwise have to any Underwriter or to any officer, employee or controlling person of that Underwriter.

(b) The Selling Stockholders, severally in proportion to the number of shares of Stock to be sold by each of them hereunder, shall indemnify and hold harmless each Underwriter, its officers and employees, and each person, if any, who controls any Underwriter within the meaning of the Securities Act, from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof (including, but not limited to, any loss, claim, damage, liability or action relating to purchases and sales of Stock), to which that Underwriter, officer, employee or controlling person may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Registration Statement or the Prospectus or in any amendment or supplement thereto provided by such Selling Stockholder, which information consists solely of the statements made in the Prospectus under the caption "Principal and Selling Stockholders" insofar as such statements relate to such Selling Stockholder or (ii) the omission or alleged omission to state in any Preliminary Prospectus, Registration Statement or the Prospectus, or in any amendment or supplement thereto, any material fact relating to such Selling Stockholder required to be stated therein or necessary to make the statements therein not misleading, and shall reimburse each Underwriter, its officers and employees and each such controlling person for any legal or other expenses reasonably incurred by that Underwriter, its officers and employees or controlling person in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action as such expenses are incurred; provided, however, that the Selling Stockholders shall not be liable in any such case to the extent that any such loss, claim, damage, liability or action arises out of, or is based upon, any untrue statement or alleged untrue statement or omission or alleged omission made in any Preliminary Prospectus, the Registration Statement or the Prospectus or in any such amendment or supplement in reliance upon and in conformity with written information concerning such Underwriter furnished to the Company through the Representatives by or on behalf of any Underwriter specifically for inclusion therein which information consists solely of the information specified in Section 10(f); provided further, that the foregoing indemnity agreement with respect to any preliminary prospectus shall not inure to the benefit of any Underwriter who it shall be established failed to deliver a Prospectus (as then amended or supplemented, provided by the Company to the several Underwriters in the requisite quantity and on a timely basis to permit proper deliver on or prior to the Closing Date) to the person asserting any losses, claims, damages, liabilities, and judgments caused by any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus, or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, if such material misstatement or omission or alleged material misstatement or omission was cured in such Prospectus and such Prospectus was required by law to be delivered at or prior to the written confirmation of such sale to such person. The foregoing indemnity agreement is in

addition to any liability which the Selling Stockholders may otherwise have to any Underwriter or any officer, employee or controlling person of that Underwriter.

(c) Each Underwriter, severally and not jointly, shall indemnify and hold harmless the Company, its officers and employees, each of its directors (including any person who, with his or her consent, is named in the Registration Statement as about to become a director of the Company), each person, if any, who controls the Company within the meaning of the Securities Act, and the Selling Stockholders from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof, to which the Company or any such director, officer or controlling person may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained (A) in any Preliminary Prospectus, the Registration Statement or the Prospectus or in any amendment or supplement thereto, or (B) in any Blue Sky Application or (ii) the omission or alleged omission to state in any Preliminary Prospectus, the Registration Statement or the Prospectus, or in any amendment or supplement thereto, or in any Blue Sky Application any material fact required to be stated therein or necessary to make the statements therein not misleading, but in each case only to the extent that the untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information concerning such Underwriter furnished to the Company through the Representatives by or on behalf of that Underwriter specifically for inclusion therein, and shall reimburse the Company and any such director, officer or controlling person for any legal or other expenses reasonably incurred by the Company or any such director, officer or controlling person in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action as such expenses are incurred. The foregoing indemnity agreement is in addition to any liability which any Underwriter may otherwise have to the Company or any such director, officer, employee or controlling person.

(d) Promptly after receipt by an indemnified party under this Section 10 of notice of any claim or the commencement of any action, the indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under this Section 10, notify the indemnifying party in writing of the claim or the commencement of that action; provided, however, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have under this Section 10 except to the extent it has been materially prejudiced by such failure and, provided further, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have to an indemnified party otherwise than under this Section 10. If any such claim or action shall be brought against an indemnified party, and it shall notify the indemnifying party thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it wishes, jointly with any other similarly notified indemnifying party, to assume the defense thereof with counsel reasonably satisfactory to the indemnified party. After notice from the indemnifying party to the indemnified party of its election to assume the defense of such claim or action, the indemnifying party shall not be liable to the indemnified party under this Section 10 for any legal or other expenses subsequently incurred by the indemnified party in connection with the defense thereof other than reasonable costs of investigation; provided, however, that the Representatives shall have the right to employ counsel to represent jointly the Representatives and those other Underwriters and their respective officers, employees and controlling persons who may be subject to liability arising out of any claim in respect of which indemnity may be sought by the

Underwriters against the Company or any Selling Stockholder under this Section 10 if, in the reasonable judgment of the Representatives, it is advisable for the Representatives and those Underwriters, officers, employees and controlling persons to be jointly represented by separate counsel, and in that event the fees and expenses of such separate counsel shall be paid by the Company or Selling Stockholders. No indemnifying party shall (i) without the prior written consent of the indemnified parties (which consent shall not be unreasonably withheld), settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent includes an unconditional release of each indemnified party from all liability arising out of such claim, action, suit or proceeding, or (ii) be liable for any settlement of any such action effected without its written consent (which consent shall not be unreasonably withheld), but if settled with the consent of the indemnifying party or if there be a final judgment of the plaintiff in any such action, the indemnifying party agrees to indemnify and hold harmless any indemnified party from and against any loss or liability by reason of such settlement or judgment.

(e) If the indemnification provided for in this Section 10 shall for any reason be unavailable to or insufficient to hold harmless an indemnified party under Section 10(a), 10(b) or 10(c) in respect of any loss, claim, damage or liability, or any action in respect thereof, referred to therein, then each indemnifying party shall, in lieu of indemnifying such indemnified party, contribute to the amount paid or payable by such indemnified party as a result of such loss, claim, damage or liability, or action in respect thereof, (i) in such proportion as shall be appropriate to reflect the relative benefits received by the Company and the Selling Stockholders on the one hand and the Underwriters on the other from the offering of the Stock or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company and the Selling Stockholders on the one hand and the Underwriters on the other with respect to the statements or omissions which resulted in such loss, claim, damage or liability, or action in respect thereof, as well as any other relevant equitable considerations. The relative benefits received by the Company and the Selling Stockholders on the one hand and the Underwriters on the other with respect to such offering shall be deemed to be in the same proportion as the total net proceeds from the offering of the Stock purchased under this Agreement (before deducting expenses) received by the Company and the Selling Stockholders, on the one hand, and the total underwriting discounts and commissions received by the Underwriters with respect to the shares of the Stock purchased under this Agreement, on the other hand, bear to the total gross proceeds from the offering of the shares of the Stock under this Agreement, in each case as set forth in the table on the cover page of the Prospectus. The relative fault shall be determined by reference to whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company, the Selling Stockholders or the Underwriters, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company, the Selling Stockholders and the Underwriters agree that it would not be just and equitable if contributions pursuant to this Section were to be determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take into account the equitable considerations referred to herein. The amount paid

or payable by an indemnified party as a result of the loss, claim, damage or liability, or action in respect thereof, referred to above in this Section shall be deemed to include, for purposes of this Section 10(e), any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 10(e), no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Stock underwritten by it and distributed to the public was offered to the public exceeds the amount of any damages which such Underwriter has otherwise paid or become liable to pay by reason of any untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 10(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations to contribute as provided in this Section 10(e) are several in proportion to their respective underwriting obligations and not joint.

(f) The Underwriters severally confirm and the Company acknowledges that the statements with respect to the public offering of the Stock by the Underwriters set forth on the cover page of, the legend concerning over-allotments on the inside front cover page of and the concession and reallocation figures appearing under the caption "Underwriting" in, the Prospectus are correct and constitute the only information concerning such Underwriters furnished in writing to the Company by or on behalf of the Underwriters specifically for inclusion in the Registration Statement and the Prospectus.

11. Defaulting Underwriters.

If, on either Delivery Date, any Underwriter defaults in the performance of its obligations under this Agreement, the remaining non-defaulting Underwriters shall be obligated to purchase the Stock which the defaulting Underwriter agreed but failed to purchase on such Delivery Date in the respective proportions which the number of shares of the Firm Stock set opposite the name of each remaining non-defaulting Underwriter in Schedule 1 hereto bears to the total number of shares of the Firm Stock set opposite the names of all the remaining non-defaulting Underwriters in Schedule 1 hereto; provided, however, that the remaining non-defaulting Underwriters shall not be obligated to purchase any of the Stock on such Delivery Date if the total number of shares of the Stock which the defaulting Underwriter or Underwriters agreed but failed to purchase on such date exceeds 9.09% of the total number of shares of the Stock to be purchased on such Delivery Date, and any remaining non-defaulting Underwriter shall not be obligated to purchase more than 110% of the number of shares of the Stock which it agreed to purchase on such Delivery Date pursuant to the terms of Section 3. If the foregoing maximums are exceeded, the remaining non-defaulting Underwriters, or those other underwriters satisfactory to the Representatives who so agree, shall have the right, but shall not be obligated, to purchase, in such proportion as may be agreed upon among them, all the Stock to be purchased on such Delivery Date. If the remaining Underwriters or other underwriters satisfactory to the Representatives do not elect to purchase the shares which the defaulting Underwriter or Underwriters agreed but failed to purchase on such Delivery Date, this Agreement (or, with respect to the Second Delivery Date, the obligation of the Underwriters to purchase, and of the Company to sell, the Option Stock) shall terminate without liability on the part of any non-defaulting Underwriter or the Company or the Selling Stockholders, except that the Company will continue to be liable for the payment of expenses to the extent set forth in Sections 8

and 13. As used in this Agreement, the term "Underwriter" includes, for all purposes of this Agreement unless the context requires otherwise, any party not listed in Schedule 1 hereto who, pursuant to this Section 11, purchases Firm Stock which a defaulting Underwriter agreed but failed to purchase.

Nothing contained herein shall relieve a defaulting Underwriter of any liability it may have to the Company and the Selling Stockholders for damages caused by its default. If other underwriters are obligated or agree to purchase the Stock of a defaulting or withdrawing Underwriter, either the Representatives or the Company may postpone the Delivery Date for up to seven full business days in order to effect any changes that in the opinion of counsel for the Company or counsel for the Underwriters may be necessary in the Registration Statement, the Prospectus or in any other document or arrangement.

12. Termination. The obligations of the Underwriters hereunder may be terminated by the Representatives by notice given to and received by the Company prior to delivery of and payment for the Firm Stock if, prior to that time, any of the events described in Sections 9(m) or 9(n), shall have occurred or if the Underwriters shall decline to purchase the Stock for any reason permitted under this Agreement.

13. Reimbursement of Underwriters' Expenses. If (a) the Company or any Selling Stockholder shall fail to tender the Stock for delivery to the Underwriters by reason of any failure, refusal or inability on the part of the Company or any Selling Stockholders to perform any agreement on its part to be performed, or because any other condition of the Underwriters' obligations hereunder required to be fulfilled by the Company or any Selling Stockholder is not fulfilled (other than the conditions set forth in Section 9(n) hereof), the Company and such Selling Stockholders will reimburse the U.S. Underwriters for all reasonable out-of-pocket expenses (including fees and disbursements of counsel) incurred by the Underwriters in connection with this Agreement and the proposed purchase of the Stock, and upon demand the Company and the Selling Stockholders shall pay the full amount thereof to the Representatives. If this Agreement is terminated pursuant to Section 11 by reason of the default of one or more Underwriters, neither the Company nor any Selling Stockholder shall be obligated to reimburse any defaulting Underwriter on account of those expenses.

14. Notices, etc. All statements, requests, notices and agreements hereunder shall be in writing, and:

(a) if to the Underwriters, shall be delivered or sent by mail, telex or facsimile transmission to Lehman Brothers Inc., Three World Financial Center, New York, New York 10285, Attention: Syndicate Department (Fax: 212-526-6588), with a copy, in the case of any notice pursuant to Section 10(d), to the Director of Litigation, Office of the General Counsel, Lehman Brothers Inc., 3 World Financial Center, 10th Floor, New York, NY 10285;

(b) if to the Company, shall be delivered or sent by mail, telex or facsimile transmission to the address of the Company set forth in the Registration Statement, Attention: Richard D. Nelson (Fax: 312-496-1290);

(c) if to any Selling Stockholder, shall be delivered or sent by mail, telex or facsimile transmission to such Selling Stockholder at the address set forth on Schedule 2 hereto;

provided, however, that any notice to an Underwriter pursuant to Section 10(d) shall be delivered or sent by mail, telex or facsimile transmission to such Underwriter at its address set forth in its acceptance telex to the Representatives, which address will be supplied to any other party hereto by the Representatives upon request. Any such statements, requests, notices or agreements shall take effect at the time of receipt thereof. The Company and the Selling Stockholders shall be entitled to act and rely upon any request, consent, notice or agreement given or made on behalf of the Underwriters by Lehman Brothers Inc. on behalf of the Representatives, and the Company and the Underwriters shall be entitled to act and rely upon any request, consent, notice or agreement given or made on behalf of the Selling Stockholders by the Custodian.

15. Persons Entitled to Benefit of Agreement. This Agreement shall inure to the benefit of and be binding upon the Underwriters, the Company, the Selling Stockholders and their respective personal representatives and successors. This Agreement and the terms and provisions hereof are for the sole benefit of only those persons, except that (A) the representations, warranties, indemnities and agreements of the Company and the Selling Stockholders contained in this Agreement shall also be deemed to be for the benefit of the person or persons, if any, who control any Underwriter within the meaning of Section 15 of the Securities Act and (B) the indemnity agreement of the Underwriters contained in Section 10(c) of this Agreement shall be deemed to be for the benefit of directors of the Company, officers of the Company who have signed the Registration Statement and any person controlling the Company within the meaning of Section 15 of the Securities Act. Nothing in this Agreement is intended or shall be construed to give any person, other than the persons referred to in this Section 15, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision contained herein.

16. Survival. The respective indemnities, representations, warranties and agreements of the Company, the Selling Stockholders and the Underwriters contained in this Agreement or made by or on behalf on them, respectively, pursuant to this Agreement, shall survive the delivery of and payment for the Stock and shall remain in full force and effect, regardless of any investigation made by or on behalf of any of them or any person controlling any of them.

17. Definition of the Terms "Business Day" and "Subsidiary". For purposes of this Agreement, (a) "business day" means each Monday, Tuesday, Wednesday, Thursday or Friday which is not a day on which banking institutions in New York are generally authorized or obligated by law or executive order to close and (b) "subsidiary" has the meaning set forth in Rule 405 of the Rules and Regulations.

18. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of New York.

19. Consent to Jurisdiction. Each party irrevocably agrees that any legal suit, action or proceeding arising out of or based upon this Agreement or the transactions contemplated hereby

("Related Proceedings") may be instituted in the federal courts of the United States of America located in the City of New York or the courts of the State of New York in each case located in the Borough of Manhattan in the City of New York (collectively, the "Specified Courts"), and irrevocably submits to the exclusive jurisdiction (except for proceedings instituted in regard to the enforcement of a judgment of any such court (a "Related Judgment"), as to which such jurisdiction is non-exclusive) of such courts in any such suit, action or proceeding. The parties further agree that service of any process, summons, notice or document by mail to such party's address set forth above shall be effective service of process for any lawsuit, action or other proceeding brought in any such court. The parties hereby irrevocably and unconditionally waive any objection to the laying of venue of any lawsuit, action or other proceeding in the Specified Courts, and hereby further irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such lawsuit, action or other proceeding brought in any such court has been brought in an inconvenient forum. Each party not located in the United States hereby irrevocably appoints CT Corporation System, which currently maintains a New York City office at 1633 Broadway, New York, New York 10019, United States of America, as its agent to receive service of process or other legal summons for purposes of any such action or proceeding that may be instituted in any state or federal court in the City and State of New York.

20. Waiver of Immunity. With respect to any Related Proceeding, each party irrevocably waives, to the fullest extent permitted by applicable law, all immunity (whether on the basis of sovereignty or otherwise) from jurisdiction, service of process, attachment (both before and after judgment) and execution to which it might otherwise be entitled in the Specified Courts, and with respect to any Related Judgment, each party waives any such immunity in the Specified Courts or any other court of competent jurisdiction, and will not raise or claim or cause to be pleaded any such immunity at or in respect of any such Related Proceeding or Related Judgment, including, without limitation, any immunity pursuant to the United States Foreign Sovereign Immunities Act of 1976, as amended.

21. Counterparts. This Agreement may be executed in one or more counterparts and, if executed in more than one counterpart, the executed counterparts shall each be deemed to be an original but all such counterparts shall together constitute one and the same instrument.

22. Headings. The headings herein are inserted for convenience of reference only and are not intended to be part of, or to affect the meaning or interpretation of, this Agreement.

If the foregoing correctly sets forth the agreement among the Company, the Selling Stockholders and the Underwriters, please indicate your acceptance in the space provided for that purpose below.

Very truly yours,

HEIDRICK & STRUGGLES INTERNATIONAL, INC.

By _____
Name:
Title:

The Selling Stockholders named in Schedule 2 to
this Agreement

By _____
Attorney-in-Fact

Accepted:

Lehman Brothers Inc.
Goldman, Sachs & Co.

For themselves and as Representatives
of the several Underwriters named
in Schedule 1 hereto

By Lehman Brothers Inc.

By _____
Authorized Representative

SCHEDULE 1

Underwriters	Number of Shares
-----	-----
Lehman Brothers Inc.....	
Goldman, Sachs & Co.....	

Total.....	-----

SCHEDULE 2

Name and address of Selling Stockholder -----	Number of Shares of Firm Stock -----
Patrick Bazil.....	13,137
Ronald Dukes.....	152,758
Kenneth Rattner.....	88,300
Michael B. Schoettle.....	254,805
Total.....	500,000 =====

[LETTERHEAD OF SIMPSON THACHER & BARTLETT]

April 26, 1999

Heidrick & Struggles International, Inc.
233 South Wacker Drive - Suite 4200
Chicago, Illinois 60606-6303

Ladies and Gentlemen:

We have acted as counsel to Heidrick & Struggles International, Inc., a Delaware corporation (the "Company"), in connection with the Registration Statement on Form S-1 (the "Registration Statement") filed by the Company with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended, relating to the issuance and sale by the Company of 3,700,000 shares (the "Company Shares") of Common Stock, par value \$.01 per share and the sale by certain stockholders of the Company (the "Selling Stockholders") of 500,000 shares of Common Stock (the "Selling Stockholder Shares") (the Company Shares and the Selling Stockholder Shares, together with any additional shares of such stock that may be sold by the Company or the Selling Stockholders pursuant to Rule 462(b) (as prescribed by the Commission pursuant to the Act) in connection with the offering described in the Registration Statement, the "Shares").

We have examined the Registration Statement and a form of the share certificate, which has been filed with the Commission as an exhibit to the Registration

Statement. We also have examined the originals, or duplicates or certified or conformed copies, of such records, agreements, instruments and other documents and have made such other and further investigations as we have deemed relevant and necessary in connection with the opinions expressed herein. As to questions of fact material to this opinion, we have relied upon certificates of public officials and of officers and representatives of the Company.

In such examination, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as duplicates or certified or conformed copies, and the authenticity of the originals of such latter documents.

Based upon the foregoing, and subject to the qualifications and limitations stated herein, we are of the opinion that (1) when the Board of Directors (the "Board") and the stockholders of the Company have taken all necessary corporate action to authorize and approve the issuance of the Shares and (2) upon payment and delivery in accordance with the applicable definitive underwriting agreement approved by the Board, the Company Shares will be validly issued, fully paid and nonassessable. The Selling Stockholders Shares have been validly issued and are fully paid and nonassessable.

We are members of the Bar of the State of New York and we do not express any opinion herein concerning any law other than the Delaware General Corporation Law.

We hereby consent to the filing of this opinion letter as Exhibit 5 to the Registration Statement and to the use of our name under the caption "Legal Matters" in the Prospectus included in the Registration Statement.

Very truly yours,

/s/ Simpson Thacher & Bartlett
SIMPSON THACHER & BARTLETT

AMENDMENT

According to Article VIII. Final Provisions and its paragraph (2) of the Employment Agreement of September 25, 1997 the latter is amended as follows:

Wording of Article I. Date, Duties, Title in its paragraph (3) is amended as follows:

"In addition to the titles stated in the present paragraph, the Partner shall have effective November 16, 1998 the title of President/Europe"...(remaining wording is left unchanged).

Wording of Article II. Compensation in its paragraph (2) Base Salary is amended as follows:

"The gross salary of the Partner shall be effective November 16, 1998 DM 1,075,000 per annum"...(remaining wording is left unchanged).

Wording of Article II. Compensation in its paragraph (5) is amended as follows:

"As long as the Partner has the title of President/Europe, the Partner is entitled to a yearly guaranteed bonus of DM 1,400,000 which includes bonus for production of SOB and brings the total amount of the Partner's TCF up to DM 2,500,000.

Wording of Article II. Compensation in its paragraph (6) Integration period is cancelled.

This Amendment shall become invalid and the Employment Agreement in its version of September 25, 1997 shall become exclusively applicable as soon as the Partner no longer holds the position of President/Europe.

Both Parties hereby accept the terms and conditions of the present Amendment to the Employment Agreement signed on September 25, 1997.

In Witness Whereof, both parties have executed the present amendment on November 16, 1998.

/s/ Richard Nelson

Heidrick & Struggles International, Inc.

/s/ Jurgen Mulder

Partner

/s/ Herbert Bechtel

Heidrick & Struggles: Unternehmensberatung GmbH & Co. KG (as legal successor of Mulder & Partner & Co. KG).

COMPUTATION OF PER SHARE EARNINGS

Heidrick & Struggles, Inc.

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

	12 Months Ended December 31,		
	1996	1997	1998
Basic EPS			
Income (loss) available to common shareholders	\$ 6,449	\$ 6,443	\$ (16,254)
Weighted average common shares outstanding	2,574,475	2,676,415	2,666,526
Basic EPS	\$ 2.50	\$ 2.41	\$ (6.10)
Diluted EPS			
Income (loss) available to common shareholders	\$ 6,449	\$ 6,443	\$ (16,254)
Weighted average common shares outstanding	2,574,475	2,676,415	2,666,526
Dilutive common shares issued	--	110	--
Total diluted common shares	2,574,475	2,676,525	2,666,526
Diluted EPS	\$ 2.50	\$ 2.41	\$ (6.10)

Heidrick & Struggles International, Inc.

The following is a reconciliation of the shares used in the computation of basic and diluted EPS for Class A common shares:

	12 Months Ended December 31,		
	1996	1997	1998
Basic EPS			
Income (loss) available to Class A common shareholders	\$ 1,392	\$ 450	\$ (11,287)
Weighted average Class A common shares outstanding	1,623,955	1,773,581	1,892,908
Basic EPS	\$ 0.86	\$ 0.25	\$ (5.96)
Diluted EPS			
Income (loss) available to Class A common shareholders	\$ 1,392	\$ 450	\$ (11,287)
Weighted average Class A common shares outstanding	1,623,955	1,773,581	1,892,908
Stock purchase obligations	--	107,113	--
Total diluted Class A common shares	1,623,955	1,880,694	1,892,908
Diluted EPS	\$ 0.86	\$ 0.24	\$ (5.96)

The following is a reconciliation of the shares used in the computation of basic and diluted EPS for Class B common shares:

	12 Months Ended December 31,		
	1996	1997	1998
Basic EPS			
Income (loss) available to Class B common shareholders	\$ 749	\$ 242	\$ (6,078)
Weighted average Class B common shares outstanding	1,040,862	1,040,862	1,042,729
Basic and Diluted EPS	\$ 0.72	\$ 0.23	\$ (5.83)

SUBSIDIARIES OF HEIDRICK & STRUGGLES INTERNATIONAL, INC.

Name -----	State or Country of Domicile -----
Heidrick & Struggles, Inc.	Delaware
Heidrick & Struggles Asia-Pacific, Ltd.	Illinois
Heidrick & Struggles Japan, Ltd.	Illinois
Heidrick & Struggles Australia, Ltd.	Illinois
Heidrick & Struggles Hong Kong, Ltd.	Illinois
Heidrick & Struggles Singapore Pte Ltd.	Singapore
Heidrick & Struggles (India) Private Limited	India
Heidrick & Struggles Canada, Inc.	Canada
Heidrick & Struggles Argentina, S.A.	Argentina
Heidrick & Struggles Latin America, Inc.	Illinois
Heidrick & Struggles de Chile Limitada	Chile
Heidrick & Struggles del Peru S.A.	Peru
Heidrick & Struggles, S.A.	Venezuela
Heidrick & Struggles do Brasil Ltda.	Brazil
Heidrick & Struggles, S.A. de C.V.	Mexico
Center for Board Leadership, Inc.	Delaware
Heidrick & Struggles Espana, Inc.	Illinois
Heidrick & Struggles AB	Sweden
Heidrick & Struggles AS	Norway
Heidrick & Struggles OY	Finland
Heidrick & Struggles International SRL	Italy
Heidrick & Struggles sp.zo.o	Poland
Heidrick & Struggles AG	Switzerland
Heidrick & Struggles s.r.o.	Czech Republic
Heidrick & Struggles BV	Netherlands

Heidrick & Struggles Consultores de Gestao Lda	Portugal
Heidrick & Struggles Unternehmensberatung GmbH & Co. KG	Germany
Mulder & Partner Interim Management GmbH	Germany
JMA-JMP Anzeigenagentur GmbH	Germany
Heidrick & Struggles Unternehmensberatung Verwaltungs-GmbH	Germany
Heidrick & Struggles Ltd.	Israel

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our reports (and to all references to our Firm) included in or made a part of this registration statement.

Arthur Andersen LLP

Chicago, Illinois

April 26, 1999

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Barbier Frinault & Associates

Neuilly-sur-Seine, France

April 26, 1999