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, 2001 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 7, 2001 was 18,966,427.

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, 2001 (unaudited)	December 31, 2000
Current assets:		
Cash and cash equivalents	$133,369	$184,836
Accounts receivable, net of allowance for doubtful accounts	90,298	106,334
Other receivables	7,346	7,357
Prepaid expenses	12,636	11,783
Deferred income taxes, net	28,783	26,071
Total current assets	272,432	336,381
Property and equipment, net	53,645	52,660
Other assets:		
Cash and investments designated for nonqualified retirement plans	15,628	16,506
Investments and other assets	38,149	45,097
Deferred income taxes, net	5,878	6,792
Goodwill and other intangibles, net	64,104	66,208
Total other assets	123,759	134,603
Total assets	$449,836	$523,644

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, 2001 (unaudited)	December 31, 2000
Current liabilities:		
Current maturities of long-term debt	$ 269	$ 1,135
Accounts payable	18,376	10,051
Accrued expenses:		
Salaries and employee benefits	96,177	160,552
Other	22,870	27,888
Income taxes payable	2,661	16,415
Total current liabilities	140,353	216,041
Long-term debt, less current maturities	511	610
Liability for nonqualified retirement plans	19,818	19,316
Stockholders' equity		
Preferred stock, $.01 par value, 10,000,000 shares authorized, no shares issued at June 30, 2001 and December 31, 2000	-	-
Common stock, $.01 par value, 100,000,000 shares authorized, of which 19,402,229 and 19,373,286 shares were issued at June 30, 2001 and December 31, 2000, respectively	194	194
Treasury stock at cost, 468,000 shares at June 30, 2001	(12,016)	-
Additional paid-in capital	254,445	234,619
Retained earnings	62,223	56,862
Cumulative foreign currency translation adjustment	(7,703)	(1,879)
Unrealized gain on available-for-sale investments, net of tax	48	3,737
Deferred compensation	(8,037)	(5,856)
Total stockholders' equity	289,154	287,677
Total liabilities and stockholders' equity	$449,836	$523,644

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

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(in thousands, except per share data)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Revenue	$123,171	$166,416	$262,439	$298,352
Operating expenses:				
Salaries and employee benefits	80,550	108,263	167,640	200,663
General and administrative expenses	41,740	44,933	86,069	80,743
Special charge (See Note 7)	8,163	-	8,163	-
Total operating expenses	130,453	153,196	261,872	281,406
Operating income (loss)	(7,282)	13,220	567	16,946
Non-operating income (expense):				
Interest income	1,419	1,833	3,480	3,350
Interest expense	(38)	(52)	(79)	(127)
Realized gains on investments	394	3,082	648	4,604
Net unrealized loss on derivative instruments	(1,194)	-	(2,669)	-
Other, net	(264)	98	(426)	272
Net non-operating income	317	4,961	954	8,099
Income (loss) before income taxes and cumulative effect of accounting change	(6,965)	18,181	1,521	25,045
Provision for (benefit from) income taxes	(2,995)	8,183	654	11,532
Net income (loss) before cumulative effect of accounting change	(3,970)	9,998	867	13,513
Cumulative effect of accounting change, net of tax	-	-	4,494	-
Net income (loss)	$ (3,970)	$ 9,998	$ 5,361	$ 13,513
Basic earnings (loss) per common share:				
Income (loss) before cumulative effect of accounting change	$ (0.21)	$ 0.52	$ 0.04	$ 0.72
Cumulative effect of accounting change	-	-	0.23	-
Total basic earnings (loss) per common share	$ (0.21)	$ 0.52	$ 0.28	$ 0.72
Diluted earnings (loss) per common share:				
Income (loss) before cumulative effect of accounting change	$ (0.21)	$ 0.49	$ 0.04	$ 0.68
Cumulative effect of accounting change	-	-	0.22	-
Total diluted earnings (loss) per common share	$ (0.21)	$ 0.49	$ 0.26	$ 0.68
Weighted average common shares outstanding:				
Basic	19,244	19,211	19,309	18,643
Diluted	19,244	20,497	20,458	19,906
Net income (loss)	$ (3,970)	$ 9,998	$ 5,361	$ 13,513
Other comprehensive loss, before income taxes:				
Foreign currency translation adjustment	(4,490)	(909)	(10,219)	(2,783)
Unrealized loss on available-for-sale investments	(718)	(6,487)	(178)	(1,507)
Cumulative effect of accounting change	-	-	(6,067)	-
Total other comprehensive loss, before income taxes	(5,208)	(7,396)	(16,464)	(4,290)
Income tax benefit related to items of other comprehensive loss	(2,242)	(3,237)	(6,953)	(1,865)
Other comprehensive loss, net of income taxes	(2,966)	(4,159)	(9,511)	(2,425)
Comprehensive income (loss)	$ (6,936)	$ 5,839	$ (4,150)	$ 11,088

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

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

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

	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Compre-hensive Income (Loss)	Deferred Com-pensation	Total
Balance as of December 31, 2000	$194	$ -	$234,619	$56,862	$ 1,858	$(5,856)	$287,677
Treasury and common stock transactions:							
Issuance of restricted stock	-	-	17,831	-	-	(3,663)	14,168
Amortization of deferred compensation	-	-	-	-	-	1,458	1,458
Forfeitures of restricted stock	-	-	(234)	-	-	24	(210)
Exercise of stock options	-	-	395	-	-	-	395
Repurchases of treasury stock	-	(12,279)	-	-	-	-	(12,279)
Reissuance of treasury stock	-	263	68	-	-	-	331
Accrued compensation	-	-	1,766	-	-	-	1,766
Cumulative effect of accounting change, net of tax	-	-	-	4,494	(3,581)	-	913
Net income	-	-	-	867	-	-	867
Unrealized loss on available-for-sale investments, net of tax	-	-	-	-	(108)	-	(108)
Foreign currency translation adjustments, net of tax	-	-	-	-	(5,824)	-	(5,824)
Balance as of June 30, 2001	$194	$(12,016)	$254,445	$62,223	$(7,655)	$(8,037)	$289,154

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, 2001	Six Months Ended June 30, 2000
Cash flows from operating activities		
Net income	$ 5,361	$ 13,513
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	10,439	8,191
Gain on sale of equity securities, net	(648)	(4,604)
Deferred income taxes	(3,971)	(1,840)
Special charge	8,163	-
Net unrealized loss on derivative instruments	2,669	-
Cumulative effect of accounting change, net of tax	(4,494)	-
Minority interest in loss of consolidated subsidiary	-	(157)
Stock-based compensation	1,458	2,119
Changes in assets and liabilities:		
Trade and other receivables	10,960	(45,477)
Accounts payable	4,008	2,651
Accrued expenses	(46,895)	55,111
Income taxes payable	(12,947)	(1,391)
Other, net	(2,025)	(3,225)
Net cash provided by (used in) operating activities	(27,922)	24,891
Cash flows from investing activities		
Acquisitions, net of cash acquired	(810)	(15,757)
Purchases of property and equipment	(11,402)	(10,651)
Purchases of long-term investments	-	(10,447)
Proceeds from sales of equity securities, net	648	4,604
Other, net	2,471	(1,582)
Net cash used in investing activities	(9,093)	(33,833)
Cash flows from financing activities		
Proceeds from stock options exercised	395	247
Proceeds from sale of subsidiary stock	-	2,919
Proceeds from sale of common stock	-	76,239
Purchases of treasury stock, net of reissuances	(7,320)	-
Payments on debt	(736)	(1,822)
Net cash provided by (used in) financing activities	(7,661)	77,583
Effect of foreign currency exchange rates on cash and cash equivalents	(6,791)	(1,275)
Net increase (decrease) in cash and cash equivalents	(51,467)	67,366
Cash and cash equivalents:		
Beginning of period	184,836	76,848
End of period	$133,369	$144,214

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

Heidrick & Struggles International, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(all tables in thousands, except per share figures)
(unaudited)

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, revenue 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, results of operations, stockholders' equity and cash flows. Certain prior year amounts have been reclassified to conform with the 2001 classifications. These financial statements and notes are to be read in conjunction with the Company's Consolidated Financial Statements and Notes thereto included in the Company's Annual Report to Shareholders on Form 10-K (File No. 0-25837) for the year ended December 31, 2000, as filed with the Securities and Exchange Commission on March 29, 2001.

2. Derivative Instruments

The Company receives warrants for equity securities in its client companies, in addition to its cash fee, on some searches. Prior to January 1, 2001, when the warrants were received, revenue was recorded equal to the estimated fair market value of the instrument received. Upon a value event, such as an initial public offering or acquisition, the warrants, and any equity securities arising from their exercise, were accounted for as available-for-sale investments with unrealized gains and losses reported as a component of other comprehensive income. On January 1, 2001, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," and its subsequent amendments. SFAS 133 establishes accounting and reporting standards requiring that every derivative instrument be recorded in the balance sheet as either an asset or liability measured at its fair value. Some of the Company's warrants meet the definition of a derivative instrument under SFAS 133 and therefore subsequent changes in their fair value must now be recorded in earnings, rather than as a component of other comprehensive income. Going forward, each quarter's earnings are anticipated to be affected by the fluctuations in the fair value of these derivative instruments. The Company recognized a net unrealized loss of $2.7 million in earnings, net of consultants' bonuses and administrative and other costs, during the six months ended June 30, 2001, due to changes in the fair value of these derivative instruments during the period. In addition, the fair value of warrants received is no longer recorded in revenue upon receipt; instead the fair value is being recorded as an unrealized gain, net of consultants' bonuses and administrative and other costs, in non-operating income.

As of June 30, 2000, the Company had an unrealized pre-tax gain of $1.1 million for one of its equity securities, which was hedged by a collar agreement. The Company's realized gain on this equity security for the six months ended June 30, 2000 was $1.7 million. During 1999, the Company entered into a collar agreement to hedge the impact of market value changes of one of its equity securities. Collars consist of the sale of call options along with a corresponding purchase of put options, with the effect of establishing the highest and lowest prices at which the securities will be sold during a certain time period. The collar had been designated and was effective as a hedge of the equity security. Unrealized gains and losses on both the equity security and the collar were recorded in equity and other comprehensive income. When realized, gains and losses on the equity security and the collar were recorded in income. Beginning in the fourth quarter of 1999, the Company had the right to put, and the counterparty had the right to call, a portion of the shares on a quarterly basis in accordance with an established schedule. During the third quarter of 2000, the Company terminated the options and sold the underlying equity security.

3. Cumulative Effect of Change in Accounting Principle

As a result of the adoption of SFAS 133 on January 1, 2001, the Company recorded, as a cumulative effect of accounting change, a transition adjustment to income of $4.5 million, net of consultants' bonuses, administrative and other costs, and taxes (See Note 2).

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

Basic earnings (loss) per common share is computed by dividing net income by the weighted average common shares outstanding for the period. Diluted earnings (loss) 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.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Basic earnings (loss) per common share				
Income (loss) available to common stockholders	$(3,970)	$ 9,998	$ 5,361	$13,513
Weighted average common shares outstanding	19,244	19,211	19,309	18,643
Basic earnings (loss) per common share	$ (0.21)	$ 0.52	$ 0.28	$ 0.72
Diluted earnings (loss) per common share				
Income (loss) available to common stockholders	$(3,970)	$ 9,998	$ 5,361	$13,513
Weighted average common shares outstanding	19,244	19,211	19,309	18,643
Dilutive common shares	-	1,286	1,149	1,263
Weighted average diluted common shares outstanding	19,244	20,497	20,458	19,906
Diluted earnings (loss) per common share	$ (0.21)	$ 0.49	$ 0.26	$ 0.68

5. Segment Information

The Company adjusted its segment reporting in 2001 to reflect the current internal management reporting structure, which included some changes in the allocation of certain costs to operations and corporate expenses. Prior period segment disclosures were revised to reflect these changes. The Company operates principally through two lines of business: Executive Search and LeadersOnline. The Company breaks out revenue and operating income in its Executive Search business into two broad geographic segments: Americas and International. The Americas segment consists of North America and Latin America. The North America region includes the U.S. (except Miami) and Canada. The Latin America region includes Mexico and the rest of Latin America, as well as Miami, which serves as its gateway office to the region. The International segment consists of Europe (which includes Africa and the Middle East) and Asia Pacific.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Revenue:				
Americas				
North America	$ 66,825	$ 98,784	$136,905	$173,583
Latin America	3,534	5,441	7,869	9,868
International				
Europe	39,544	46,608	91,288	87,992
Asia Pacific	7,435	9,476	15,318	17,598
Total Executive Search	117,338	160,309	251,380	289,041
LeadersOnline	5,833	6,107	11,059	9,311
Total	$123,171	$166,416	$262,439	$298,352
Operating income (loss):				
Americas				
North America	$ 7,102	$ 17,777	$ 14,390	$ 30,863
Latin America	(378)	825	(595)	940
International				
Europe	1,296	4,751	10,732	7,713
Asia Pacific	909	1,536	1,643	2,726
Total Executive Search	8,929	24,889	26,170	42,242
LeadersOnline	(135)	(4,333)	(1,821)	(8,519)
Corporate	(7,913)	(7,336)	(15,619)	(16,777)
Operating income before special charge	881	13,220	8,730	16,946
Special charge	(8,163)	-	(8,163)	-
Total	$ (7,282)	$ 13,220	$ 567	$ 16,946

	June 30, 2001	December 31, 2000
Identifiable assets:		
Americas		
North America	$107,981	$123,468
Latin America	8,225	10,424
International		
Europe	126,371	144,230
Asia Pacific	20,409	22,237
Total Executive Search	262,986	300,359
LeadersOnline	3,355	4,805
Corporate	183,495	218,480
Total	$449,836	$523,644

6. Public Offering

On February 9, 2000, the Company completed a follow-on public offering under a Registration Statement on Form S-1 effective February 3, 2000 (File No. 333-94017) of an aggregate of 3,450,000 shares of common stock at $33.00 per share, which included 450,000 shares from the exercise of the over-allotment option granted to certain underwriters of the offering. The Company offered 2,458,306 shares and the selling stockholders offered 991,694 shares. This offering resulted in net proceeds (after deducting the underwriting discount and offering expenses) of $76.2 million to the Company and $31.0 million to the selling stockholders. The Company did not receive any of the proceeds from the sale by the selling stockholders. The Company has used and will continue to use the net proceeds from this offering for general corporate purposes including funding LeadersOnline and other growth initiatives, selective hiring of additional executive search consultants, expanding its technology infrastructure, and funding acquisitions and share repurchases.

7. Special Charge

During the second quarter of 2001, the Company announced a strategic reduction of its workforce in order to better adjust to current economic conditions, while retaining the resources necessary to capitalize on growth opportunities when the economy recovers. At the time of the announcement, the Company estimated it would incur between $9.0 million and $10.0 million for severance and other related costs. The strategic reduction will affect approximately 300 people, or 13 percent of the firm's global workforce.

As a result of this workforce reduction, the Company incurred a special charge of $8.2 million ($0.24 per share) for the three months ended June 30, 2001, for severance and other related costs. The charge for severance and other related costs was established in accordance with Emerging Issues Task Force No. 94-3. As of June 30, 2001, the Company notified 285 people that they would be part of the workforce reduction. This workforce reduction affected all levels of the Company, most of which were in the core Executive Search business, including 63 consultants. The remainder was support staff in both Executive Search and LeadersOnline, and in the corporate departments. Nearly two-thirds of the layoffs were in North America, 20% in Europe, and the rest in Latin America and Asia Pacific. The layoffs impacted virtually all practice groups.

In the Consolidated Statements of Income and Comprehensive Income, the charge has been segregated on a separate line titled "Special Charge." For segment reporting, the Special Charge has been segregated and, therefore, does not impact the year-to-year comparisons.

The following table summarizes the restructuring reserve activity through June 30, 2001:

	Severance and Other Employee Related Costs	Other Cash Charges
Balance at March 31, 2001	$ -	$ -
Special Charge	7,717	446
Payments	(1,538)	-
Balance at June 30, 2001	$ 6,179	$ 446

The Company expects to incur an additional charge of approximately $2.0 million for severance and other costs related to the workforce reduction in the third quarter of 2001. The Company intends to complete its actions related to these special charges by the end of the third quarter of 2001.

8. Recent Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 141, "Business Combinations." This statement requires that all business combinations must be accounted for using the purchase method of accounting. This approach reflects the conclusion that all business combinations are acquisitions and, thus, should be accounted for in the same way that other asset acquisitions are accounted for, based on the values exchanged. In June 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets." Under the new rules, goodwill will no longer be amortized over its estimated useful life. Rather, goodwill will be subject to at least an annual assessment for impairment by applying a fair-value-based test. For intangible assets, the new rules state that an acquired asset should be separately recognized if the benefit of the intangible asset is obtained through contractual or other legal rights, or if the intangible assets can be sold, transferred, licensed, rented, or exchanged, regardless of the acquirer's intent to do so. This requirement may result in more intangible assets being separated from goodwill than generally occurs in practice today.

Management is assessing the impact of SFAS Nos. 141 and 142 and has not yet determined the extent to which these new statements will affect the financial statements. The provisions of the above-mentioned statements shall be applied beginning January 2002. As a result, impairment, if any, will be recognized in January 2002 as a cumulative effect of a change in accounting principle. Early adoption is not permitted.

9. Business Combinations - Accounted for Using the Purchase Method

During the first six months ended June 30, 2001, the Company acquired one executive search firm for $810,000. Results of operations of this business have been included in the consolidated financial statements from the acquisition date of June 8, 2001, and are not material to the consolidated financial statements for the three months ended June 30, 2001.

The Company completed three acquisitions of executive search firms during the six months ended June 30, 2000. The total purchase price for these acquisitions was approximately $19.9 million, which was paid in cash and shares of the Company's common stock.

10. Subsequent Events

On July 23, 2001, the Company completed the acquisition of SHP Associates, a U.K.-based search firm specializing in work at the middle and senior management levels. The acquisition enhances the European expansion efforts of the Company's media-enhanced management search business for emerging leadership talent and allows the Company to support its clients with a broader range of services. SHP brings recognized market expertise in the technology, finance and accounting, and financial services sectors in the U.K.

On August 8, 2001, the Company's Board of Directors elected Piers Marmion Chief Executive Officer. He has been serving as Chief Operating Officer of Heidrick & Struggles Executive Search and President of the Heidrick & Struggles business outside the Americas. He will succeed Patrick S. Pittard, who is currently Chairman, President and Chief Executive Officer. Mr. Pittard will retain the duties of Chairman of the Board. David C. Anderson, currently Chief Executive Officer of Heidrick & Struggles Executive Search, was named Chief Operating Officer of Heidrick & Struggles International, Inc. All three changes will be effective October 1, 2001.

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

General

Heidrick & Struggles International, Inc. ("HSI Group") is the world's premier provider of executive-level search and leadership consulting services. Based on revenue derived from placing senior-level executives, we are one of the largest senior-level executive search firms in the world. We provide executive-level search and leadership consulting services through our 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. Through our Internet-enhanced search business, LeadersOnline, Inc. ("LeadersOnline"), we target the recruitment market for mid-level executives and professionals. We also provide other human capital management services that complement our core Executive Search business, including management assessment and placement of interim executive management.

Prior to 1984, we operated under a single ownership structure. In 1984, Heidrick & Struggles, Inc. ("H&S") spun off Heidrick & Struggles International, Inc. ("HSI") to its European partners while retaining a significant equity interest in it. Between 1984 and February 26, 1999, HSI operated primarily in Europe, while H&S operated in all other regions of the world. On February 26, 1999, H&S merged with HSI ("the Merger") to reunite the two companies into a single corporate structure, HSI Group.

We completed several other acquisitions and mergers in the past two years. On June 8, 2001, we acquired H-S Uluslararasi Danismanlik Hizmetleri Anonim Sirketi, an executive search company which gives us a local presence in Turkey. On December 29, 2000, we acquired the Russian, Finnish and Baltic executive search companies of the AMROP worldwide network. On May 1, 2000, we acquired Lynch Miller Moore O'Hara, Inc., a Chicago-based executive search firm that specialized in the venture capital and high tech markets. On April 1, 2000, we acquired TAO International Group, a senior-level executive search firm with offices in Asia. On March 1, 2000, we completed the acquisition of Argonaut Search Group, LLC, a San Francisco-based executive search firm that specialized in the real estate and financial services industries. In December 1999, we completed the acquisition of Redelinghuys & Partners, a senior-level executive search firm in the Republic of South Africa. These acquisitions were accounted for using the purchase method of accounting, with the results of the acquired companies included in the Consolidated Statements of Income and Comprehensive Income beginning on the dates of the respective acquisitions. In September 1999, we merged with Sullivan & Company ("Sullivan"), an executive search firm that specialized in the financial services industry. This transaction was accounted for using the pooling of interests method of accounting.

With offices in over 75 locations throughout North and South America, Europe, the Middle East, Africa and Asia Pacific, we conduct business using various currencies. Revenue earned in each country is generally matched with the associated expenses incurred, thereby reducing currency risk to net earnings. However, because certain assets or liabilities are denominated in non-U.S. currencies, changes in currency rates may cause fluctuations in the valuation of such assets or liabilities. For financial information by geographic segment see Note 5 of our Consolidated Financial Statements.

Results of Operations

The following table summarizes the results of our operations as a percentage of revenue for the three months and six months ended June 30, 2001 and 2000:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Revenue	100.0%	100.0%	100.0%	100.0%
Operating expenses:				
Salaries and employee benefits	65.4	65.1	63.9	67.3
General and administrative expenses	33.9	27.0	32.8	27.1
Special charge	6.6	-	3.1	-
Total operating expenses	105.9	92.1	99.8	94.4
Operating income (loss)	(5.9)	7.9	0.2	5.6
Non-operating income (expense):				
Interest income	1.2	1.1	1.3	1.1
Interest expense	-	-	-	-
Realized gains on investments	0.3	1.9	0.2	1.5
Net unrealized loss on derivative instruments	(1.0)	-	(1.0)	-
Other, net	(0.2)	0.1	(0.2)	0.1
Net non-operating income	0.3	3.1	0.3	2.7
Income (loss) before income taxes and cumulative effect of accounting change	(5.6)	11.0	0.5	8.3
Provision for (benefit from) income taxes	(2.4)	4.9	0.2	3.9
Net income (loss) before cumulative effect of accounting change	(3.2)	6.1	0.3	4.4
Cumulative effect of accounting change, net of tax	-	-	1.7	-
Net income (loss)	(3.2)%	6.1%	2.0%	4.4%

The following table sets forth, for the periods indicated, our revenue and operating income (loss) by segment. We adjusted our segment reporting in 2001 to reflect the current internal management reporting structure, which included some changes in the allocation of certain costs to operations and corporate expenses. Prior period segment disclosures were revised to reflect these changes. We operate principally through two lines of business: Executive Search and LeadersOnline. We break out revenue and operating income in our Executive Search business into two broad geographic segments: Americas and International. The Americas segment consists of North America and Latin America. The North America region includes the U.S. (except Miami) and Canada. The Latin America region includes Mexico and the rest of Latin America, as well as Miami, which serves as our gateway office to the region. The International segment consists of Europe (which includes Africa and the Middle East) and Asia Pacific.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Revenue:				
Americas				
North America	$ 66,825	$ 98,784	$136,905	$173,583
Latin America	3,534	5,441	7,869	9,868
International				
Europe	39,544	46,608	91,288	87,992
Asia Pacific	7,435	9,476	15,318	17,598
Total Executive Search	117,338	160,309	251,380	289,041
LeadersOnline	5,833	6,107	11,059	9,311
Total	$123,171	$166,416	$262,439	$298,352
Operating income (loss):				
Americas				
North America	$ 7,102	$ 17,777	$ 14,390	$ 30,863
Latin America	(378)	825	(595)	940
International				
Europe	1,296	4,751	10,732	7,713
Asia Pacific	909	1,536	1,643	2,726
Total Executive Search	8,929	24,889	26,170	42,242
LeadersOnline	(135)	(4,333)	(1,821)	(8,519)
Corporate	(7,913)	(7,336)	(15,619)	(16,777)
Operating income before special charge	881	13,220	8,730	16,946
Special charge	(8,163)	-	(8,163)	-
Total	$ (7,282)	$ 13,220	$ 567	$ 16,946

Three Months Ended June 30, 2001 Compared to the Three Months Ended June 30, 2000

Revenue. Our revenue decreased $43.2 million, or 26.0%, to $123.2 million for the three months ended June 30, 2001 from $166.4 million for the three months ended June 30, 2000. Excluding the effect of foreign currency translation into the U.S. dollar, revenue would have declined by 24%. This decrease was due to a soft economic environment. The U.S. weakened more than the first quarter, and Latin America and Asia Pacific appear to be following a similar pattern. Europe was a strong contributor in the first quarter but has now begun to see signs of sluggishness, particularly in the last half of June.

Our revenue within Executive Search decreased 26.8% to $117.3 million in the second quarter of 2001, down from $160.3 million in the second quarter of 2000. Although fewer searches were conducted overall, CEO searches represented a greater than typical proportion of the total. While confirmed searches decreased 40% from the second quarter of 2000, fees per search rose 21% because of this change in the mix.

Revenue in North America was $66.8 million, a decrease of $32.0 million or 32.4%, from $98.8 million in the second quarter of 2000. Strength in the health care practice group was offset by declines in most of the other practices. In Latin America, revenue was $3.5 million, a decrease of 35.0% from $5.4 million in the second quarter of 2000. Excluding the impact of foreign currency translation into the U.S. dollar, revenue decreased 25% on a local currency basis from the comparable quarter in 2000. Most of the practice groups reported declines, although health care was up slightly. Revenue in Europe was $39.5 million, a decrease of 15.2% from $46.6 million in the second quarter of 2000. Excluding the impact of foreign currency translation into the U.S. dollar, revenue decreased 9% on a local currency basis from the comparable quarter in 2000. Strength in the professional services practice group was more than offset by declines in other practices. In Asia Pacific, revenue was $7.4 million, a decrease of 21.5% from $9.5 million in the second quarter of 2000. Excluding the impact of foreign currency translation into the U.S. dollar, revenue decreased 13% on a local currency basis over the comparable quarter in 2000. The technology and financial services practice groups reported the largest declines.

Revenue for LeadersOnline was $5.8 million, a decrease of 4.5% from $6.1 million in the second quarter of 2000. During the second quarter of 2001, LeadersOnline entered into contracts for 112 new searches, with an average fee of $41,000 per placement. This average fee represents 29% of the average compensation level of $142,000. LeadersOnline typically charges about one-third of the placed candidate's salary, although its fees can vary depending on several factors, most important of which is the number of positions per assignment.

Salaries and employee benefits. Our salaries and employee benefits decreased $27.7 million, or 25.6%, to $80.6 million for the three months ended June 30, 2001 from $108.3 million for the three months ended June 30, 2000. As a percentage of revenue, salaries and employee benefits increased to 65.4% in the second quarter of 2001 from 65.1% in the second quarter of 2000. The decrease in dollar terms was due to lower accruals for performance-based compensation for management, support staff and executive search consultants. The reduced level of revenue, as well as an adjustment to the anticipated target payout to executive search consultants for the 2001 year, were factors in the lower accrual amounts. The decrease was partially offset by higher fixed compensation costs related to the increase in the number of executive search teams added during the past twelve months, resulting in a slight increase as a percent of revenue. The total number of executive search consultants as of June 30, 2001 was 492. The number of executive search consultants at June 30, 2001 represents a 15.2% increase over the 427 executive search consultants we employed at June 30, 2000, and a 9.9% decrease from the 546 executive search consultants employed as of March 31, 2001.

General and administrative expenses. Our general and administrative expenses decreased $3.2 million, or 7.1%, to $41.7 million for the three months ended June 30, 2001 from $44.9 million for the three months ended June 30, 2000 due to the implementation of additional cost controls at LeadersOnline. In Executive Search, cost savings across a number of categories were offset by an increase in business development costs, as well as fixed costs related to office space, equipment and other items that support the higher number of search teams. As a percentage of revenue, general and administrative expenses increased to 33.9% in the second quarter of 2001 from 27.0% in the second quarter of 2000, primarily because of the relatively large fixed component of the cost structure matched against substantially lower than anticipated revenue.

Special charge. During the second quarter of 2001, we announced a strategic reduction of our workforce in order to better adjust to current economic conditions, while retaining the resources necessary to capitalize on growth opportunities when the economy recovers. At the time of the announcement, we estimated incurring between $9.0 million and $10.0 million for severance and other related costs. The actions will affect approximately 300 people, or 13 percent of the firm's global workforce, and will result in estimated annual cost savings of salaries and employee benefits and general and administrative expenses of approximately $30.0 million to $35.0 million. The cost savings are anticipated to be primarily cash related.

As a result of this workforce reduction, we incurred a special charge of $8.2 million ($0.24 per share) for the three months ended June 30, 2001, for severance and other related costs. As of June 30, 2001, we notified 285 people that they would be part of the reduction in workforce. This workforce reduction affected all levels, most of which were in the core Executive Search business, including 63 consultants. The remainder was support staff in both Executive Search and LeadersOnline, and in the corporate departments. Nearly two-thirds of the layoffs were in North America, 20% in Europe, and the rest in Latin America and Asia Pacific. The layoffs impacted virtually all practice groups.

We expect to incur an additional charge of approximately $2.0 million for severance and other costs related to the workforce reduction in the third quarter of 2001. The charges are substantially all cash and most of the cash outlay will occur in the third quarter of 2001. We intend to have the actions related to these special charges completed by the end of the third quarter of 2001.

Net non-operating income. Our net non-operating income decreased $4.6 million to $317,000 for the three months ended June 30, 2001 from $5.0 million for the three months ended June 30, 2000. This decrease was partly due to a $1.2 million net unrealized loss on derivative instruments from a portion of our warrant portfolio, net of consultants' bonuses and administrative and other costs, during the three months ended June 30, 2001 (See Note 2 in the Notes to Consolidated Financial Statements). In addition, our realized gains from the sale of equity obtained as part of our warrant program were $394,000 for the three months ended June 30, 2001 compared to $3.1 million for the three months ended June 30, 2000. There was also a decrease in interest income from the investment of our cash balances.

Six Months Ended June 30, 2001 Compared to the Six Months Ended June 30, 2000

Revenue. Our revenue decreased $36.0 million, or 12.0%, to $262.4 million for the six months ended June 30, 2001 from $298.4 million for the six months ended June 30, 2000. Excluding the effect of foreign currency translation into the U.S. dollar, revenue decreased 9%. This decline was due to decreased demand for our executive search services across a number of industries and disciplines, especially the technology, financial services, and consumer practice groups. We believe this decrease reflects the impact of the recent global economic slowdown.

Our revenue within Executive Search decreased 13.0% to $251.4 million in the six months ended June 30, 2001, down from $289.0 million in the six months ended June 30, 2000. Although fewer searches were conducted overall, CEO searches remained strong, which resulted in a higher level of fees per search. Confirmed searches decreased 26% from the comparable period in 2000, while fees per search rose 18%.

Revenue in North America was $136.9 million in the six months ended June 30, 2001, a decrease of $36.7 million or 21.1%, from $173.6 million in the six months ended June 30, 2000. Strength in the health care and professional services practices was more than offset by a decline in the financial services, technology and consumer practices. In Latin America, revenue decreased 20.3% to $7.9 million in the six months ended June 30, 2001 from $9.9 million in the six months ended June 30, 2000, as the region felt some of the effects of a weakening U.S. economy. The decline in revenue was primarily in our technology and industrial practices. Revenue in Europe increased $3.3 million or 3.7% to $91.3 million from $88.0 million in the six months ended June 30, 2000, due to particularly strong performance from the professional services practice. Excluding the impact of foreign currency translation into the U.S. dollar, Europe's revenue grew 12% on a local currency basis over the comparable period in 2000. In Asia Pacific, revenue was $15.3 million, a decrease of 13.0% from $17.6 million in the six months ended June 30, 2000. Excluding the impact of foreign currency translation into the U.S. dollar, revenue decreased 4% on a local currency basis over the comparable period in 2000.

LeadersOnline generated $11.1 million of revenue in the six months ended June 30, 2001 compared to $9.3 million of revenue in the six months ended June 30, 2000, due to increased demand for our services. During the six months ended June 30, 2001, LeadersOnline entered into contracts for 202 new searches.

Salaries and employee benefits. Our salaries and employee benefits decreased $33.1 million, or 16.5%, to $167.6 million for the six months ended June 30, 2001 from $200.7 million for the six months ended June 30, 2000. As a percentage of revenue, salaries and employee benefits decreased to 63.9% for the six months ended June 30, 2001 from 67.3% for the comparable period of 2000. This improvement was primarily due to lower accruals for performance-based compensation for management, support staff and executive search consultants. The reduced level of revenue and our variable compensation structure, as well as an adjustment to the anticipated target payout to executive search consultants for the 2001 year, were factors in the lower accrual amounts. Under our variable compensation structure, consultants do not earn compensation on fees not collected and we recorded $10.3 million in bad debt related expenses in the first quarter of 2001. In addition, the reduction was due to the recoupment of previously recorded performance-related bonus accruals that were not earned due to individuals not meeting required performance goals in 2000. Partially offsetting the reduction was an increase in expense due to a greater number of executive search consultants and support staff. The number of executive search consultants at June 30, 2001 represents a 15.2% increase over the 427 executive search consultants we employed at June 30, 2000.

General and administrative expenses. Our general and administrative expenses increased $5.4 million, or 6.6%, to $86.1 million for the six months ended June 30, 2001 from $80.7 million for the six months ended June 30, 2000. This increase was due to an increase in bad debt expense, higher facilities expenses related to the increase in executive search consultants and support staff over the past year, and an increase in depreciation and amortization due to office expansions and investments in technology. As a percentage of revenue, general and administrative expenses increased to 32.8% in the six months ended June 30, 2001 from 27.1% in the six months ended June 30, 2000, primarily because of the relatively large fixed component of our cost structure matched against substantially lower than anticipated revenue.

Special charge. During the second quarter of 2001, we announced a strategic reduction of our workforce in order to better adjust to current economic conditions, while retaining the resources necessary to capitalize on growth opportunities when the economy recovers. At the time of the announcement, we estimated incurring between $9.0 million and $10.0 million for severance and other related costs. The actions will affect approximately 300 people, or 13 percent of the firm's global workforce, and will result in estimated annual cost savings of salaries and employee benefits and general and administrative expenses of approximately $30.0 million to $35.0 million. The cost savings are anticipated to be primarily cash related.

As a result of this workforce reduction, we incurred a special charge of $8.2 million ($0.23 per share on a diluted basis) for the six months ended June 30, 2001, for severance and other related costs. As of June 30, 2001, we notified 285 people that they would be part of the reduction in workforce. This workforce reduction affected all levels, most of which were in the core Executive Search business, including 63 consultants. The remainder was support staff in both Executive Search and LeadersOnline, and in the corporate departments. Nearly two-thirds of the layoffs were in North America, 20% in Europe, and the rest in Latin America and Asia Pacific. The layoffs impacted virtually all practice groups.

We expect to incur an additional charge of approximately $2.0 million for severance and other costs related to the workforce reduction in the third quarter of 2001. The charges are substantially all cash and most of the cash outlay will occur in the third quarter of 2001. We intend to have the actions related to these special charges completed by the end of the third quarter of 2001.

Net non-operating income. Our net non-operating income decreased $7.1 million to $1.0 million for the six months ended June 30, 2001 from $8.1 million for the six months ended June 30, 2000. This decrease was partly due to a $2.7 million net unrealized loss on derivative instruments from a portion of our warrant portfolio, net of consultants' bonuses and administrative and other costs, during the six months ended June 30, 2001 (See Note 2 in the Notes to Consolidated Financial Statements). In addition, our realized gains from the sale of equity obtained as part of our warrant program were $648,000 for the six months ended June 30, 2001 compared to $4.6 million for the six months ended June 30, 2000. The decrease was partially offset by an increase in interest income arising from the investment of our available cash balances.

Cumulative effect of change in accounting principle. On January 1, 2001, we adopted Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," and its subsequent amendments. As a result, we recorded a transition adjustment of $4.5 million, net of consultants' bonuses, administrative and other costs, and taxes (See Note 3 in the Notes to Consolidated Financial Statements).

Liquidity and Capital Resources

We periodically evaluate our liquidity requirements, capital needs and availability of capital resources based on our plans for expansion and other operating needs. We finance our operations through internally generated funds and the availability of borrowings under our credit facilities. In addition, we received $51.8 million from our initial public offering in April 1999 and $76.2 million from our follow-on public offering in February 2000. We pay a portion of our bonuses in December and the remainder in March. Employee bonuses are accrued throughout the year and are based on Company performance and the performance of the respective employee.

We believe that the net proceeds from our common stock offerings, together with funds expected to be generated from operations and our lines of credit, will be sufficient to finance our operations for the foreseeable future. However, if we undertake significant acquisitions or other investment activities, we may need access to additional sources of debt or equity financing.

We maintained cash and cash equivalents at June 30, 2001 and 2000 of $133.4 million and $144.2 million, respectively. For the six months ended June 30, 2001, cash flows used in operating activities were $27.9 million, due primarily to the payment of the remaining 2000 bonuses in March 2001. For the six months ended June 30, 2000, cash flows from operating activities contributed $24.9 million, reflecting net income and non-cash expenses for compensation, depreciation and amortization, as well as a decrease in working capital.

Cash flows used in investing activities decreased from $33.8 million for the six months ended June 30, 2000 to $9.1 million for the six months ended June 30, 2001. This decrease is primarily due to a lower level of acquisition activity and no long-term investments in 2001.

During the first half of 2001, we acquired an executive search firm in Turkey for $810,000 in cash while in the first half of 2000, we acquired three executive search firms for $15.8 million in cash.

In the first half of 2000, we invested $10.0 million in Silicon Valley Internet Capital ("SVIC"), a newly formed, San Francisco-based company that creates and provides operating support for Internet infrastructure companies. In the first six months of 2001, we have not entered into any long-term investments.

The amount of cash received during the six months ended June 30, 2001 and 2000 as a result of the sale of equity securities received as part of our warrant program was $648,000 and $4.6 million, net of consultants' bonuses and administrative and other costs, respectively.

Capital expenditures were $11.4 million and $10.7 million for the six months ended June 30, 2001 and 2000, respectively. These expenditures were primarily for office furniture and fixtures, leasehold improvements, and computer equipment and software.

Cash flows used in financing activities were $7.7 million for the six months ended June 30, 2001, resulting primarily from purchases of treasury stock. On March 16, 2001, we announced that our Board of Directors had authorized management to repurchase up to two million shares of our common stock over the next two years. During the six months ended June 30, 2001, we repurchased 477,500 shares of our common stock, for which some of the cash settlement occurred in July 2001. Cash flows provided by financing activities were $77.6 million for the six months ended June 30, 2000, resulting from the net proceeds raised in the follow-on public offering (See Note 6 in our Notes to Consolidated Financial Statements).

We have a $40.0 million reducing revolving credit facility. This facility will terminate on December 31, 2001 but we expect to replace it with a similar or larger facility. There were no borrowings outstanding under this line of credit at June 30, 2001 and 2000, respectively. At our discretion, we may borrow either U.S. dollars on deposit in the United States or U.S. dollars or foreign currencies on deposit outside the United States. Non-U.S. borrowings bear interest at the then-existing LIBOR plus a margin as determined by certain tests of our financial condition. U.S. borrowings bear interest at the then-existing prime rate.

The current line of credit has certain financial covenants we must meet relating to consolidated net worth, liabilities, and debt in relation to cash flows. At June 30, 2001, we were in compliance with these financial covenants.

Recently Issued Financial Accounting Standards

In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 141, "Business Combinations." This statement requires that all business combinations must be accounted for using the purchase method of accounting. This approach reflects the conclusion that all business combinations are acquisitions and, thus, should be accounted for in the same way that other asset acquisitions are accounted for, based on the values exchanged. In June 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets." Under the new rules, goodwill will no longer be amortized over its estimated useful life. Rather, goodwill will be subject to at least an annual assessment for impairment by applying a fair-value-based test. For intangible assets, the new rules state that an acquired asset should be separately recognized if the benefit of the intangible asset is obtained through contractual or other legal rights, or if the intangible assets can be sold, transferred, licensed, rented, or exchanged, regardless of the acquirer's intent to do so. This requirement may result in more intangible assets being separated from goodwill than generally occurs in practice today.

Management is assessing the impact of SFAS Nos. 141 and 142 and has not yet determined the extent to which these new statements will affect the financial statements. The provisions of the above-mentioned statements shall be applied beginning January 2002. As a result, impairment, if any, will be recognized in January 2002 as a cumulative effect of a change in accounting principle. Early adoption is not permitted.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE OF MARKET RISK

Derivative Instruments

We receive warrants for equity securities in our client companies, in addition to our cash fee, on some searches. Some of these warrants meet the definition of a derivative instrument under SFAS 133 and therefore subsequent changes in their fair value must now be recorded in earnings, rather than as a component of other comprehensive income. As a result of the adoption of SFAS 133 on January 1, 2001, we recorded, as a cumulative effect of accounting change, a transition adjustment to income of $4.5 million, net of consultants' bonuses, administrative and other costs, and taxes. Going forward, each quarter's earnings are anticipated to be affected by the fluctuations in the fair value of these derivative instruments. We recognized a net unrealized loss of $2.7 million, net of consultants' bonuses and administrative and other costs, during the six months ended June 30, 2001, due to changes in the fair value of these derivative instruments during the period (See Note 2 in the Notes to Consolidated Financial Statements).

Currency Market Risk

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

Forward-Looking Statements

The 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. 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; a continuing economic downturn in the United States or a material economic downturn in Europe or elsewhere, or social or political instability in overseas markets; bad debt write-offs far in excess of allowances for doubtful accounts; continued increased acceptance of online recruiting; losses in our venture capital investments; an inability to control expenses; and delays in the development and/or implementation of new technology and systems. We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time we have been involved in litigation that is incidental to our business. We currently are 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 our business, financial condition or results of operations.

Item 2. Changes in Securities

Pursuant to a settlement agreement with an employee, we issued 9,500 shares of our common stock on May 17, 2001 in exchange for an aggregate purchase price of $61,750.00 and the release of certain claims made by such employee. Exemption from registration is claimed under Regulation S of the Securities Act of 1933, as amended.

Item 4. Submission of Matters to a Vote of Securities

At our Annual Meeting of Stockholders held on June 5, 2001 in Chicago, Illinois, our stockholders voted on the following matters:

1. The election of four directors, Messrs. David C. Anderson, Thomas J. Friel, Robert Louis-Dreyfus and Dr. John C. Viney, to serve for a term of three years or until their successors have been elected and qualified. The nominees of the Board of Directors were elected.

Name of Nominee	Number of Votes For	Number of Votes Withheld
David C. Anderson	14,130,803	462,930
Thomas J. Friel	14,067,530	526,203
Robert Louis-Dreyfus	13,221,666	1,372,067
Dr. John C. Viney	13,957,241	636,492

2. Adoption of a proposal to amend the 1998 Heidrick & Struggles GlobalShare Program I and the 1998 Heidrick & Struggles GlobalShare Program II. The amendment was approved.

Number of Votes For..................	8,206,606
Number of Votes Against.............	5,162,506
Number of Votes Withheld............	0
Number of Broker Non-Votes..........	0
Number of Abstentions................	593,713

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit No.	Description
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))
3.02	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))
10.12	Employment Agreement of Knox J. Miller

(b) Reports on Form 8-K

We filed a report under Item 5 of Form 8-K on June 5, 2001 related to matters discussed at our Annual Meeting of Stockholders.

We filed a report under Item 5 of Form 8-K on June 25, 2001 related to the strategic reduction in our workforce.

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 14, 2001.

Heidrick & Struggles International, Inc.
(Registrant)

By: /s/ Donald M. Kilinski

Donald M. Kilinski
Chief Financial Officer and Treasurer

Exhibit 10.12

[LETTERHEAD OF HEIDRICK & STRUGGLES]

June 4, 2001

PERSONAL & CONFIDENTIAL

Mr. Knox Millar
575 Park Avenue
Apartment 909
New York, New York 10021

Dear Knox:

On behalf of Heidrick & Struggles, Inc., I am pleased to confirm our offer of employment to you as Chief Human Resources Officer reporting to the Chief Executive Officer of Heidrick & Struggles International, Inc. (the "Parent"). You will also have the internal title of Senior Partner. You will be a member of the Office of the CEO ("OOCEO") or its equivalent. Initially and until otherwise specified within mid-town Manhattan, you will be located at our 245 Park Avenue, New York office.

I look forward to seeing you on June 25, 2001, your first day of employment. Your monthly base salary is $41,666.67, which equals $500,000 annually. Currently, salaries are reviewed annually in November/December, so you can expect your first salary review in November/December 2001.

Your annual bonus target for 2001 is 100% of base salary to be paid when bonuses are paid in December of 2001 and March of 2002. Following 2001, you will participate in the regular bonus program then in effect for employees at your level. Bonuses are discretionary and are not earned until approved by the Compensation Committee and/or the Board of Directors of the Company and, subject to the paragraph below relating to Termination Without Cause including Resignation for Good Reason and Change in Control, will be payable only if you are in the Company's employ on the regular bonus payment dates. Your total cash compensation will be subject to the Heidrick & Struggles GlobalShare Program. As such, any bonus you receive may be partially paid in equity in accordance with the GlobalShare Program and in the same proportion as other members of the OOCEO.

You will receive a stock option grant to purchase 25,000 shares of Heidrick & Struggles International, Inc. common stock. The options will be granted to you on the first trading day of the calendar quarter next succeeding the date on which your employment commences. The options will be issued at Fair Market Value on the date of grant, will vest in increments of 25% on the first, second, third and fourth anniversaries on the date of grant, and will have a five-year term, except to the extent that vesting will be accelerated pursuant to the terms of the plan under which they are granted or in connection with a change in control.

In addition, within 30 days following your employment start date, the Company will loan you $700,000 to be evidenced by a non-interest bearing Promissory Note ("Note") payable on June 30, 2005, except that, unless your employment is terminated by the Company without cause or you have resigned for Good Reason, if you cease to be in the Company's employ, then the entire principal balance of the Note then remaining due shall, without demand or notice of any kind, be and become immediately due and payable within 30 days.

The Note will be forgiven if you are in the Company's employ (unless the Company has terminated your employment without cause or if you have resigned for Good Reason) on the following forgiveness dates: $125,000 on June 30, 2002, $225,000 on June 30, 2003; $175,000 on June 30, 2004 and the balance on June 30, 2005. The income arising from the loan principal forgiveness will be subject to personal income tax withholding attributable to the forgiveness income when due. The Company will reimburse you on a grossed-up basis for any income tax arising out of the interest-free nature of the loan. The Company is authorized to deduct the amounts required to be withheld from your cash bonus, or, if the bonus amount is less than the withholding, you will, within 10 days, reimburse the Company for withholding payments made to the extent not covered by your bonus.

In the event the Company terminates your employment without Cause or you resign for Good Reason prior to August 31, 2002, you shall be entitled to receive as severance pay, in a lump sum as soon as administratively feasible after the date of termination or resignation for Good Reason, an amount equal to twelve months of base salary plus the full amount of your target bonus for the year in which the termination occurs. Thereafter, except in connection with a Change in Control as set forth below, in the event the Company terminates your employment without Cause, you shall be entitled to receive as severance pay an amount consistent with the Company's then existing policy for members of the OOCEO.

In the event the Company terminates your employment without Cause or you resign for Good Reason within one year following a Change in Control, you shall be entitled to receive as severance pay, in a lump sum as soon as administratively feasible after the date of termination or resignation for Good Reason, an amount equal to (i) twelve months of base salary plus twelve months of target bonus and (ii) the prorated portion of your target bonus for the year in which the termination occurs based on the number of months worked in such year. You shall also be entitled to either continuing participation in disability coverage or the reimbursement on a gross-up basis for the premium costs for disability coverage, until the first anniversary of termination of employment or resignation for Good Reason or such time as you are covered by comparable programs of a subsequent employer. The Company shall also reimburse you for costs attributable to your participation in COBRA. In addition, all outstanding options or other equity instruments may become immediately exercisable in accordance with the terms of the 1998 Heidrick & Struggles GlobalShare Program I, as amended from time-to-time, and the terms of any successor equity programs. In the event that a Change of Control payment to you is required, the Company agrees to reimburse you for the excise tax, if any, incurred by you under Internal Revenue Code (S)280G.

The term "Good Reason" shall mean (i) a diminution of the amount of your base salary or target bonus or benefits or level of eligibility for stock options or other incentive programs unless such diminution is consistent with other employees at your level; (ii) the elimination of your position or a diminution of responsibilities associated with your position; or (iii) a change in the location of your principal place of employment more than 50 miles in radius from its initial location without your approval.

The term "Cause" shall mean:

(a) Fraud, or the embezzlement or misappropriation of funds or property of the Company or any of its affiliates by you, the conviction of, or the entrance of a plea of guilty or nolo contendre by you, to a felony, or a crime involving moral turpitude;

(b) Neglect, misconduct or willful malfeasance which is materially injurious to the Company or any of its affiliates;

(c) Willful failure or refusal to perform your duties, or a willful, material breach of contract.

The term "Change in Control" shall mean the occurrence of any of the following events:

(a) Any person (other than the Parent, any trustee or other fiduciary holding securities under an employee benefit plan of the Company, or any company owned, directly or indirectly, by the stockholders of the Parent in substantially the same proportions as their ownership of stock of the Parent), becomes the beneficial owner, directly or indirectly, of securities of the Parent representing 20 percent or more of the combined voting power of the Company's then-outstanding securities;

(b) During any period of 24 months (not including any period prior to the effective date), individuals who, at the beginning of such period, constitute the Board, and any new directors (other than (A) a director nominated by a person who has entered into an agreement with the Parent to effect a transaction described in clauses (a), (c) or (d) under this caption, (B) a director nominated by any Person (including the Parent) who publicly announces an intention to take or to consider taking actions (including, but not limited to, an actual or threatened proxy contest) which, if consummated, would constitute a Change in Control, or (C) a director nominated by any person who is the beneficial owner, directly or indirectly, of securities of the Parent representing 10 percent or more of the combined voting power of the Parent's securities) whose election by the Board or nomination for election by the Parent's stockholders was approved in advance by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority thereof;

(c) The stockholders of the Parent approve any transaction or series of transactions under which the Parent is merged or consolidated with any other company, other than a merger or consolidation (A) which would result in the voting securities of the Parent outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent corporation) more than 66-2/3 percent of the combined voting power of the voting securities of the Parent or such surviving entity or its parent corporation outstanding immediately after such merger or consolidation, and (B) after which no person holds 20 percent or more of the combined voting power of the then-outstanding securities of the Parent or such surviving entity or its parent corporation; or

(d) The stockholders of the Parent approve a plan of complete liquidation of the Parent or an agreement for the sale or disposition by the Parent of all or substantially all of the Parent's assets.

You will be entitled to participate in the Heidrick & Struggles International, Inc. GlobalShare equity programs based upon your performance and attainment of your goals and objectives in the manner consistent with other employees at your level. Grants under these programs are subject to approval by the Board of Directors or Compensation Committee of Heidrick & Struggles International, Inc.

You will be eligible to participate in our benefits program and will receive a detailed guide on your starting date. Our benefits program includes group health and life/AD&D insurance, long-term disability, short-term disability salary continuation, time-off benefits (vacation, paid holidays, paid sick time), the Flexible Spending Account, and the Heidrick & Struggles, Inc. 401(k) Profit-Sharing and Retirement Plan. Our benefits program, bonus programs, and polices are reviewed from time to time by Company management and may be modified, amended, or terminated at any time.

The Company will pay or reimburse you for dues for a health club.

The Company will provide you on a grossed-up basis with two round-trip tickets per year between New York and London (or the equivalent location) in accordance with the Company's travel policy in effect at the time.

The Company will reimburse you for all of your business expenses in accordance with its policies. You will be entitled to first-class of air travel when you determine there is a business need for it. The Company's Physical Examinations Policy will apply to you effective immediately upon your employment start date. The Financial Planning Program for Senior Partners will also apply to you.

Before I conclude, let me highlight a few legal matters:

- You will be an "employee at will" unless or until we otherwise agree in writing. The purpose of this arrangement is to permit either of us to terminate employment and compensation at any time with or without cause or notice, except for such period of notice as may be expressly provided in writing under written company employment policies in effect at the time of such termination.

- Your initial and continuing employment will be subject to your having the ability to work legally in the United States.

- You have advised us that you have not signed any agreements that will, in any way, prohibit your joining our firm or performing your work with us.

- This letter agreement and enclosures contain our entire understanding and can be amended only in writing and signed by you and the Chairman, President and Chief Executive Officer. You specifically acknowledge that no promises or commitments have been made to you that are not set forth in this letter.

To help clarify the programs and policies discussed above, I have included several enclosures. There are also some documents for you to sign. Please contact me directly if you have any questions. To acknowledge your acceptance of our offer of employment, please sign and return to me the enclosed copy of this letter along with the Confidentiality Agreement (relating to trade secrets, confidential information, clients, etc.), which we ask all employees to sign.

Again, I am pleased that you have chosen to join the Heidrick & Struggles global family. Please accept my best wishes for a most successful and prosperous career with us.

Yours sincerely,

/s/ Patrick S. Pittard

Patrick S. Pittard
Chairman, President and Chief Executive Officer

I hereby accept the terms and conditions of employment as outlined above:

/s/ Knox Millar	June 12, 2001
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Knox Millar	Date