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

Form 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 3, 2009

Hudson Highland Group, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation)

000-50129	**59-3547281**
(Commission File Number)	**(IRS Employer Identification No.)**

560 Lexington Avenue
New York, NY 10022
(Address of Principal Executive Offices)

Registrant’s telephone number, including area code (212) 351-7300

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (16 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (16 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (16 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (16 CFR 240.13e-4(c)

ITEM 2.02. RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

On November 3, 2009, Hudson Highland Group, Inc. issued a press release announcing its financial results for the three and nine months ended September 30, 2009. A copy of such press release is furnished as Exhibit 99.1 to this Current Report.

Also on November 3, 2009, Hudson Highland Group, Inc. posted on its web site a Letter to Shareholders, Employees and Friends, which discusses results for the three months ended September 30, 2009. A copy of such letter is furnished as Exhibit 99.2 to this Current Report.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS.

(a) Financial Statements.
None.

(b) Pro Forma Financial Information.
None.

(c) Shell Company Transactions
None.

(d) Exhibits

99.1 Press Release of Hudson Highland Group, Inc. issued on November 3, 2009.

99.2 Letter to Shareholders, Employees and Friends issued on November 3, 2009 and posted to Company’s website.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned hereunto duly authorized.

HUDSON HIGHLAND GROUP, INC.
(Registrant)

By: /s/ FRANK P. LANUTO

Frank P. Lanuto
Vice President, Corporate Controller
and Chief Accounting Officer

Dated: November 3, 2009

Hudson Highland Group, Inc.
Current Report on Form 8-K

Exhibit Index

Exhibit Number	Description
99.1	Press Release of Hudson Highland Group, Inc. issued on November 3, 2009.
99.2	Letter to Shareholders, Employees and Friends issued on November 3, 2009 and posted to Company’s website.

Exhibit 99.1

HUDSON HIGHLAND GROUP

For Immediate Release

Contact: David F. Kirby
Hudson Highland Group
212-351-7216
david.kirby@hudson.com

Hudson Highland Group Reports 2009 Third Quarter Financial Results

NEW YORK, NY – November 3, 2009 – Hudson Highland Group, Inc. (Nasdaq: HHGP), one of the world's leading providers of permanent recruitment, contract professionals and talent management solutions, today announced financial results for the third quarter ended September 30, 2009.

2009 Third Quarter Summary

- Revenue of $169.6 million, a decrease of 37.0 percent from $269.2 million for the third quarter of 2008, and a decrease of $4.2 million or 2.4 percent from the second quarter of 2009

- Gross margin of $64.2 million, or 37.8 percent of revenue, down 43.0 percent from $112.7 million, or 41.9 percent of revenue for the same period last year, and a decrease of $0.7 million or 1.1 percent from the second quarter of 2009

- Adjusted EBITDA* loss of $3.2 million, or 1.9 percent of revenue, down from adjusted EBITDA of positive $6.6 million for the third quarter of 2008, and an improvement from the adjusted EBITDA loss of $4.4 million in the second quarter of 2009

- EBITDA* loss of $6.1 million, down from EBITDA of positive $3.8 million for the same period in 2008

- Net loss from continuing operations of $7.6 million, or $0.29 per basic and diluted share, compared with net income from continuing operations of $0.4 million, or $0.01 per basic and diluted share, for the third quarter of 2008

- Net loss of $6.9 million, or $0.26 per basic and diluted share, compared with net loss of $0.3 million, or $0.01 per basic and diluted share, for the third quarter of 2008

**Adjusted EBITDA and EBITDA are defined in the segment tables at the end of this release.*

“Sequential improvement of adjusted EBITDA during the third quarter was encouraging,” said Jon Chait, Hudson Highland Group’s chairman and chief executive officer. “This achievement was counter to typical third quarter seasonal softness and resulted from the company’s earlier restructuring actions and increased sequential demand in some markets. While we expect the environment to remain challenging, I expect we will continue to deliver improved sequential financial results for the fourth quarter of 2009 and into 2010.”

“We continued to manage our cash well, ending the quarter with $44.5 million, as our Days Sales Outstanding decreased to 48 days,” said Mary Jane Raymond, the company’s executive vice president and chief financial officer. “We used $2.8 million of cash during the third quarter, of which $1.7 million was used for an earn-out payment on our Tony Keith acquisition in China and $0.9 million was a repayment on our credit facility. Cash flow from operations showed significant improvement from the first half of the year with a net use under $1 million.”

Restructuring Program

During the fourth quarter of 2009, the company expects to continue to streamline its operations in response to current economic conditions. The company recently increased the size of its 2009 restructuring plan to $19 million and expects to incur $2 - $5 million of restructuring charges during the fourth quarter of 2009. Third quarter restructuring expenses of $2.9 million were related to severance and lease terminations, primarily in Europe.

Liquidity and Capital Resources

The company ended the third quarter of 2009 with $44.5 million in cash and $10.5 million currently borrowed under its primary credit facility, down from $47.2 million in cash at the end of the second quarter of 2009 with $11.3 million borrowed. In addition, the company has availability under its primary credit facility of $2.3 million, as well as an additional $3.8 million of availability under local country credit facilities, the majority of which became available subsequent to September 30, 2009. The company paid $1.7 million in July 2009 as part of its earn-out for the Tony Keith acquisition in China.

Guidance

Despite recent signs of increasing stability, visibility remains low. As a result, the company will not provide formal guidance for the fourth quarter of 2009. The company will comment on current trends and its outlook for the fourth quarter on its third quarter earnings call.

Additional Information

Additional information about the company’s quarterly results can be found in the shareholder letter and the third quarter earnings slides in the investor information section of the company’s Web site at www.hudson.com.

Conference Call/Webcast

Hudson Highland Group will conduct a conference call Wednesday, November 4, 2009 at 9:00 a.m. ET to discuss this announcement. Individuals wishing to participate can join the conference call by dialing 1-800-374-1532 followed by the participant passcode 36219796 at 8:50 a.m. ET. For those outside the United States, please call 1-706-634-5594 followed by the participant passcode 36219796. Hudson Highland Group's quarterly conference call can also be accessed online through Yahoo! Finance at www.yahoo.com and the investor information section of the company's Web site at www.hudson.com.

The archived call will be available for two weeks by dialing 1-800-642-1687 followed by the participant passcode 36219796. For those outside the United States, the call will be available on 1-706-645-9291 followed by the participant passcode 36219796.

About Hudson Highland Group

Hudson Highland Group, Inc. is a leading provider of permanent recruitment, contract professionals and talent management services worldwide. From single placements to total outsourced solutions, Hudson helps clients achieve greater organizational performance by assessing, recruiting, developing and engaging the best and brightest people for their businesses. The company employs nearly 2,500 professionals serving clients and candidates in more than 20 countries. More information is available at www.hudson.com.

Safe Harbor Statement

This press release contains statements that the company believes to be "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact included in this press release, including those under the caption “Guidance” and other statements regarding the company's future financial condition, results of operations, business operations and business prospects, are forward-looking statements. Words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "predict," "believe" and similar words, expressions and variations of these words and expressions are intended to identify forward-looking statements. All forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. These factors include, but are not limited to, the impact of global economic fluctuations including the current economic downturn; the ability of clients to terminate their relationship with the company at any time; risks in collecting our accounts receivable; implementation of the company’s cost reduction initiatives effectively; the company’s history of negative cash flows and operating losses may continue; the company's limited borrowing availability under our credit facility, which may negatively impact our liquidity; restrictions on the company’s operating flexibility due to the terms of its credit facility; fluctuations in the company’s operating results from quarter to quarter; risks relating to the company’s international operations, including foreign currency fluctuations; risks related to our investment strategy; risks and financial impact associated with dispositions of underperforming assets; the company’s heavy reliance on information systems and the impact of potentially losing or failing to develop technology; competition in the company’s markets and the company’s dependence on highly skilled professionals; the company’s exposure to employment-related claims from both clients and employers and limits on related insurance coverage; the company’s dependence on key management personnel; volatility of stock price; the impact of government regulations; financial impact of audits by various taxing authorities; and restrictions imposed by blocking arrangements. Additional information concerning these and other factors is contained in the company's filings with the Securities and Exchange Commission. These forward-looking statements speak only as of the date of this letter. The company assumes no obligation, and expressly disclaims any obligation, to review or confirm analysts' expectations or estimates or to update any forward-looking statements, whether as a result of new information, future events or otherwise.

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Financial Tables Follow

HUDSON HIGHLAND GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share amounts)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Revenue	$ 169,647	$ 269,239	$ 508,186	$ 865,398
Direct costs	105,457	156,544	317,108	495,123
Gross margin	64,190	112,695	191,078	370,275
Operating expenses:				
Selling, general and administrative expenses	67,412	106,080	208,442	345,478
Depreciation and amortization	2,741	3,913	9,369	11,274
Business reorganization and integration expenses	2,878	2,817	12,279	5,033
Goodwill and other impairment charges	-	-	1,549	-
Total operating expenses	73,031	112,810	231,639	361,785
Operating (loss) income	(8,841)	(115)	(40,561)	8,490
Other (expense) income :				
Interest, net	(96)	337	(469)	895
Other, net	99	603	773	1,963
(Loss) income from continuing operations before provision for income taxes	(8,838)	825	(40,257)	11,348
(Benefit) provision for income taxes	(1,215)	464	(2,300)	8,524
(Loss) income from continuing operations	(7,623)	361	(37,957)	2,824
Income (loss) from discontinued operations, net of income taxes	770	(670)	7,773	3,187
Net (loss) income	$ (6,853)	$ (309)	$ (30,184)	$ 6,011
Basic earnings (loss) per share:				
(Loss) income from continuing operations	$ (0.29)	$ 0.01	$ (1.46)	$ 0.11
Income (loss) from discontinued operations	0.03	(0.02)	0.30	0.13
Net (loss) income	$ (0.26)	$ (0.01)	$ (1.16)	$ 0.24
Diluted earnings (loss) per share:				
(Loss) income from continuing operations	$ (0.29)	$ 0.01	$ (1.46)	$ 0.11
Income (loss) from discontinued operations	0.03	(0.02)	0.30	0.13
Net (loss) income	$ (0.26)	$ (0.01)	$ (1.16)	$ 0.24
Weighted average shares outstanding:				
Basic	26,320	25,245	25,938	25,180
Diluted	26,320	25,630	25,938	25,550

HUDSON HIGHLAND GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amount)
(unaudited)

	September 30, 2009	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 44,483	$ 49,209
Accounts receivable, net	96,994	127,169
Prepaid and other	13,169	15,411
Current assets from discontinued operations	314	2,360
Total current assets	154,960	194,149
Intangibles, net	1,231	2,498
Property and equipment, net	19,306	24,379
Other assets	15,767	9,927
Total assets	$ 191,264	$ 230,953
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 10,009	$ 15,693
Accrued expenses and other current liabilities	57,523	76,447
Short-term borrowings	10,456	5,307
Accrued business reorganization expenses	6,761	5,724
Current liabilities from discontinued operations	72	1,410
Total current liabilities	84,821	104,581
Other non-current liabilities	19,734	16,904
Accrued business reorganization expenses, non-current	548	1,476
Total liabilities	105,103	122,961
Stockholders' equity:		
Preferred stock, $0.001 par value, 10,000 shares authorized; none issued or outstanding	-	-
Common stock, $0.001 par value, 100,000 shares authorized; issued 26,764 and 26,494 shares, respectively	27	26
Additional paid-in capital	445,387	450,739
Accumulated deficit	(393,089)	(362,905)
Accumulated other comprehensive income—translation adjustments	34,128	27,054
Treasury stock, 111 and 1,140 shares, respectively, at cost	(292)	(6,922)
Total stockholders' equity	86,161	107,992
Total liabilities and stockholders' equity	$ 191,264	$ 230,953

HUDSON HIGHLAND GROUP, INC.
SEGMENT ANALYSIS
(in thousands)
(unaudited)

For The Three Months Ended September 30, 2009	Hudson Americas	Hudson Europe	Hudson Asia Pacific	Corporate	Total
Revenue	$ 35,705	$ 67,898	$ 66,044	$ -	$ 169,647
Gross margin	$ 9,258	$ 29,571	$ 25,361	$ -	$ 64,190
Adjusted EBITDA (1)	$ (1,625)	$ 30	$ 2,579	$ (4,206)	$ (3,222)
Business reorganization and integration expenses	592	1,881	405	-	2,878
Goodwill and other impairment charges	-	-	-	-	-
EBITDA (1)	(2,217)	(1,851)	2,174	(4,206)	(6,100)
Depreciation and amortization	1,047	911	739	44	2,741
Operating (loss) income	$ (3,264)	$ (2,762)	$ 1,435	$ (4,250)	$ (8,841)

For The Three Months Ended September 30, 2008	Hudson Americas	Hudson Europe	Hudson Asia Pacific	Corporate	Total
Revenue	$ 66,485	$ 98,301	$ 104,453	$ -	$ 269,239
Gross margin	$ 17,967	$ 49,717	$ 45,011	$ -	$ 112,695
Adjusted EBITDA (1)	$ 1,586	$ 3,403	$ 7,631	$ (6,005)	$ 6,615
Business reorganization and integration expenses	121	813	1,883	-	2,817
Goodwill and other impairment charges	-	-	-	-	-
EBITDA (1)	1,465	2,590	5,748	(6,005)	3,798
Depreciation and amortization	1,175	1,495	1,190	53	3,913
Operating income (loss)	$ 290	$ 1,095	$ 4,558	$ (6,058)	$ (115)

(1) Non-GAAP earnings before interest, income taxes, special charges, other non-operating expense, and depreciation and amortization (“Adjusted EBITDA”) and non-GAAP earnings before interest, income taxes, other non-operating expense, and depreciation and amortization (“EBITDA”) are presented to provide additional information about the company’s operations on a basis consistent with the measures which the company uses to manage its operations and evaluate its performance. Management also uses these measurements to evaluate capital needs and working capital requirements. Adjusted EBITDA and EBITDA should not be considered in isolation or as a substitute for operating income, cash flows from operating activities, and other income or cash flow statement data prepared in accordance with generally accepted accounting principles or as a measure of the company’s profitability or liquidity. Furthermore, adjusted EBITDA and EBITDA as presented above may not be comparable with similarly titled measures reported by other companies.

HUDSON HIGHLAND GROUP, INC.
SEGMENT ANALYSIS
(in thousands)
(unaudited)

For The Nine Months Ended September 30, 2009	Hudson Americas	Hudson Europe	Hudson Asia Pacific	Corporate	Total
Revenue	$ 122,861	$ 202,014	$ 183,311	$ -	$ 508,186
Gross margin	$ 30,741	$ 91,155	$ 69,182	$ -	$ 191,078
Adjusted EBITDA (1)	$ (5,284)	$ (253)	$ 2,318	$ (14,145)	$ (17,364)
Business reorganization and integration expenses	3,339	6,547	2,379	14	12,279
Goodwill and other impairment charges	(120)	-	1,669	-	1,549
EBITDA (1)	(8,503)	(6,800)	(1,730)	(14,159)	(31,192)
Depreciation and amortization	3,100	3,731	2,401	137	9,369
Operating (loss) income	$ (11,603)	$ (10,531)	$ (4,131)	$ (14,296)	$ (40,561)

For The Nine Months Ended September 30, 2008	Hudson Americas	Hudson Europe	Hudson Asia Pacific	Corporate	Total
Revenue	$ 221,254	$ 324,329	$ 319,815	$ -	$ 865,398
Gross margin	$ 60,901	$ 170,603	$ 138,771	$ -	$ 370,275
Adjusted EBITDA (1)	$ 4,544	$ 18,985	$ 22,413	$ (21,145)	$ 24,797
Business reorganization and integration expenses	1,826	1,229	1,978	-	5,033
Goodwill and other impairment charges	-	-	-	-	-
EBITDA (1)	2,718	17,756	20,435	(21,145)	19,764
Depreciation and amortization	3,518	4,467	3,130	159	11,274
Operating (loss) income	$ (800)	$ 13,289	$ 17,305	$ (21,304)	$ 8,490

(1) Non-GAAP earnings before interest, income taxes, special charges, other non-operating expense, and depreciation and amortization ("Adjusted EBITDA") and non-GAAP earnings before interest, income taxes, other non-operating expense, and depreciation and amortization ("EBITDA") are presented to provide additional information about the company's operations on a basis consistent with the measures which the company uses to manage its operations and evaluate its performance. Management also uses these measurements to evaluate capital needs and working capital requirements. Adjusted EBITDA and EBITDA should not be considered in isolation or as a substitute for operating income, cash flows from operating activities, and other income or cash flow statement data prepared in accordance with generally accepted accounting principles or as a measure of the company's profitability or liquidity. Furthermore, adjusted EBITDA and EBITDA as presented above may not be comparable with similarly titled measures reported by other companies.

Exhibit 99.2

HUDSON HIGHLAND GROUP

November 3, 2009

To: Shareholders, Employees and Friends

Hudson Highland Group 2009 Third Quarter Financial Results

Market/Economic Observations

In the third quarter of 2009, the developed economies of the world began to show some encouraging economic data points. Some showed signs of GDP growth, while others stabilized, meaning that they did not continue to get worse. This was reflected both in third quarter results and in upgraded economic forecasts for 2010 and beyond. However, the world's developed economies face a daunting set of economic challenges as they struggle to recover from a deep recession. The conventional wisdom, reflected in the forecasts of the IMF and OECD, is that the major economies of the world will have a long, slow recovery, either an L- or U-shaped recovery, with some risk of a W-shaped double dip. We note that the conventional wisdom often turns out wrong. The question is whether it is wrong high or wrong low? As we all know, in 2007 economic experts failed to predict the deep recession virtually all markets experienced by the end of 2008.

The recession has been fast, hard and globally synchronized. While we now see initial signs of economic recovery, unemployment continues to lag these improvements. There is already progress in the employment sentiment in some regions, notably in Asia Pacific, but as is the typical pattern, employers in most regions remain cautious about hiring until there is conclusive evidence that the recovery is sustainable.

The most noteworthy occurrence in our key markets was the increase in interest rates by the Reserve Bank of Australia, the first in the G-20 to do so. In addition, the Australian employment report the following day showed a decline in the rate of unemployment of 0.1 percent. These factors imply that Australia's central bank sees a sustainable recovery and is moving interest rates to more normal levels. This is confirmed by the results of our Hudson survey of hiring intentions, which demonstrates a strong positive increase in hiring intentions in the fourth quarter. Despite these favorable indicators, we have yet to see any signs of revenue growth in the region.

Comments on Hudson's Third Quarter Results

In the third quarter, Hudson's adjusted EBITDA was a loss of $3.2 million, an improvement over the second quarter loss of $4.4 million. In addition, cash flow from operations improved substantially over the second quarter and was close to breakeven. Both of these measures were against the normal seasonal trend in our business, as the second quarter is typically our strongest quarter of the year and the third quarter is typically weaker, due to the summer holidays in the Northern Hemisphere. In the fourth quarter, we expect to further reduce our loss compared with the third quarter.

A strong economic recovery is evident in parts of Asia led by China, and Hudson's operations in the region reflect this. Third quarter gross margin in Asia was 22 percent ahead of the second quarter of 2009 (although 36 percent below the third quarter of 2008), a sequential improvement in the year-over-year rate of decline compared with the second quarter. In China, the sequential improvement was primarily fueled by the company's accounting, industrial and sales & marketing practices. Our largest practice, Technology, has seen only a small improvement in demand compared with the dire levels in the first half of 2009. Our Singapore operation also reported strong sequential growth in the quarter.

The third quarter also reflected substantial improvement in the United Kingdom on a sequential basis, led by the financial services sector. Revenue and gross margin in this business increased markedly in the third quarter. Consequently, sequential revenue and gross margin declines in the United Kingdom narrowed to about 2 percent on a constant currency basis, the region's lowest decline since the start of the banking crisis.

As we go through the fourth quarter and begin to plan for 2010, we remain cautious with regard to the economic environment in most of our major markets. This is not for any Hudson-specific reason, but because we believe there remains a risk of a further global downturn in early 2010. Public sector spending is likely to slow before private sector spending increases materially, and we believe our clients will continue to be very conservative with respect to hiring until they see several quarters of solid recovery. We may see some increase in demand for talent management as employers cope with smaller workforces being asked to do more with less. We will remain cautious in our hiring and in our expense plans generally.

Regional Highlights

<u>Hudson Americas</u>

In the third quarter of 2009, Hudson Americas revenue was $36 million, down 46 percent from the prior year period. This included declines in temporary contracting revenue of 46 percent and in permanent recruitment of 62 percent. The largest contributor to the decline in temporary contracting was the legal business. The legal business revenue declined 52 percent from the prior year period due in part to client projects that were completed in 2008, the slower initiation of new client projects and the absence of large projects. Financial Solutions and IT&T combined contracting revenue was down 36 percent in the third quarter compared with the prior year period.

Gross margin dollars declined 49 percent in the third quarter from the prior year period to $9 million and was down 12 percent from the second quarter of 2009. Temporary contracting gross margin percentage was 23.2 percent, virtually unchanged from 23.3 percent in the prior year period. Overall, gross margin percentage was 26 percent, down from 27 percent in the prior year period, but up 150 basis points from the second quarter of 2009.

Adjusted EBITDA was a loss of $1.6 million in the third quarter, representing a decline of $3.2 million from adjusted EBITDA of $1.6 million in the third quarter of 2008, and a $1.2 million decline from the second quarter of 2009. Operating expenses declined 34 percent from the prior year period, resulting from cost reduction actions taken last year and continuing through the third quarter of 2009, helping to offset nearly $6 million, or 63 percent, of the gross margin decline.

Hudson Europe

In the third quarter of 2009, Hudson Europe revenue declined 31 percent on a reported basis, to $68 million compared with $98 million for the same period of 2008, and declined 23 percent in constant currency. Contract revenue declined 16 percent, permanent recruitment revenue declined 35 percent and talent management revenue declined 27 percent from the prior year period in constant currency. Sequentially, reported revenue remained flat to the second quarter and gross margin declined 5 percent, driven by slight growth in the United Kingdom and offset by a decline in continental Europe.

In the United Kingdom, revenue declined 20 percent in constant currency compared with the third quarter of 2008, driven by an 18 percent decline in temporary contracting and a 21 percent decline in permanent recruitment. The gross margin percentage was 17 percent, down from 20 percent in the prior year period, driven by client mix. Sequentially, gross margin in the United Kingdom declined 2 percent on a constant currency basis, though we saw progress in a number of markets, led by Financial Services both in and outside of London.

In continental Europe, revenue declined 28 percent and gross margin declined 36 percent in constant currency compared with the prior year period, driven primarily by a 47 percent decline in permanent recruitment. Continental Europe typically has a seasonal decline from the second to the third quarter, a trend that continued in the third quarter of 2009. Sequentially, both revenue and gross margin were down about 10 percent, resulting from weaker demand in France, Belgium and Spain, offset by stability in Balance’s contracting business in the Netherlands. The decline in France was driven by weakness in real estate and financial services, while weakness in Belgium was driven by reductions in discretionary spending in the public sector. Despite seasonal weakness relative to the prior quarter, continental Europe again produced positive adjusted EBITDA in the third quarter.

Adjusted EBITDA was slightly positive in Europe in the third quarter, down from $3.4 million in the third quarter of 2008 and from $0.8 million in the second quarter of 2009, representing a smaller sequential decline than in previous years. Hudson Europe offset 83 percent of its gross margin decline in the third quarter from the prior year period by reducing operating expenses by 36 percent.

Hudson Asia Pacific

In the third quarter of 2009, Hudson Asia Pacific revenue declined 37 percent, to $66 million from $104 million in the prior year period, and declined 33 percent in constant currency. Contract revenue was down 27 percent and permanent recruitment declined 53 percent from the prior year period in constant currency, offset by a 21 percent increase in talent management revenue. Gross margin declined 41 percent in constant currency.

In Australia and New Zealand, revenue declined 37 percent on a reported basis or 33 percent in constant currency, both compared with the prior year period. Temporary contracting declined 27 percent and permanent recruitment declined 60 percent in constant currency. Gross margin decreased 46 percent on a reported basis and was down 43 percent in constant currency. Compared to the second quarter of 2009, revenue and gross margin were up 4 percent and 6 percent, respectively, on a reported basis, though on a constant currency basis, they were down 6 and 7 percent sequentially.

In Asia, revenue declined 34 percent from the prior year in reported and constant currency. On a sequential basis, China and Singapore achieved improved gross margin dollars from the second quarter of 2009, helping to generate a 22 percent increase over the second quarter in Asia. As noted above, the sequential improvement was due to growth in the accounting, industrial and sales & marketing practices.

Asia Pacific's adjusted EBITDA in the third quarter was $2.6 million, compared with $7.6 million in the prior year period. Despite this decline, both Australia/New Zealand and Asia delivered positive adjusted EBITDA in the third quarter due to aggressive expense cuts. Australia and New Zealand offset 73 percent of its gross margin decline in the third quarter from the prior year period, and Asia offset 79 percent of its gross margin decline.

Corporate

Corporate expenses were $4.2 million for the quarter, down $1.8 million from the prior year period, driven primarily by lower professional fees and a reduction in discretionary spending.

Restructuring Program

During the fourth quarter of 2009, the company expects to continue to streamline its operations in response to current economic conditions. The company recently increased the size of its 2009 restructuring plan to $19 million and expects to incur $2 - $5 million of restructuring charges during the fourth quarter of 2009. Third quarter restructuring expenses of $2.9 million were related to severance and lease terminations, primarily in Europe.

Liquidity and Capital Resources

The company ended the third quarter of 2009 with $44.5 million in cash and $10.5 million currently borrowed under its primary credit facility, down from $47.2 million in cash at the end of the second quarter of 2009 with $11.3 million borrowed. In addition, the company has availability under its primary credit facility of $2.3 million, as well as an additional $3.8 million of availability under local country credit facilities, the majority of which became available subsequent to September 30, 2009. The company paid $1.7 million in July 2009 as part of its earn-out for the Tony Keith acquisition in China.

Guidance

Despite recent signs of increasing stability, visibility remains low. As a result, the company will not provide formal guidance for the fourth quarter of 2009. The company will comment on current trends and its outlook for the fourth quarter on its third quarter earnings call.

Safe Harbor Statement

This letter contains statements that the company believes to be "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact included in this letter, including those under the caption “Guidance” and other statements regarding the company's future financial condition, results of operations, business operations and business prospects, are forward-looking statements. Words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "predict," "believe" and similar words, expressions and variations of these words and expressions are intended to identify forward-looking statements. All forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. These factors include, but are not limited to, the impact of global economic fluctuations including the current economic downturn; the ability of clients to terminate their relationship with the company at any time; risks in collecting our accounts receivable; implementation of the company’s cost reduction initiatives effectively; the company’s history of negative cash flows and operating losses may continue; the company's limited borrowing availability under our credit facility, which may negatively impact our liquidity; restrictions on the company’s operating flexibility due to the terms of its credit facility; fluctuations in the company’s operating results from quarter to quarter; risks relating to the company’s international operations, including foreign currency fluctuations; risks related to our investment strategy; risks and financial impact associated with dispositions of underperforming assets; the company’s heavy reliance on information systems and the impact of potentially losing or failing to develop technology; competition in the company’s markets and the company’s dependence on highly skilled professionals; the company’s exposure to employment-related claims from both clients and employers and limits on related insurance coverage; the company’s dependence on key management personnel; volatility of stock price; the impact of government regulations; financial impact of audits by various taxing authorities; and restrictions imposed by blocking arrangements. Additional information concerning these and other factors is contained in the company's filings with the Securities and Exchange Commission. These forward-looking statements speak only as of the date of this letter. The company assumes no obligation, and expressly disclaims any obligation, to review or confirm analysts' expectations or estimates or to update any forward-looking statements, whether as a result of new information, future events or otherwise.

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Financial Tables Follow

HUDSON HIGHLAND GROUP, INC.
SEGMENT ANALYSIS
(in thousands)
(unaudited)

For The Three Months Ended September 30, 2009	Hudson Americas	Hudson Europe	Hudson Asia Pacific	Corporate	Total
Revenue	$ 35,705	$ 67,898	$ 66,044	$ -	$ 169,647
Gross margin	$ 9,258	$ 29,571	$ 25,361	$ -	$ 64,190
Adjusted EBITDA (1)	$ (1,625)	$ 30	$ 2,579	$ (4,206)	$ (3,222)
Business reorganization and integration expenses	592	1,881	405	-	2,878
Goodwill and other impairment charges	-	-	-	-	-
EBITDA (1)	(2,217)	(1,851)	2,174	(4,206)	(6,100)
Depreciation and amortization	1,047	911	739	44	2,741
Operating (loss) income	$ (3,264)	$ (2,762)	$ 1,435	$ (4,250)	$ (8,841)

For The Three Months Ended September 30, 2008	Hudson Americas	Hudson Europe	Hudson Asia Pacific	Corporate	Total
Revenue	$ 66,485	$ 98,301	$ 104,453	$ -	$ 269,239
Gross margin	$ 17,967	$ 49,717	$ 45,011	$ -	$ 112,695
Adjusted EBITDA (1)	$ 1,586	$ 3,403	$ 7,631	$ (6,005)	$ 6,615
Business reorganization and integration expenses	121	813	1,883	-	2,817
Goodwill and other impairment charges	-	-	-	-	-
EBITDA (1)	1,465	2,590	5,748	(6,005)	3,798
Depreciation and amortization	1,175	1,495	1,190	53	3,913
Operating income (loss)	$ 290	$ 1,095	$ 4,558	$ (6,058)	$ (115)

(1) Non-GAAP earnings before interest, income taxes, special charges, other non-operating expense, and depreciation and amortization ("Adjusted EBITDA") and non-GAAP earnings before interest, income taxes, other non-operating expense, and depreciation and amortization ("EBITDA") are presented to provide additional information about the company's operations on a basis consistent with the measures which the company uses to manage its operations and evaluate its performance. Management also uses these measurements to evaluate capital needs and working capital requirements. Adjusted EBITDA and EBITDA should not be considered in isolation or as a substitute for operating income, cash flows from operating activities, and other income or cash flow statement data prepared in accordance with generally accepted accounting principles or as a measure of the company's profitability or liquidity. Furthermore, adjusted EBITDA and EBITDA as presented above may not be comparable with similarly titled measures reported by other companies.

HUDSON HIGHLAND GROUP, INC.
Reconciliation For Constant Currency
(in thousands)
(unaudited)

The company defines the term “constant currency” to mean that financial data for a period are translated into U.S. Dollars using the same foreign currency exchange rates that were used to translate financial data for the previously reported period. The company uses constant currency to depict the current period results at the exchange rates of the prior period. Changes in revenues, direct costs, gross margin and selling, general and administrative expenses include the effect of changes in foreign currency exchange rates. Variance analysis usually describes period-to-period variances that are calculated using constant currency as a percentage. The company’s management reviews and analyzes business results in constant currency and believes these results better represent the company’s underlying business trends.

The company believes that these calculations are a useful measure, indicating the actual change in operations. Earnings from subsidiaries are rarely repatriated to the United States, and there are no significant gains or losses on foreign currency transactions between subsidiaries. Therefore, changes in foreign currency exchange rates generally impact only reported earnings and not the company’s economic condition.

	2009			2008
	As Reported	Currency Translation	Constant Currency	As Reported
Revenue:				
Hudson Americas	$ 35,705	$ 28	$ 35,733	$ 66,485
Hudson Europe	67,898	8,013	75,911	98,301
Hudson Asia Pacific	66,044	3,654	69,698	104,453
Total	169,647	11,695	181,342	269,239
Direct costs:				
Hudson Americas	26,447	2	26,449	48,518
Hudson Europe	38,327	4,905	43,232	48,584
Hudson Asia Pacific	40,683	2,645	43,328	59,442
Total	105,457	7,552	113,009	156,544
Gross margin:				
Hudson Americas	9,258	26	9,284	17,967
Hudson Europe	29,571	3,108	32,679	49,717
Hudson Asia Pacific	25,361	1,009	26,370	45,011
Total	$ 64,190	$ 4,143	$ 68,333	$ 112,695
Selling, general and administrative (1)				
Hudson Americas	$ 11,926	$ 26	$ 11,952	$ 17,571
Hudson Europe	30,456	3,372	33,828	47,796
Hudson Asia Pacific	23,521	1,353	24,874	38,568
Corporate	4,250	-	4,250	6,058
Total	$ 70,153	$ 4,751	$ 74,904	$ 109,993

(1) Selling, general and administrative expenses include depreciation and amortization expenses.