

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): October 28, 2004

Hudson Highland Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware 0-50129 59-3547281 (State or Other Jurisdiction of Incorporation) (Commission File Number) (I.R.S. Employer Identification No.)

622 Third Avenue, New York, New York 10017

(Address of principal executive offices, including zip code)

212-351-7300

(Registrant's telephone number, including area code)

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 (17 CFR 230.425)
[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 2.02. Results of Operations and Financial Condition.

On October 28, 2004, Hudson Highland Group, Inc. issued a press release announcing its financial results for the quarter and nine months ended September 30, 2004. A copy of such press release is furnished as Exhibit 99.1 to this Current Report.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS.

(a) Financial Statements

None.

(b) Pro Forma Financial Information.

None.

(c) Exhibits

99.1 Press Release of Hudson Highland Group, Inc. issued on October 28, 2004.

## 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)**

Dated: October 28, 2004

By: */s/ RICHARD W. PEHLKE*

---

RICHARD W. PEHLKE  
Executive Vice President and  
Chief Financial Officer

2

---

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

**Exhibit Index**

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press Release of Hudson Highland Group, Inc. issued on October 28, 2004.

3



**For Immediate Release**

Contacts: Richard W. Pehlke  
Hudson Highland Group  
312-795-4228  
[rich.pehlke@hhgroup.com](mailto:rich.pehlke@hhgroup.com)

John D. Lovallo  
Ogilvy Public Relations Worldwide  
212-880-5216  
[john.lovallo@ogilvypr.com](mailto:john.lovallo@ogilvypr.com)

**Hudson Highland Group Reports  
2004 Third Quarter and Nine Month Results**

**NEW YORK, NY – October 28, 2004** – Hudson Highland Group, Inc. (NASDAQ: HHGP), one of the world’s leading providers of specialized professional staffing, retained executive search and human capital solutions, today announced financial results for the third quarter and nine months ended September 30, 2004. For the third quarter, the company reported revenue of \$315.0 million and a net loss of \$6.9 million, or \$0.68 per basic and diluted share, which included restructuring charges of \$3.0 million related to office leases.

**2004 Third Quarter Highlights**

- Revenue of \$315.0 million, an increase of 15.7 percent from \$272.2 million for the third quarter of 2003
- Gross margin of \$116.4 million, or 37.0 percent of revenue, up 18.5 percent from \$98.2 million, or 36.1 percent of revenue, for the same year ago period
- Adjusted EBITDA of \$0.6 million, which excludes the restructuring effects noted above
- Cash and cash equivalents of \$26.5 million

“Adjusted EBITDA was positive for the second consecutive quarter and cash management continues to be strong,” said Jon Chait, chairman and chief executive officer of Hudson Highland Group. “All regional business units contributed positive adjusted EBITDA results, with the exception of Europe, where results were affected by seasonal weakness. North America achieved particularly strong growth in both revenue and gross margin, up 27.1 percent and 36.1 percent, respectively, from the third quarter of 2003.”

---

“We are encouraged by steadily improving operating trends and continued strong expense management during the year,” said Richard W. Pehlke, Hudson Highland Group executive vice president and chief financial officer. “We expect improved results in the fourth quarter over the third quarter; however, it is too early to determine if that will result in positive adjusted EBITDA for the full year.”

**2004 Third Quarter Charge**

For the third quarter of 2004, the company recorded restructuring charges of \$3.0 million related to office leases. This included a charge of \$2.6 million related to the relocation of its Highland Partners office in Toronto, Canada. The balance of the charges related to revisions to existing office lease restructuring plans. “These steps reflect the company’s continuing effort to reduce costs and increase operational efficiencies,” Pehlke added.

**2004 Nine Month Results**

For the first nine months of 2004, Hudson Highland Group reported revenue of \$912.3 million and an operating loss of \$22.4 million. Hudson Highland Group’s net loss for the first nine months of 2004 was \$25.4 million, or \$2.66 per basic and diluted shares.

**Historical Results**

On a historical basis for the third quarter ended September 30, 2003, Hudson Highland Group reported revenue of \$272.2 million, an operating loss of \$225.6 million, which included a goodwill impairment charge of \$202.8 million. The company’s net loss for the third quarter of 2003 was \$226.3 million, or \$26.92 per basic and diluted shares.

For the first nine months of 2003, Hudson Highland Group reported revenue of \$800.7 million and an operating loss of \$278.2 million, which included a goodwill impairment charge of \$202.8 million. Hudson Highland Group's net loss for the first nine months of 2003 was \$285.4 million, or \$34.05 per basic and diluted shares.

### **Conference Call / Webcast**

Hudson Highland Group will conduct a conference call today, Thursday, October 28, 2004 at 10:30 AM EDT to discuss this announcement. Investors wishing to participate can join the conference call by dialing 1-800-374-1532 followed by the participant passcode 1330308 at 10:20 AM EDT. For those outside the United States, please call in on 1-706-634-5594 followed by the participant passcode 1330308. Hudson Highland Group's quarterly conference call can also be accessed online through Yahoo! Finance at [www.yahoo.com](http://www.yahoo.com) and the investor information section of the company's website at [www.hhgroup.com](http://www.hhgroup.com).

---

### **Hudson Highland Group**

Hudson Highland Group offers a full suite of specialized professional staffing, retained executive search and human capital solutions worldwide. The company employs more than 3,700 professionals serving clients and candidates in more than 20 countries through its Hudson and Highland Partners businesses. More information about Hudson Highland Group is available at [www.hhgroup.com](http://www.hhgroup.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 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 on temporary contracting operations; the cyclical nature of the company's executive search and mid-market professional staffing businesses; the company's ability to manage its growth; risks associated with expansion; the company's reliance on information systems and technology; competition; fluctuations in operating results; risks relating to foreign operations, including foreign currency fluctuations; dependence on highly skilled professionals and key management personnel; the impact of employees departing with existing executive search clients; risks maintaining professional reputation and brand name; restrictions imposed by blocking arrangements; exposure to employment-related claims, and limits on insurance coverage related thereto; government regulations; the company's ability to successfully operate as an independent company and the level of costs associated therewith; and restrictions on the company's operating flexibility due to the terms of its credit facility. 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 press release. The company assumes no obligation, and expressly disclaims any obligation, to update any forward-looking statements.

# # #

---

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

Three Months Ended  
September 30,

---

Nine Months Ended  
September 30,

---

	2004	2003	2004	2003
Revenue	\$ 315,029	\$ 272,181	\$ 912,264	\$ 800,653
Direct costs	198,615	173,959	570,970	501,181
Gross margin	116,414	98,222	341,294	299,472
Selling, general and administrative expenses	120,165	119,082	360,573	364,420
Goodwill impairment charge	--	202,785	--	202,785
Business reorganization expenses	3,314	2,082	3,450	9,543
Merger and integration expenses (recoveries)	(317)	(102)	(354)	876
Operating loss	(6,748)	(225,625)	(22,375)	(278,152)
Other income (expense):				
Other, net	128	(749)	(1,759)	(930)
Interest income (expense), net	203	(121)	(53)	(376)
Loss before provision for (benefit of) income taxes	(6,417)	(226,495)	(24,187)	(279,458)
Provision for (benefit of) income taxes	530	(221)	1,251	5,917
Net loss	\$ (6,947)	\$ (226,274)	\$ (25,438)	\$ (285,375)
Basic and diluted loss per share:				
Net loss	\$ (.68)	\$ (26.92)	\$ (2.66)	\$ (34.05)
Weighted average shares outstanding	10,154	8,405	9,575	8,382

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

	September 30, 2004	December 31, 2003
	(unaudited)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 26,528	\$ 26,137
Accounts receivable, net	181,852	149,042
Other current assets	11,633	17,719
Due from Monster	--	5,518
Total current assets	220,013	198,416
Property and equipment, net	36,652	38,625
Other assets	8,801	11,703
Intangibles, net	6,288	2,180
	\$ 271,754	\$ 250,924
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 29,407	\$ 26,495
Accrued expenses and other current liabilities	134,196	118,548
Accrued business reorganization expenses	10,158	11,543
Accrued merger and integration expenses	2,021	2,960
Total current liabilities	175,782	159,546
Accrued business reorganization expenses, non-current	7,367	14,840
Accrued merger and integration expenses, non-current	2,176	3,484

Other non-current liabilities	5,856	3,693
Total liabilities	191,181	181,563
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.001 par value, 10,000 shares authorized; none issued or outstanding	--	--
Common stock, \$.001 par value, 100,000 shares authorized; issued 10,238 and 8,573 shares, respectively	10	9
Additional paid-in capital	352,465	315,130
Retained deficit	(310,239)	(284,801)
Accumulated other comprehensive income - translation adjustments	38,567	39,023
Treasury stock, 8 shares	(230)	--
Total stockholders' equity	80,573	69,361
	<u>\$ 271,754</u>	<u>\$ 250,924</u>

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

**For the Three Months Ended September 30, 2004**

	<u>Americas</u>	<u>Europe</u>	<u>Asia Pac</u>	<u>Corporate and Other</u>	<u>Total</u>
Revenue					
Hudson	\$ 83,013	\$ 114,957	\$ 102,175	\$ 683	\$ 300,828
Highland	11,181	1,318	1,702	--	14,201
	<u>\$ 94,194</u>	<u>\$ 116,275</u>	<u>\$ 103,877</u>	<u>\$ 683</u>	<u>\$ 315,029</u>
Gross Margin					
Hudson	\$ 22,658	\$ 43,129	\$ 36,501	\$ 643	\$ 102,931
Highland	10,664	1,253	1,566	--	13,483
	<u>\$ 33,322</u>	<u>\$ 44,382</u>	<u>\$ 38,067</u>	<u>\$ 643</u>	<u>\$ 116,414</u>
<b>Adjusted EBITDA (1)</b>					
Hudson	\$ 3,014	\$ (318)	\$ 7,227	\$ (1,328)	\$ 8,595
Highland	1,293	(890)	81	--	484
Corporate	--	--	--	(8,462)	(8,462)
	<u>\$ 4,307</u>	<u>\$ (1,208)</u>	<u>\$ 7,308</u>	<u>\$ (9,790)</u>	<u>\$ 617</u>

**For the Three Months Ended September 30, 2003**

	<u>Americas</u>	<u>Europe</u>	<u>Asia Pac</u>	<u>Corporate and Other</u>	<u>Total</u>
Revenue					
Hudson	\$ 63,488	\$ 90,316	\$ 102,712		\$ 256,516
Highland	10,630	3,719	1,316		15,665
	<u>\$ 74,118</u>	<u>\$ 94,035</u>	<u>\$ 104,028</u>		<u>\$ 272,181</u>
Gross Margin					
Hudson	\$ 14,618	\$ 36,557	\$ 32,410		\$ 83,585
Highland	9,860	3,594	1,183		14,637
	<u>\$ 24,478</u>	<u>\$ 40,151</u>	<u>\$ 33,593</u>		<u>\$ 98,222</u>
<b>Adjusted EBITDA (1)</b>					
Hudson	\$ (6,584)	\$ (2,164)	\$ 2,897		\$ (5,851)

Highland	(573)	(1,755)	(134)		(2,462)
Corporate	--	--	--	\$ (7,292)	(7,292)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	\$ (7,157)	\$ (3,919)	\$ 2,763	\$ (7,292)	\$ (15,605)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

(1) Non-GAAP earnings before interest, income taxes, special charges and depreciation and amortization ("Adjusted EBITDA") is 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 this measurement to evaluate capital needs and working capital requirements. Adjusted 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 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, 2004

	<u>Americas</u>	<u>Europe</u>	<u>Asia Pac</u>	<u>Corporate and Other</u>	<u>Total</u>
<b>Revenue</b>					
Hudson	\$ 235,243	\$ 327,233	\$ 302,805	\$ 1,263	\$ 866,544
Highland	32,948	5,463	7,309	--	45,720
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	\$ 268,191	\$ 332,696	\$ 310,114	\$ 1,263	\$ 912,264
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Gross Margin</b>					
Hudson	\$ 59,899	\$ 132,382	\$ 104,841	\$ 1,166	\$ 298,288
Highland	31,109	5,177	6,720	--	43,006
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	\$ 91,008	\$ 137,559	\$ 111,561	\$ 1,166	\$ 341,294
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Adjusted EBITDA (1)</b>					
Hudson	\$ 6,054	\$ (458)	\$ 15,967	\$ (4,453)	\$ 17,110
Highland	2,101	(1,115)	946	--	1,932
Corporate	--	--	--	(23,959)	(23,959)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	\$ 8,155	\$ (1,573)	\$ 16,913	\$ (28,412)	\$ (4,917)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

For the Nine Months Ended September 30, 2003

	<u>Americas</u>	<u>Europe</u>	<u>Asia Pac</u>	<u>Corporate and Other</u>	<u>Total</u>
<b>Revenue</b>					
Hudson	\$ 211,604	\$ 265,675	\$ 275,812		\$ 753,091
Highland	32,278	11,861	3,423		47,562
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	\$ 243,882	\$ 277,536	\$ 279,235		\$ 800,653
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Gross Margin</b>					
Hudson	\$ 48,548	\$ 114,667	\$ 91,332		\$ 254,547
Highland	30,951	10,912	3,062		44,925
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	\$ 79,499	\$ 125,579	\$ 94,394		\$ 299,472
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Adjusted EBITDA (1)</b>					
Hudson	\$ (10,774)	\$ (11,115)	\$ 3,680		\$ (18,209)
Highland	(3,730)	(6,130)	(769)		(10,629)
Corporate	--	--	--	\$ (20,554)	(20,554)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	\$ (14,504)	\$ (17,245)	\$ 2,911	\$ (20,554)	\$ (49,392)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

(1) Non-GAAP earnings before interest, income taxes, special charges and depreciation and amortization ("Adjusted EBITDA") is 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 this

**HUDSON HIGHLAND GROUP, INC.**  
**RECONCILIATION OF ADJUSTED EBITDA TO OPERATING LOSS**  
(in thousands)  
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
<b><u>Hudson</u></b>				
Adjusted EBITDA (1)	\$ 8,595	\$ (5,851)	\$ 17,110	\$ (18,209)
Business reorganization (expenses) recoveries	(706)	335	(891)	(6,205)
Merger and integration (expenses) recoveries	317	102	354	(876)
Depreciation and amortization	(3,860)	(3,377)	(11,192)	(10,324)
Goodwill impairment	--	(195,404)	--	(195,404)
Operating loss	<u>\$ 4,346</u>	<u>\$ (204,195)</u>	<u>\$ 5,381</u>	<u>\$ (231,018)</u>
<b><u>Highland</u></b>				
Adjusted EBITDA (1)	\$ 484	\$ (2,462)	\$ 1,932	\$ (10,629)
Business reorganization (expenses)	(2,608)	(2,417)	(2,559)	(3,201)
Depreciation and amortization	(473)	(975)	(1,305)	(3,280)
Goodwill impairment	--	(7,381)	--	(7,381)
Operating loss	<u>\$ (2,597)</u>	<u>\$ (13,235)</u>	<u>\$ (1,932)</u>	<u>\$ (24,491)</u>
<b><u>Corporate</u></b>				
Adjusted EBITDA (1)	\$ (8,462)	\$ (7,292)	\$ (23,959)	\$ (20,554)
Business reorganization expenses	--	--	--	(137)
Depreciation and amortization	(35)	(903)	(1,865)	(1,952)
Corporate expenses	<u>\$ (8,497)</u>	<u>\$ (8,195)</u>	<u>\$ (25,824)</u>	<u>\$ (22,643)</u>
<b><u>Hudson Highland Group consolidated</u></b>				
Adjusted EBITDA (1)	\$ 617	\$ (15,605)	\$ (4,917)	\$ (49,392)
Business reorganization (expenses)	(3,314)	(2,082)	(3,450)	(9,543)
Merger and integration (expenses) recoveries	317	102	354	(876)
Depreciation and amortization	(4,368)	(5,255)	(14,362)	(15,556)
Goodwill impairment	--	(202,785)	--	(202,785)
Operating loss	<u>\$ (6,748)</u>	<u>\$ (225,625)</u>	<u>\$ (22,375)</u>	<u>\$ (278,152)</u>

(1) Non-GAAP earnings before interest, income taxes, special charges and depreciation and amortization ("Adjusted EBITDA") is 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 this measurement to evaluate capital needs and working capital requirements. Adjusted 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 as presented above may not be comparable with similarly titled measures reported by other companies.