

HEIDRICK & STRUGGLES



**We Help Clients Build
Winning Leadership Teams**

Annual Report 2004

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About Heidrick & Struggles International, Inc.

Heidrick & Struggles International, Inc. is the world's premier provider of senior-level executive search and leadership consulting services, including talent management, board building, executive on-boarding and M&A effectiveness. For more than 50 years, we have focused on quality service and built strong leadership teams through our relationships with clients and individuals worldwide. Today, Heidrick & Struggles leadership experts operate from principal business centers in North America, Latin America, Europe and Asia Pacific. For more information, please visit www.heidrick.com.



Thomas J. Friel
Chairman and Chief Executive Officer,
 Heidrick & Struggles International, Inc.

Message to Shareholders

Last year was a banner year for Heidrick & Struggles, particularly in our work at the top. We continued to perform exceptional work for our clients. In fact, no other firm in the executive search business excelled at the top the way that Heidrick & Struggles did in 2004. We led our competitors by a wide margin, successfully completing nine of 11 CEO searches assigned to external advisors by Fortune 500-size U.S. companies. (Source: *David Lord, Executive Search Information Services*) Many more top-level searches for CEOs—and increasingly for board members—are in progress now.

Yet while the company enjoyed a good year, we've challenged ourselves to do better—because we know we can. To do that, we remain intently focused on building broader, more meaningful relationships with our clients around the world. As we get to know our clients better, we are expanding the ways in which we serve their leadership needs—by hiring professionals with the skills and experience our clients demand, and by creating new tools to augment the quality services we provide.

We are changing the game—transforming our firm, our profession, and the way our clients build and develop their leadership teams—because our clients have asked us to. Our aggressive strategy has been shaped by two goals that remain central to how we operate as a firm:

- Run and grow a profitable, efficient and quality business that serves our clients and provides an attractive return to shareholders
- Strengthen the partnership among all the people of Heidrick & Struggles

2004 Financial Highlights While the impact of the global economy has varied by degree among our geographic regions, all four—North America, Europe, Latin America and Asia Pacific—improved over 2003. And the number of executive searches for the year increased 6 percent, to 3,975.

This past year, our efforts were focused squarely on generating increased revenue and improving profitability. For the full year 2004, consolidated net revenue grew 18 percent to \$375.4 million. Operating income was \$28.7 million, compared to an operating loss of \$22.3 million in 2003, providing an operating margin of 7.6 percent in 2004. Net income was \$82.3 million and diluted earnings per share were \$4.11. Excluding the third quarter Google stock net gain of \$56.8 million, net income for the 2004 year would have been a very strong \$26.2 million, or \$1.31 per diluted share.

One of the most significant transactions—in this or any year—was the exercise of our Google warrants and the subsequent sale of the stock for total proceeds of \$128.8 million. We received these warrants as a result of the 2001 Google CEO search. While the net non-operating gain to Heidrick & Struggles of \$56.8 million was the largest gain we have had in this program to date, our warrant program has generated over \$172 million in total monetizations, \$107 million in net gains to date, and has involved over 500 employees participating in over 1,000 transactions.

Our stock price increased 57 percent to \$34.27 on December 31, 2004, up from \$21.80 on December 31, 2003. The result: a market capitalization increase of \$259.9 million to \$657.1 million at the end of the year. We are justifiably proud of this performance.

(You will find additional important information in our 2004 Form 10-K, which constitutes our annual report to shareholders, and in our proxy statement, which we have recently filed with the U.S. Securities and Exchange Commission.)

Beyond our financial performance, there were several successes and significant events to celebrate in 2004.

Organization In order to achieve improved profitability and grow our business, we needed to modify our operating structure. We completed an overhaul of our industry and functional practices as well as a realignment of our organization into three global operating regions—Europe/Middle East/Africa (EMEA), the Americas and Asia Pacific—effective for 2005. Understanding that our practices, our client teams and our geographies overlap and support each other, we will work to bring these programs together seamlessly in 2005.

Corporate Governance and Management We created a Global Leadership Team (GLT) to accomplish several key objectives:

- Bring our key operating staff and client-facing leaders together in one group.
- Give key non-management advisors a “seat at the table” for the first time.
- Elevate representatives who consistently display critical leadership skills and values to the top team.

We also continued to strengthen our first-class Board of Directors. In 2004, we added three new independent directors to our Board: António Borges, Vice Chairman, Goldman Sachs International; Jill Kanin-Lovers, Former Senior Vice President, Human Resources, Avon Products; and Paul Unruh, Former Vice Chairman, Bechtel Group. Our Board now consists of nine individuals: seven fully independent directors plus our Senior Chairman, Gerry Roche, and myself as Chairman.

Expansion of Leadership Services With Vince Perro at the helm and a team of professionals in many parts of the world, we're increasingly able to offer clients an integrated set of leadership consulting services that includes individual talent management, leadership team and board assessments, board building, executive on-boarding and M&A effectiveness.

Diversity We believe that diversity is a defining characteristic of the best leadership teams. Diversity of thinking and global experience can help companies grow into new markets and enables leadership teams to better serve their customers. Our commitment to diversity is reflected in our own leadership, as well as in the leadership teams we help our clients build.

In the Community Beginning in 2003, we have adopted one major charitable cause each year to be the focus of our efforts worldwide. In 2003, it was Operation Smile, an organization that provides free reconstructive surgery and related health care to tens of thousands of young people around the world. Last year, it was the Special Olympics, a global organization helping mentally and physically challenged children and adults reach their full potential. And in early January we kicked off our next global fundraising initiative to provide relief to victims of the tsunami in South Asia, our focus for 2005.

Goals for 2005 Our mission is to help our clients build diverse, high-performance leadership teams. We have moved far beyond the simple, one-off transactional search, and now we are changing the game, redefining the executive search industry and ourselves by:

- Expanding our focus on building key client relationships, and evolving from service providers, to trusted advisors
- Continuing to build out Leadership Services
- Focusing on talent management
- Differentiating the work that we do and the brand under which we operate
- Sharing our knowledge about the science and the art of leadership within the company as well as with our clients and the global business community

We made great progress in 2004, but still have much to accomplish. With our Global Leadership Team and Board of Directors in place, our focus for 2005 will be on five major strategic imperatives:

Drive Profit Improvement Worldwide in All of Our Operations

If we are to claim to be the best in our business, naturally it follows that we should be the most profitable. Being profitable allows us to improve the firm to the benefit of our clients and shareholders. Each region has launched specific programs in this area.

Reinvigorate Our Global Practices We have integrated our Industry and Functional practices as well as our Global Accounts into a single entity to enhance our go-to-market strategy and to help us achieve greater prominence with clients around the world. Our efforts include hiring key senior consultants and increasing our knowledge of relevant industry talent for each of our practice areas.

Expand Leadership Services Globally A successful search is just the beginning. We're continuing to expand our leadership services globally for one simple reason: Our clients want us to. Done right, these services enhance our brand and our client relationships, and can be more profitable than our search business.

Improve Our Professional Development Program

We have committed to a plan, a budget, and the leadership to develop our firm's talent at all levels. The continuous development of leadership talent is as critical to us as it is to our clients.

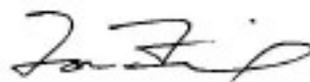
Align Our Compensation and Wealth-Building Programs with Our Shareholders

To be a market leader, we must provide competitive compensation and wealth-building programs to our consultants and employees. We have launched a multiyear program to increase the amount of equity ownership internally and to balance the emphasis on revenue growth with an equal emphasis on profitability. The changes we are making in our compensation programs are based on the concept of alignment with our shareholders, and we believe they are in the best interests of all. The foundation of this effort is profitable growth and increased employee ownership.

Securing Our Future The acquisition and continuous development of leadership talent—surely an organization's most important asset—remain the key to the sustainable success of any company. We are committed to serving our shareholders, our clients, and our employees equally by taking advantage of our market position and by using the momentum of 2004 as a platform for becoming more profitable and achieving even greater success in our business. We have numerous business-building efforts and cost-control initiatives in place to help us improve both top and bottom line results again in 2005 as we distinguish ourselves as the one firm with integrated services to help our clients create and maintain winning leadership teams.

Your support is important to us and, on behalf of Heidrick & Struggles, I thank you for it.

Sincerely,

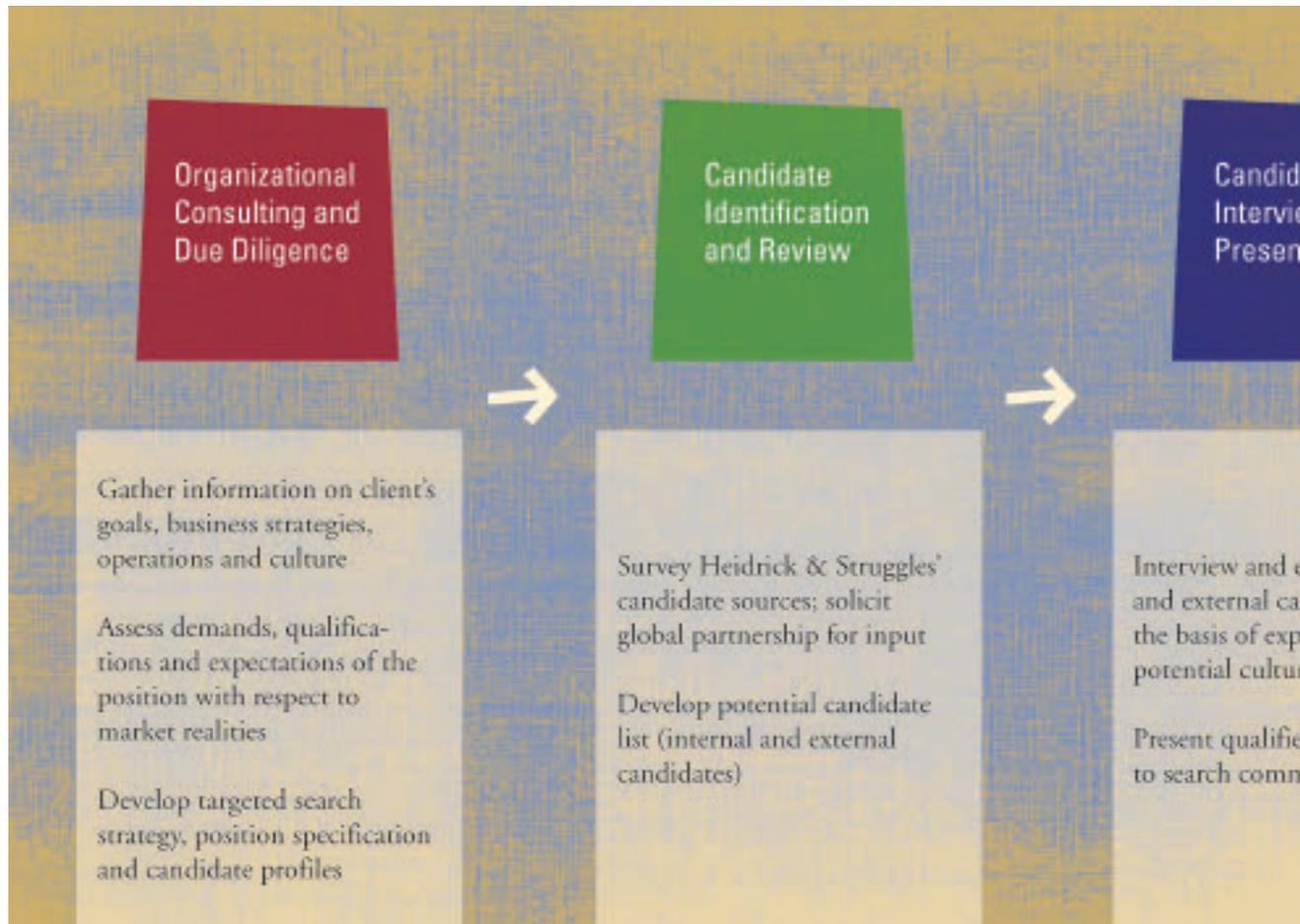


Thomas J. Friel

Chairman and Chief Executive Officer

In Pursuit of Talent

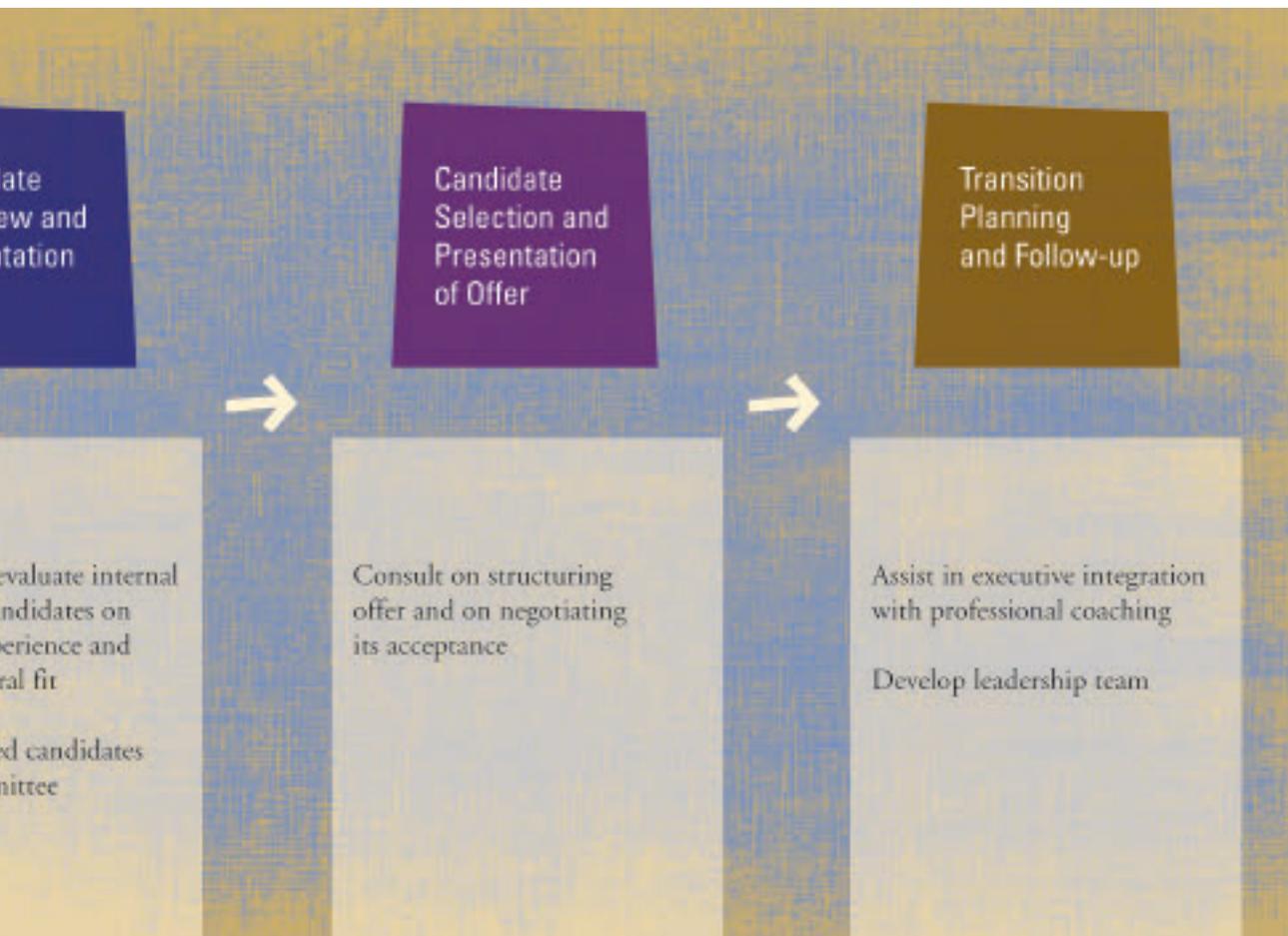
How Our Search Process Works



Executive Search

For more than 50 years, organizations have relied on us to build winning leadership teams. We are the market leader in board director, chief executive and senior-level management assignments, conducting nearly 4,000 search engagements a year worldwide for a broad spectrum of client organizations representing every industry. We enjoy considerable access and influence at the uppermost levels of client organizations. In fact, we've built our reputation as the world's premier executive search firm by working at the top. Searches and services for boards of directors, including new CEOs, are our primary focus.

Our clients have access to the best consultants in the industry—and through them, to the best executive talent in the marketplace. We offer a collaborative and consultative approach to executive search based on a thorough understanding of the strategic, cultural, financial and operational issues our clients face. Our Office of the Chairman, a global team of our firm's most experienced consultants, collectively serve as a focal point for top-level board director and CEO assignments worldwide. We have strategically aligned this group's experience, contacts and expertise to ensure that we present clients with our firm's most qualified resources across all industry segments.



Board Search & Services

Corporate governance reforms have put the spotlight on board effectiveness and greatly increased the demands on the individual and collective performance of board members, shifting the responsibility of the board from an advisory role for the CEO to a supervisory role of the CEO.

Heidrick & Struggles is a leader in building and developing high-performance boards of directors. We are experts in recruiting board members who fulfill the highest priorities of today's best-managed companies, and we also assist our clients in assessing and improving their existing boards. In addition to board director and CEO searches, we offer board director education, board review, leadership and executive assessments, and succession management consulting.

Led by the members of our Office of the Chairman, our highly qualified senior consultants assist clients with mission-critical assignments worldwide—from conducting a formal review of a board of directors, recruiting a world-class turnaround CEO, or assessing the functional expertise of a senior management team, to aiding in succession planning and leadership development efforts.

Target Accounts

Our establishment of the Target Accounts group is an effort to penetrate deeper within a very select universe of accounts. We believe it is valuable both to our company and to our major clients to focus on serving these clients with an integrated services approach. This strategy drives repeat client work and produces more recurring and predictable revenue. It also differentiates us as a talent provider with a robust mix of services and experience, and more firmly establishes us as a trusted advisor for clients on building leadership teams.

We identify Target Accounts by the amount of work we historically have been engaged to perform for these clients, or by revenue potential. Each account is managed by an account leader who has overall responsibility for drawing on the proper resources and skill sets within our company to serve that particular client. Our Target Accounts strategy has been instrumental in creating sustainable success for major clients and in building long-term relationships with them.

For example, in 2004, our relationship with a Target Account client that is one of the world's leading global packaged goods companies officially went global. Our work for this U.S.-based company has expanded to include top-level executive searches in every geographic region, such as the successful placement of their chief executive officer, as well as leadership consulting services.

Another Target Account, a major private equity firm that is among the most respected and the fastest growing in the world, has chosen us to be their global executive search partner. We conduct top-level search work for their portfolio companies, which span a variety of industries and geographies, as well as for their own executive leadership. Our work has helped to fortify their leadership teams to enter global markets before their competitors are even able to see the opportunity.

We have long-standing relationships with many of our Target Accounts, such as the global financial services company that relies on us for executive search work year after year across multiple business units and functions in addition to extensive assessment work and related leadership services.

The Target Accounts strategy is bearing fruit—in 2004, we had 53 \$1 million accounts, up from 31 in 2003 and 30 in 2002.



Industry and Functional Practices

Heidrick & Struggles operates through a matrix structure, which integrates our industry and functional practices with our global accounts to provide every client in every geography with focused quality service on every assignment.

We serve our clients through the following practice groups:

Global Industry Practices

- Business & Professional Services
- Communications & Media
- Consumer
- Consumer Technology & Entertainment
- Energy & Materials
- Financial Services
 - Asset & Wealth Management
 - Diversified Financial Services
 - Hedge Fund
 - Insurance
 - Investment Banking
 - Wealth Management
- Industrial
- Life Sciences
- Private Equity & Venture Capital
- Software, Hardware & Semiconductors
 - Hardware & Systems
 - Semiconductors
 - Software

Global Functional Practices

- Board of Directors
- Chief Executive Officer
- Chief Information Officer/Chief Technology Officer
- Finance
- Human Resources
- Legal
- Marketing
- Real Estate
- Research & Development
- Supply Chain

Regional & Local Practices

- Diversity Services
- Education/Nonprofit
- Hospitals, Systems & Services
- Interim Executives
- Leadership Services
- Managed Care
- Middle East

Leadership Services

In order to succeed in today's competitive business environment, companies must aggressively manage their talent to ensure the right people are in the right place at the right time. We provide a full complement of leadership consulting services to help clients manage their leadership assets beyond the acquisition of talent through executive search.

A successfully completed search is only the beginning—our Leadership Services consultants possess in-depth knowledge of our clients' industries and can help to maximize the value of leadership capital by creating and implementing structures and processes to support the management of an organization's most important asset: people. Heidrick & Struggles offers clients a fact-based approach to the acquisition, assessment and development of leadership teams based on rigorous analytics and a proven methodology.

Our leadership services fall into four categories:

Talent Management

We help clients to develop a deep understanding of their leadership talent through rigorous assessment of executives using competency-based methods. We then partner with them to plan development approaches that facilitate the professional growth of their leaders.

Board Building

We assess the effectiveness of boards and help them to structure their protocols, information management and decision-making processes to better meet their obligations to shareholders and other stakeholders.

Executive On-Boarding

New executives who use our Executive On-Boarding service receive senior-level business advice and support in making critical early decisions about organization, agenda-setting, leadership teams and personal assimilation into the new culture.

M&A Effectiveness

We provide an in-depth human capital due diligence capability to clients engaged in transactions to ensure the people issues are understood, the best people are put into the right jobs, and that companies plan for and execute an effective post-merger transition.



HEIDRICK & STRUGGLES

Form 10-K and
Financial Review

About Heidrick & Struggles International, Inc.

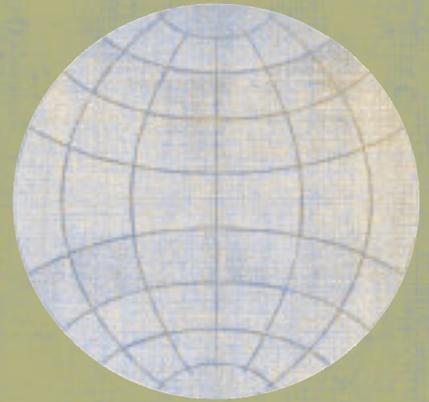
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Safe Harbor Statement

This document contains forward-looking statements. The forward-looking statements are based on current expectations, estimates, forecasts and projections about the industry in which we operate and management's beliefs and assumptions. Forward-looking statements may be identified by the use of words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," and similar expressions. Forward-looking statements are not guarantees of future performance and involve certain known and unknown risks, uncertainties and assumptions that are difficult to predict. Actual outcomes and results may differ materially from what is expressed, forecasted or implied in the forward-looking statements. Factors that may affect the outcome of the forward-looking statements include, among other things, our ability to attract and retain qualified executive search consultants; the condition of the economies in the United States, Europe, or elsewhere; social or political instability in markets where we operate; price competition; an inability to achieve the planned cost savings from our cost-reduction initiatives; an inability to sublease or assign unused office space; our ability to realize our tax loss carryforwards; the mix of profit and loss by country; an impairment of our goodwill and other intangible assets; and delays in the development and/or implementation of new technology and systems. Our reports filed with the U.S. Securities and Exchange Commission also include information on factors that may affect the outcome of forward-looking statements. We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Global Consultancy

With 57 locations and approximately 1,300 employees around the world, we have the resources and contacts necessary to conduct a global, multinational, national, or local market search. This structure allows us to be as responsive as a boutique firm yet serve our clients with the support of a global partnership.



Asia Pacific

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

Europe

Amsterdam
Barcelona
Berlin
Brussels
Copenhagen
Düsseldorf
Frankfurt
Hamburg
Helsinki *
Istanbul *
Johannesburg *
Lisbon
London
Madrid
Milan
Munich
Paris
Rome
Stockholm
Vienna
Warsaw
Zürich

Latin America

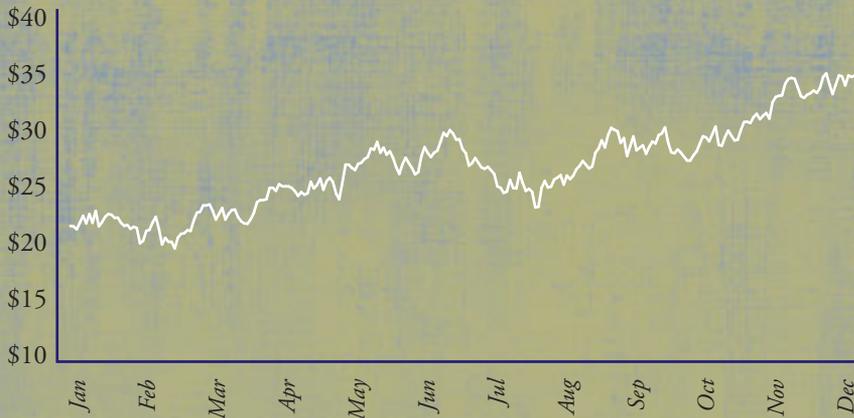
Bogotá *
Buenos Aires
Caracas *
Lima *
Mexico City
Santiago
São Paulo

North America

Atlanta
Boston
Chicago
Cleveland
Dallas
Denver
Houston
Miami
Los Angeles
Menlo Park
New York (Park Avenue)
New York (Wall Street)
Philadelphia
San Francisco
Stamford
Toronto
Tysons Corner

* *Affiliate relationship*

2004 Stock Price Performance

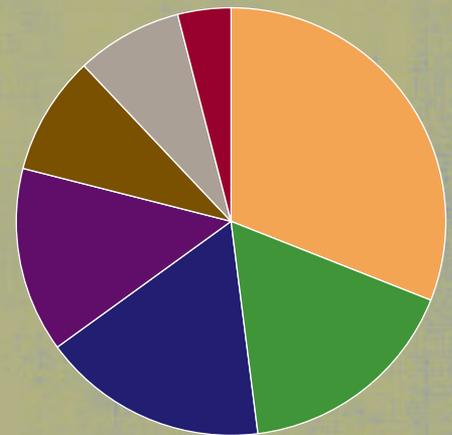


Revenue and operating margin growth world-wide contributed to this year's positive stock price performance.

Heidrick & Struggles operates through a matrix structure, which integrates our industry and functional practices with our global accounts to provide clients in every geography with focused quality service on each assignment.

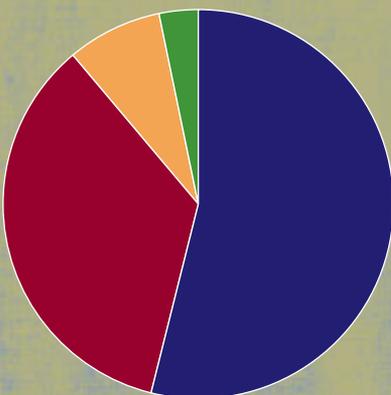
Broad Industry Category Mix*

*Based on 2004 net revenue



Diverse Geographic Mix*

*Based on 2004 net revenue



Each geographic region contributed to the net revenue growth during 2004. Compared to the prior year, North America grew 17%, Latin America grew 13%, Europe grew 14% and Asia Pacific grew 47%.

Board of Directors

In the past year, we added three new independent directors to the Board: António Borges, Jill Kanin-Lovers and Paul Unruh. Our Board is now fully formed, diverse, committed and more than capable of leading us into our second half-century.

Richard I. Beattie *

Chairman, Simpson Thacher & Bartlett LLP.

Member of that firm since 1968. A director of Harley-Davidson, Inc.

António Borges *

Managing Director and Vice Chairman, Goldman Sachs International since 2000.

Previously Dean of INSEAD from 1993 to 2000. A director of Jerónimo Martins, SGPS, S.A., CNP Assurances, Caixa Seguros, Scor and Sonaecom. Chairman, Statutory Fiscal Board, Banco Santander de Negócios Portugal, S.A.

John A. Fazio *

Retired. Former Senior General Practice Partner, PricewaterhouseCoopers.

A director and Audit Committee member, ImClone Systems, Inc. and Dendrite International, Inc.

Thomas J. Friel

Chairman and Chief Executive Officer since 2003.

Previously Chairman of the Technology Practice, Chairman of the Leadership Services Group, Vice Chairman from 2001 to 2003 and President of Heidrick & Struggles Ventures from 1999 to 2001. Joined Heidrick & Struggles in 1979.

Jill Kanin-Lovers *

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

Previously held executive-level positions in human resources at IBM and American Express. A director of Alpharma Inc. and Dot Foods, Inc.

Robert E. Knowling Jr. *

Chief Executive Officer, New York City Leadership Academy since 2003.

Previously Chairman and Chief Executive Officer of Internet Access Technologies, Inc. from 2001 to 2003. Chairman, The Immune Response Corporation. A director of Hewlett-Packard Company and Ariba, Inc.

Gerard R. Roche

Senior Chairman since 1999.

Previously acting Chief Executive Officer. A director of Heidrick & Struggles, Inc. from 1970 until 1999. Joined Heidrick & Struggles in 1964.

Paul Unruh *

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

Previously President, Bechtel Enterprises. A director and Audit Committee member of Homestore, Inc. and VERITAS Software Corporation.

Douglas C. Yearley *

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

Previously Chairman of Phelps Dodge from 1989 until 2000. A director of Lockheed Martin Corporation, United States Steel Corporation and Marathon Oil Corporation.

* *Independent director*

Committees

Audit Committee

John A. Fazio (Chair)
Jill Kanin-Lovers
Robert E. Knowling Jr.
Paul Unruh

Nominating and Board Governance Committee

Richard I. Beattie (Chair)
António Borges
Douglas C. Yearley

Compensation Committee

Jill Kanin-Lovers (Chair)
Richard I. Beattie
Robert E. Knowling Jr.
Douglas C. Yearley

HEIDRICK & STRUGGLES

Shareholder Information

Corporate Headquarters

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

312.496.1200
www.heidrick.com

Annual Meeting

The annual meeting of shareholders will be held at 9:00 a.m. EST on 17 May 2005 at InterContinental The Barclay New York, 111 East 48th Street, New York, New York 10017.

Transfer Agent and Registrar

Mellon Investor Services LLC
Overpeck Centre
85 Challenger Road
Ridgefield Park, New Jersey 07660

866.892.5631

Shareholders can obtain account information through Investor ServiceDirect at www.melloninvestor.com.

Investor Contact

Shareholders, analysts and investors should contact the Investor Relations Department at our corporate headquarters address or through our website at www.heidrick.com.

S.E.C. Filings and Investor Information

Filings with the Securities and Exchange Commission and other investor information are available through our website or upon written request to the Investor Relations Department.

Exchange Listing

Heidrick & Struggles International, Inc.'s common stock is listed on the Nasdaq Stock Market under the symbol HSII.

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