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

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1999 or

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

For the transition period from to

Commission File Number 0-25837

HEIDRICK & STRUGGLES INTERNATIONAL, INC.
(Exact Name of Registrant as Specified in its Charter)

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

233 South Wacker Drive-Suite 4200
Chicago, Illinois
60606-6303
(Address of Principal Executive Offices)

(312) 496-1200
(Registrant's Telephone Number, Including Area Code)

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

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

The number of shares outstanding of the Company's common stock as of August 5, 1999 was 15,699,151

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

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HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

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

	June 30, 1999 (unaudited)	December 31, 1998
Current assets:		
Cash and cash equivalents	$ 65,737	$ 10,428
Accounts receivable, net of allowance for doubtful accounts	79,216	40,816
Other receivables	3,163	2,862
Notes receivable from affiliate	-	1,900
Prepaid expenses	3,654	1,771
Prepaid income taxes	-	3,575
Deferred income taxes	15,860	8,871
Total current assets	167,630	70,223
Property and equipment, net	46,623	24,778
Other assets:		
Cash and investments designated for nonqualified retirement plans	30,924	13,552
Investment in Heidrick & Struggles International, Inc.	-	4,766
Investments and other assets	12,544	-
Deferred income taxes	5,483	1,776
Goodwill and other intangibles, net	45,376	8,055
Total other assets	94,327	28,149
Total assets	$308,580	$123,150

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

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

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

	June 30, 1999 (unaudited)	December 31, 1998
Current liabilities:		
Short-term debt	$ -	$ 22,000
Current maturities of long-term debt	4,070	2,547
Accounts payable	9,649	2,918
Accrued expenses-		
Salaries and employee benefits	94,375	27,165
Other	15,704	7,401
Income taxes payable	1,878	-
Total current liabilities	125,676	62,031
Long-term debt, less current maturities	2,024	5,150
Liability for nonqualified retirement plans	28,555	11,358
Mandatorily redeemable common and preferred stock		
Preferred stock, $.01 par value, 10,000,000 shares authorized, no shares issued at December 31, 1998.	-	-
Common stock, $.01 par value, 100,000,000 shares authorized at December 31, 1998, of which 7,910,850 and 2,873,870 shares were issued and outstanding, respectively.	-	44,611
Total mandatorily redeemable common and preferred stock	-	44,611
Stockholders' equity		
Preferred stock, $.01 par value, 10,000,000 shares authorized, no shares issued at June 30, 1999.	-	-
Common stock, $.01 par value, 100,000,000 shares authorized, of which 15,699,151 shares where issued and outstanding at June 30, 1999	157	-
Additional paid-in capital	121,887	-
Retained earnings	26,343	-
Cumulative foreign currency translation adjustment	(1,437)	-
Unrealized gain on available-for-sale investments (net of tax)	5,375	-
Total stockholders' equity	152,325	-
Total liabilities, mandatorily redeemable common and preferred stock and stockholders' equity	$308,580	$123,150

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

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	1999	1998	1999	1998
Revenue	$108,612	$52,778	$180,331	$98,715
Operating expenses:				
Salaries and employee benefits	73,110	37,852	119,952	72,613
General and administrative expenses	27,163	12,184	47,147	22,533
Nonrecurring charge	-	-	12,420	-
Total operating expenses	100,273	50,036	179,519	95,146
Operating income	8,339	2,742	812	3,569
Non-operating income (expense):				
Interest income	418	250	580	405
Interest expense	(417)	(62)	(850)	(118)
Other, net	64	200	78	(164)
Net non-operating income (expense)	65	388	(192)	123
Equity in net loss of affiliate	-	(729)	(630)	(906)
Income (loss) before income taxes	8,404	2,401	(10)	2,786
Provision for income taxes	3,791	1,161	5,489	1,346
Net income (loss)	$ 4,613	$ 1,240	$ (5,499)	$ 1,440
Basic earnings (loss) per common share	$ 0.33	$ 0.46	$ (0.55)	$ 0.53
Basic weighted average common shares outstanding	14,113	2,680	10,019	2,709
Diluted earnings (loss) per common share	$ 0.33	$ 0.46	$ (0.55)	$ 0.53
Diluted weighted average common shares outstanding	14,141	2,680	10,019	2,710

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

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(in thousands)

	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Compre-hensive Income (Loss)	Total
Balance as of December 31, 1998(1)	$ 79	$ 28,564	$(16,471)	$(12,769)	$ 597	$ -
Treasury and common stock transactions:						
Stock issued for Merger	29	26,581	16,471	-	-	43,081
Stock issued in initial public offering	42	52,334	-	-	-	52,376
Stock issued to employees	7	14,408	-	-	-	14,415
Release of book value restriction	-	-	-	44,611	-	44,611
Comprehensive income (loss)						
Net loss	-	-	-	(5,499)	-	(5,499)
Other comprehensive income, net of tax						
Unrealized gain on available-for-sale investments	-	-	-	-	3,689	3,689
Foreign currency translation adjustments	-	-	-	-	(348)	(348)
Balance as of June 30, 1999 (unaudited)	$157	$121,887	$ -	$ 26,343	$3,938	$152,325

(1) Mandatorily redeemable

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

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

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

	Six Months Ended June 30, 1999	1998
Cash flows from operating activities		
Net income (loss)	$ (5,499)	$ 1,440
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	4,233	1,872
Loss (gain) on sale of property and equipment	(12)	463
Deferred income taxes	(673)	(351)
Equity in net loss of affiliate	630	906
Stock based compensation	-	31
Nonrecurring compensation charge	12,420	-
Changes in assets and liabilities:		
Trade and other receivables	(22,009)	(11,439)
Other assets	935	(603)
Accounts payable	3,986	264
Accrued expenses	32,702	30,835
Income taxes payable	1,094	(4,526)
Liability for nonqualified retirement plans	848	93
Net cash provided by operating activities	28,655	18,985
Cash flows from investing activities		
Acquisitions	-	(3,060)
Purchases of securities for nonqualified retirement plan	(232)	(1,049)
Purchases of property and equipment	(12,300)	(7,326)
Cash acquired in merger transaction with HSI	8,166	-
Other investing activities	(176)	5
Net cash used in investing activities	(4,542)	(11,430)
Cash flows from financing activities		
Net proceeds from issuance of common stock	61,708	-
Proceeds from debt	12,075	5,148
Payments of debt	(41,868)	(4,014)
Net cash provided by financing activities	31,915	1,134
Effect of foreign currency exchange rates on cash and cash equivalents	(719)	(254)
Net increase in cash and cash equivalents	55,309	8,435
Cash and cash equivalents:		
Beginning of period	10,428	10,074
End of period	$ 65,737	$ 18,509

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

(In thousands, except share and per share figures)

1. Interim Financial Data

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

2. Merger

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

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	1999	1998	1999	1998
Revenue	$108,612	$ 84,180	$200,316	$158,170
Operating expenses:				
Salaries and employee benefits	73,110	60,397	135,788	114,878
General and administrative expenses	27,163	20,194	53,588	39,328
Nonrecurring charge	-	_	12,420	-
Total operating expenses	100,273	80,591	201,796	154,206
Operating income (loss)	8,339	3,589	(1,480)	3,964
Net non-operating income (expense)	65	(2,959)	(248)	(3,377)
Income (loss) before income taxes	8,404	630	(1,728)	587
Provision for income taxes	3,791	1,414	5,252	1,972
Net income (loss)	$ 4,613	$ (784)	$ (6,980)	$ (1,385)

3. Nonrecurring Charge

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

4. Basic and Diluted Earnings (Loss) Per Share

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	1999	1998	1999	1998
Basic EPS				
Income (loss) available to common stockholders	$ 4,613	$ 1,240	$ (5,499)	$ 1,440
Weighted average common shares outstanding	14,113	2,680	10,019	2,709
Basic EPS	$ 0.33	$ 0.46	$ (0.55)	$ 0.53
Diluted EPS				
Income (loss) available to common stockholders	$ 4,613	$ 1,240	$ (5,499)	$ 1,440
Weighted average common shares outstanding	14,113	2,680	10,019	2,709
Dilutive effect of common stock options	28	-	-	1
Weighted average diluted common shares outstanding	14,141	2,680	10,019	2,710
Diluted EPS	$ 0.33	$ 0.46	$ (0.55)	$ 0.53

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

5. Comprehensive Income

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

Total comprehensive income is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	1999	1998	1999	1998
Net income (loss)	$ 4,613	$ 1,240	$ (5,499)	$ 1,440
Other comprehensive income, before tax:				
Foreign currency translation adjustment	(551)	541	(541)	621
Unrealized gain on available-for-sale investments	1,188	163	6,360	1,071
Other comprehensive income, before tax	637	704	5,819	1,692
Income tax expense related to items of other comprehensive income	301	305	2,478	720
Other comprehensive income, net of tax	336	399	3,341	972
Comprehensive income (loss)	$ 4,949	$ 1,639	$ (2,158)	$ 2,412

6. Segment Information

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	1999	1998	1999	1998
Revenue:				
United States	$ 65,079	$ 45,495	$117,789	$84,704
Europe	34,265	-	46,297	-
Other International	9,268	7,283	16,245	14,011
Total	$108,612	$ 52,778	$180,331	$98,715
Operating income (loss):				
United States	$ 10,976	$ 6,468	$ 18,778	$10,335
Europe	1,234	-	(9,574)	-
Other International	1,645	(480)	1,846	(774)
Corporate unallocated	(5,516)	(3,246)	(10,238)	(5,992)
Total	$ 8,339	$ 2,742	$ 812	$ 3,569

	As of June 30, 1999	As of December 31, 1998
Identifiable Assets		
United States	$ 99,609	$ 78,882
Europe	81,654	-
Other International	17,972	14,287
Corporate unallocated	109,345	29,981
Total	$308,580	$123,150

7. Initial Public Offering

On April 26, 1999, the SEC declared effective the Company's Registration Statement on Form S-1 (File No. 333-59931) relating to the public offering of 4.2 million shares of the Company's common stock and on April 27, 1999, the Company's common stock began trading on the Nasdaq National Market under the symbol "HSII".

On April 30, 1999, the Company completed the public offering of an aggregate of 4.2 million shares of common stock at $14.00 per share, of which 3.7 million shares were offered by the Company and 500,000 shares were offered by selling stockholders. In addition, on June 1, 1999, the Company completed the offering of an additional 505,000 shares of common stock which arose from the exercise of a portion of the over-allotment option granted to certain underwriters of the initial public offering. These offerings resulted in net proceeds (after deducting the underwriting discount and estimated offering expenses) of $52.4 million to the Company and $6.5 million to the selling stockholders. See Part II "Use of Proceeds".

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

8. Pending Merger

On June 6, 1999, the Company signed a letter of intent to acquire Sullivan & Company ("Sullivan"), an executive search firm that specializes in the financial services industry. The Company expects to issue 964,000 shares of its common stock in exchange for all of the outstanding stock of Sullivan. The transaction would qualify as a tax-free exchange and would be accounted for with pooling of interests accounting. The Company expects to incur merger costs of between $2.3 million and $3.5 million, which includes a non-cash charge for accelerated vesting of an employee equity ownership program in place at Sullivan. It is expected that this transaction will close in the third quarter of 1999. In 1998, Sullivan had revenues of $12.8 million.

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

General

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

From the time of founding in 1953 until 1984, 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. As discussed in Note 2 above, H&S Inc. and HSI consummated the Merger on February 26, 1999 in order to reunite the two companies into a single ownership structure.

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

With offices in over 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 6 above.

Results of Operations

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	1999	1998	1999	1998
Revenue	100.0 %	100.0 %	100.0 %	100.0 %
Operating expenses:				
Salaries and employee benefits	67.3	71.7	66.5	73.6
General and administrative expenses	25.0	23.1	26.1	22.8
Nonrecurring charge	-	-	6.9	-
Total operating expenses	92.3	94.8	99.5	96.4
Operating income	7.7	5.2	0.5	3.6
Non-operating income (expense)				
Interest income	0.4	0.5	0.3	0.4
Interest expense	(0.4)	(0.1)	(0.5)	(0.1)
Other, net	0.1	0.4	-	(0.2)
Net non-operating income (expense)	0.1	0.8	(0.2)	0.1
Equity in net loss of affiliate	-	(1.4)	(0.3)	(0.9)
Income before income taxes	7.8	4.6	-	2.8
Provision for income taxes	3.5	2.2	3.0	1.4
Net income (loss)	4.3 %	2.4 %	(3.0)%	1.4 %

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

Revenue. Revenue increased $55.8 million, or 105.8%, to $108.6 million for the three months ended June 30, 1999 from $52.8 million for the three months ended June 30, 1998. This increase was primarily the result of the Merger, which contributed $34.3 million in revenue for the three months ended June 30, 1999. Excluding HSI, revenue increased by 40.9%. Continued strong demand for the Company's services across a number of industries, especially technology and e-commerce, aggressive business development activities, and an increase in the number of consultants all contributed to the revenue growth as the number of confirmed searches increased. In addition, fees per search were higher as the Company's strategic focus on working at the top level of executive search and higher levels of consultant productivity continued to drive performance.

Salaries and employee benefits. Salaries and employee benefits increased $35.2 million, or 93.1%, to $73.1 million for the three months ended June 30, 1999 from $37.9 million for the three months ended June 30, 1998. This increase was primarily the result of the Merger, which contributed $23.2 million in salaries and employee benefits for the three months ended June 30, 1999. Excluding HSI, as a percentage of revenue, salaries and employee benefits decreased from 71.7% to 67.1%. This was due to increased search consultant productivity, greater leveraging of the support staff and a change in the bonus structure for management that replaces a portion of cash incentive compensation with options.

General and administrative expenses. General and administrative expenses increased $15.0 million, or 122.9%, to $27.2 million for the three months ended June 30, 1999 from $12.2 million for the three months ended June 30, 1998. This increase was primarily the result of the Merger, which contributed $10.4 million in general and administrative expenses for the three months ended June 30, 1999. Excluding HSI, as a percentage of revenue, general and administrative expenses decreased from 23.1% to 22.5%. This percentage decrease was primarily a result of the growth in revenue in the quarter outpacing increases in fixed operating costs, costs of consulting services for the Company's technology initiatives and investment spending for new complementary business services.

Net non-operating income (expense). Net non-operating income decreased $323,000, or 83.2%, to $65,000 for the three months ended June 30, 1999 from $388,000 for the three months ended June 30, 1998. This was due to an increase in interest expense related to borrowings under the Company's line of credit partially offset by an increase in interest income.

Six Months Ended June 30, 1999 Compared to the Six Months Ended June 30, 1998

Revenue. Revenue increased $81.6 million, or 82.7%, to $180.3 million for the six months ended June 30, 1999 from $98.7 million for the six months ended June 30, 1998. This increase was primarily the result of the Merger, which contributed $46.3 million in revenue for the six months ended June 30, 1999. Excluding HSI, revenue increased by 35.8%. Strong demand for the Company's services across a number of industries, especially technology and e-commerce, aggressive business development activities and an increase in the number of consultants all contributed to the revenue growth as the number of confirmed searches increased. In addition, fees per search increased as the Company's strategic focus on working at the top level of executive search and higher levels of consultant productivity continued to drive performance.

Salaries and employee benefits. Salaries and employee benefits increased $47.4 million, or 65.2%, to $120.0 million for the six months ended June 30, 1999 from $72.6 million for the six months ended June 30, 1998. This increase was primarily the result of the Merger, which contributed $30.5 million in salaries and employee benefits for the six months ended June 30, 1999. Excluding HSI, as a percentage of revenue, salaries and employee benefits decreased from 73.6% to 66.7%. This was due to increased search consultant productivity, better leveraging of the support staff and a change in the bonus structure for management that replaces a portion of cash incentive compensation with options.

General and administrative expenses. General and administrative expenses increased $24.6 million, or 109.2%, to $47.1 million for the six months ended June 30, 1999 from $22.5 million for the six months ended June 30, 1998. This increase was primarily the result of the Merger, which contributed $13.8 million in general and administrative expenses for the six months ended June 30, 1999. Excluding HSI, as a percentage of revenue, general and administrative expenses increased from 22.8% to 24.9%. This percentage increase was primarily due to an increase in costs of consulting services for the Company's technology initiatives and investment spending for new complementary business services.

Nonrecurring charge. During the first quarter of 1999, the Company incurred a nonrecurring charge of $12.4 million. See Note 3 above for further details.

Net non-operating income (expense). For the six months ended June 30, 1999, net non-operating expense was $192,000 versus net non-operating income of $123,000 for the six months ended June 30, 1998. The change was due to an increase in interest expense related to borrowings under the Company's line of credit partially offset by an increase in interest income.

Pro Forma Combined Results of Operations

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

	Three Months Ended June 30,				Six Months Ended June 30,			
	1999		1998 (1)(2)		1999 (1)(2)		1998 (1)(2)	
Revenue	$ 108,612	100.0%	$ 84,180	100.0%	$ 200,316	100.0%	$ 158,170	100.0%
Operating expenses:								
Salaries and employee benefits (3)	73,110	67.3	58,476	69.5	134,868	67.3	110,837	70.1
General and administrative expenses (4)	27,163	25.0	20,194	24.0	53,588	26.8	39,328	24.9
Total operating expenses	100,273	92.3	78,670	93.5	188,456	94.1	150,165	95.0
Operating income	$ 8,339	7.7%	$ 5,510	6.5%	$ 11,860	5.9%	$ 8,005	5.0%

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	1999	1998	1999	1998
Revenue	--	$31,402	$19,985	$59,455
Salaries and employee benefits	--	22,545	15,836	42,265
General and administrative expenses	--	7,661	6,209	16,098

(2) Excludes the $12.4 million nonrecurring Mulder charge for the six months ended June 30, 1999. See further discussion in Note 3 above. In addition, $1.2 million, $0.9 million and $2.6 million of deferred compensation expense relating to the acquisition has been excluded for the three months ended June 30, 1998 and for the six months ended June 30, 1999 and 1998, respectively.

(3) Amount has been adjusted by $0.7 million and $1.4 million for the three months and six months ended June 30, 1998, respectively, to eliminate compensation expense representing the difference between the amount actually paid to management for bonuses over the amount which would have been paid under the Company's GlobalShare programs. One of the plans within GlobalShare allows the Company to issue options to management in lieu of a portion of their annual cash performance bonus.

(4) Includes additional amortization related to acquired intangibles and goodwill arising from the Merger of $0.3 million, $0.2 million and $0.7 million for the three months ended June 30, 1998 and for the six months ended June 30, 1999 and 1998, respectively.

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

Revenue. Revenue increased $24.4 million, or 29.0%, to $108.6 million for the three months ended June 30, 1999 from $84.2 million for the three months ended June 30, 1998. Continued strong demand for the Company's services across a number of industries, especially technology and e-commerce, aggressive business development activities and an increase in the number of consultants all contributed to the revenue growth as the number of confirmed searches increased 12%. In addition, fees per search increased 15% as the Company's strategic focus on working at the top level of executive search and higher levels of consultant productivity continued to drive performance.

Salaries and employee benefits. Salaries and employee benefits increased $14.6 million, or 25.0%, to $73.1 million for the three months ended June 30, 1999 from $58.5 million for the three months ended June 30, 1998. As a percentage of revenue, salaries and employee benefits decreased from 69.5% to 67.3%. This was due to increased search consultant productivity and greater leveraging of the support staff.

General and administrative expenses. General and administrative expenses increased $7.0 million, or 34.5%, to $27.2 million for the three months ended June 30, 1999 from $20.2 million for the three months ended June 30, 1998. As a percentage of revenue, general and administrative expenses increased from 24.0% to 25.0%. This percentage increase was primarily due to an increase in costs of consulting services for the Company's technology initiatives and investment spending for new complementary business services.

Liquidity and Capital Resources

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

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

The Company maintained cash and cash equivalents at June 30, 1999 and 1998 amounting to $65.7 million and $18.5 million, respectively. Towards these sums, cash flows from operating activities contributed $28.7 million for the six months ended June 30, 1999, reflecting an increase in net income excluding the nonrecurring charge of $12.4 million, a majority of which was non cash, a decrease in working capital, and an increase in depreciation and amortization. For the six months ended June 30, 1998, cash flows from operating activities contributed $19.0 million, reflecting a reduction in working capital and non-cash expenses for depreciation and amortization.

On February 26, 1999, H&S Inc. merged with and into HSI resulting in $8.2 million of cash being acquired. On June 26, 1998, the Company purchased selected assets and liabilities of Fenwick Partners, Inc. for approximately $6.1 million in cash and notes.

Cash flows provided by financing activities were $31.9 million for the six months ended June 30, 1999, resulting primarily from the estimated net proceeds raised in the initial public offering of $52.4 million and the related sales of shares to employees pursuant to the Company's GlobalShare program of $9.3 million, offset by $41.9 million used to repay the Company's lines of credit. Cash flows provided by financing activities were $1.1 million for the six months ended June 30, 1998, resulting from the Company's net repayments under its lines of credit and payments to former stockholders from whom it had repurchased stock.

The Company has a $60.0 million reducing revolving credit facility. This facility will terminate on December 31, 2001. The line of credit will reduce annually by $10.0 million on December 31, 1999 and 2000. There was no balance outstanding under this line of credit at June 30, 1999. At its discretion, the Company may borrow either U.S. dollars on deposit in the United States ("U.S. Borrowings") or U.S. dollars or foreign currencies on deposit outside the United States ("Non-U.S. Borrowings"). Non-U.S. Borrowings bear interest at the then-existing LIBOR plus a margin as determined by certain tests of the Company's financial condition (the "Applicable Margin"). U.S. Borrowings bear interest at the then-existing prime rate. This line of credit replaced a $25.0 million line of credit, which had been effective since October 1, 1997. There was $5.1 million outstanding under the line of credit at June 30, 1998 and the borrowings bore interest at LIBOR plus 1% or the prime rate, at the Company's discretion. At June 30, 1998, the interest rate on the borrowings was fixed at approximately 6.7%. The line of credit has certain financial covenants the Company must meet relating to consolidated net worth, liabilities, and debt in relation to cash flows.

Capital expenditures amounted to $12.3 million and $7.3 million for the six months ended June 30, 1999 and 1998, respectively. These expenditures were primarily for systems development costs, office furniture and fixtures, leasehold improvements, and computer equipment and software. The systems development costs relate primarily to the Integrated Global Information System ("IGIS") initiative. IGIS expenditures of $6.3 million and $4.6 million have been capitalized for the six months ended June 30, 1999 and 1998, respectively.

Year 2000 Compliance

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

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

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

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

The Company anticipates completing the Year 2000 project during 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 be fully tested or monitored prior to the Year 2000 such that testing and monitoring will uncover problems that the Company cannot remedy in a timely manner.

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

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

European Monetary Union

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

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

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

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

Recently Issued Accounting Standards

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

Forward-Looking Statements

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

Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted. These potential risks and uncertainties include dependence on attracting and retaining qualified executive search consultants, portability of client relationships, maintenance of professional reputation and brand name, risks associated with global operations, ability to manage growth, restrictions imposed by off-limits agreements, competition, implementation of an acquisition strategy, reliance on information management systems and the impact of Year 2000 issues, and employment liability risk. In addition to the factors noted above, other risks, uncertainties, assumptions, and factors that could affect the Company's financial results are described in the Company's recent filings, which are on record with the Securities and Exchange Commission.

PART II. OTHER INFORMATION

Legal Proceedings

From time to time the Company has been involved in litigation incidental to its business. With exception to the litigation outlined in the Company's Form 10-Q filed on May 17, 1999, the Company currently is not a party to any litigation the adverse resolution of which, in management's opinion, would be likely to have a material adverse effect on the Company's business, financial condition or results of operations.

Use of Proceeds

On April 30, 1999, the Company completed the public offering of an aggregate of 4.2 million shares of common stock at $14.00 per share, of which 3.7 million shares were offered by the Company and 500,000 shares were offered by selling stockholders. In addition, on June 1, 1999, the Company completed the offering of an additional 505,000 shares of common stock which arose from the exercise of a portion of the over-allotment option granted to certain underwriters of the initial public offering. These offerings resulted in net proceeds (after deducting the underwriting discount and estimated offering expenses) of $52.4 million to the Company and $6.5 million to the selling stockholders. The Company used approximately $18.4 million of the net proceeds to repay a portion of borrowings under its credit facilities. The Company will in the near term use the net proceeds to repay notes payable to former stockholders of approximately $3.8 million. In addition, the Company expects to spend $16.3 million of the net proceeds for IGIS technology enhancements over the course of the year. The remaining net proceeds will be used for funding of LeadersOnline/TM/ and other complementary businesses, possible future acquisitions, working capital and general corporate purposes. The Company has currently invested the remaining net proceeds in short-term investment grade securities. The Company received no proceeds from the sale of the common stock in the offering by the selling stockholders.

SIGNATURE

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

Date: August 16, 1999.

Heidrick & Struggles International, Inc.
(Registrant)

By: /s/ Donald M. Kilinski

Donald M. Kilinski
Chief Financial Officer

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